



Supporting children and families
in Goleta and Isla Vista

**Financial Statements
For the Year Ended
June 30, 2018**



ISLA VISTA YOUTH PROJECTS, INC.
TABLE OF CONTENTS
June 30, 2019

	Page
Independent Auditors' Report	1 - 2
Management's Discussion & Analysis	3 - 4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 22



Supporting children and families
in Goleta and Isla Vista



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Isla Vista Youth Projects, Inc. (IVYP)
(A California Non-Profit Corporation)
Goleta, California

Report on the Financial Statements

We have audited the accompanying financial statements of Isla Vista Youth Projects, Inc. (A California Non-Profit Corporation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Isla Vista Youth Projects, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Isla Vista Youth Projects, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Isla Vista Youth Projects, Inc.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management Discussion and Analysis is presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vorlein, Hayn + Co.

Calabasas, California
October 18, 2019

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2019

Purpose

The purpose of this Management's Discussion & Analysis is to introduce our financial statements and to provide an overview of our program service accomplishments and community impact.

Mission

Isla Vista Youth Projects' (IVYP's) mission is to strengthen our community through diverse educational, recreational and social programs for children and families regardless of income.

Children's Center

When children are cared for in a safe, stimulating and high-quality environment, they grow up to be lifelong learners and families are able to work or go to school in order to provide for their families. Our two Isla Vista Children's Center sites serve both state-certified and private pay students with blended programs designed to facilitate cognitive, emotional, physical, social and creative growth to children in a language-rich environment that supports the ethnic and cultural diversity of the children. In Fiscal Year 2018-19, we educated 37 infants/toddlers and 98 preschoolers between the ages of 3 months and 6 years.

School Aged Programming

Children build resilience when they have access to enriched social, educational and recreational opportunities. IVYP's After-School and Summer Enrichment Program provides K-6 children with homework assistance, enrichment activities, and a safe environment to learn and grow. In Fiscal Year 2018-19, IVYP expanded our Afterschool program to include El Camino Elementary school in addition to Isla Vista Elementary. In Fiscal Year 2018-19, 226 children participated in our school aged programming.

Family Resource Center

Families become resilient through relationships with community organizations and with one another. IVYP's Family Resource Center provides parent education classes, case management, monthly food distributions, an emergency personal care and food pantry on site, clothing distributions, home visitation, and enrollment services for CalFresh, Medi-Cal, WIC and other resources community engagement events. In Fiscal Year

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2019

2018-19, IVYP's Family Resource Center expanded its offices to a new located in Old Town Goleta in order to lessen barriers to entry for our families. This past year we hosted four immigration forums, two emergency preparedness fairs, 3 parenting workshops, and 12 healthy food pantry food distributions. In Fiscal Year 2018-19: 3,226 families received services.

Isla Vista Community Room/Thrive

IVYP envisions a community where children are loved, valued and respected and families are engaged to reach their highest potential. In 2019, IVYP launched the Goleta Valley Community Partners network, engaging leaders from the Goleta Union School District, law enforcement, the nonprofit sector, the health sector and the business sector to develop shared goals for the Goleta Valley community. Additionally, IVYP managed the Isla Vista Community Room, providing and coordinating community strengthening programs including Zumba classes, Salsa classes, homework and tutoring help, computer literacy classes and a Mother's Day celebration.

Note Regarding Classification of Revenues

New accounting principles will apply to IVYP next fiscal year which help to determine if revenue producing transactions should be accounted for as Contributions under Public Support or service contracts under Earned Revenue.

Under prior accounting principles almost all government-funded service arrangements were accounted for as contracts and recognized as earned Revenue in accordance with earning criteria provided by the governmental funding organization. The new principles provide clarifying guidance to evaluate whether a government receives value in return for the funds transferred, and if not, will result in the governmental service contracts being classified as contributions.

The new principles also include improved guidance to determine whether a contribution is conditional (such as by earning criteria provided by the governmental funding organization) or not and to better distinguish between donor-imposed Conditions and donor-imposed Restrictions.

More than 70% of IVYP's total Public Support and Revenue were classified as earned government service revenue will likely be classified as Public Support.

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2019
(with comparative totals for 2018)

ASSETS	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 213,884	\$ 224,200
Contracts and Grants Receivables (Note 3)	238,711	400,576
Accounts Receivable	-	200
Prepaid Expenses	8,106	8,426
Other Current Assets	18,512	14,689
Property and Equipment, Net (Note 4)	1,254,530	1,282,890
Total Assets	<u>\$ 1,733,743</u>	<u>\$ 1,930,981</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 48,932	\$ 42,041
Accrued Payroll and Related Liabilities (Note 5)	143,680	101,940
Line of Credit Payable (Note 6)	-	125,000
Note Payable	-	54,787
Mortgage Payable (Note 7)	297,354	297,354
Government Funded Assets	14,178	15,358
California Department of Education Reserve (Note 8)	33,931	18,736
Total Liabilities	<u>538,075</u>	<u>655,216</u>
NET ASSETS (Notes 8 and 9)		
Without Donor Restriction:		
Undesignated	(58,862)	(37,726)
Invested in Fixed Assets	1,254,530	1,282,890
Total Net Assets Without Donor Restrictions	<u>1,195,668</u>	<u>1,245,164</u>
With Donor Restrictions:		
Purpose Restrictions (Note 12)	-	30,601
Total Net Assets With Donor Restrictions	<u>-</u>	<u>30,601</u>
Total Net Assets	<u>1,195,668</u>	<u>1,275,765</u>
Total Liabilities and Net Assets	<u>\$ 1,733,743</u>	<u>\$ 1,930,981</u>

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF ACTIVITIES
June 30, 2019
(with Comparative Totals for 2018)

	2019			2018
	Without Donor Restriction	With Donor Restriction	Total	Total
OPERATING				
PUBLIC SUPPORT				
Special Events, Gross	\$ 28,845	\$ -	\$ 28,845	\$ -
Less: Direct Costs	(15,551)	-	(15,551)	-
Special Events, Net (Note 13)	13,294	-	13,294	-
Contributions and Grants	374,391	-	374,391	272,459
Total Public Support	387,685	-	387,685	272,459
REVENUE				
Governmental service contracts	1,627,978	-	1,627,978	1,509,992
CACFP food program revenue	108,206	-	108,206	108,045
Parent fees	373,998	-	373,998	189,808
Other income	1,270	-	1,270	10,093
Interest income	182	-	182	1
In-kind contributions	-	-	-	3,630
Contract settlements	26,254	-	(26,254)	33,957
Total Public Support and Revenue	2,473,065	-	2,473,065	2,127,985
Net Assets Released from Restriction	30,601	(30,601)	-	-
EXPENSES				
PROGRAM SERVICES	2,210,687	-	2,210,687	1,970,939
SUPPORTING SERVICES				
Management and General	244,594	-	244,594	164,583
Fundraising	97,881	-	97,881	548
Total Supporting Services	342,475	-	342,475	165,131
Total Operating Expenses	2,553,162	-	2,553,162	2,136,070
Change in Net Assets	(49,496)	(30,601)	(80,097)	(8,085)
Net Assets, Beginning of Year	1,245,164	30,601	1,275,765	1,283,850
Net Assets, End of Year	\$ 1,195,668	\$ -	\$ 1,195,668	\$ 1,275,765

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019
(with Comparative Totals for 2018)

	Program Services				IV Community Room / Thrive	Total Program Services	Support Services		Total Expenses 2019	Total Expenses 2018
	Children's Center	School Aged Programming	Family Resource Center				Management and General	Fundraising		
Salaries and Related Expenses										
Salaries and Wages	\$ 1,204,716	\$ 137,011	\$ 164,274	\$ 65,209	\$ 1,571,210	\$ 76,009	\$ 68,386	\$ 1,715,605	\$ 1,385,959	
Employee Benefits	97,841	8,779	12,467	8,524	127,611	(6,644)	11,801	132,768	113,319	
Payroll Taxes	84,933	11,391	9,847	3,923	110,094	15,544	4,455	130,093	145,027	
Total Salaries and Related Expenses	1,387,490	157,181	186,588	77,656	1,808,915	84,909	84,642	1,978,466	1,644,305	
Operating Expenses										
Accounting	-	-	-	-	-	54,768	-	54,768	47,286	
Advertising	2,640	-	176	-	2,816	20	6,917	9,753	4,105	
Conferences, conventions and meetings	3,265	-	96	266	3,627	1,783	72	5,482	3,739	
Fees for services	15,906	-	-	1,625	17,531	33,554	302	51,387	49,132	
Information technology	5,562	-	-	-	5,562	25,521	-	31,083	8,181	
Insurance	-	-	-	-	-	25,597	-	25,597	20,669	
Interest expense	-	-	43	-	43	4,173	-	4,216	2,937	
Legal	-	-	-	-	-	150	-	150	-	
Miscellaneous fundraising expenses	-	-	45	210	255	-	15,296	15,551	548	
Occupancy	73,740	8,296	21,391	1,996	105,423	1,390	-	106,813	94,594	
Office expenses	49,639	2,469	8,897	3,181	64,186	5,051	5,832	75,069	83,129	
Program supplies	147,740	4,476	1,674	560	154,450	3,965	78	158,493	133,477	
Other expenses	297	177	-	-	474	60	-	534	1,116	
Travel	4,616	43	3,457	1,121	9,237	2,473	293	12,003	6,667	
Total Operating Expenses	1,690,895	172,642	222,367	86,615	2,172,519	243,414	113,432	2,529,365	2,099,885	
Nonoperating Expenses										
Depreciation	38,168	-	-	-	38,168	1,180	-	39,348	36,185	
Total Nonoperating Expenses	38,168	-	-	-	38,168	1,180	-	39,348	36,185	
Total Functional Expenses	\$ 1,729,063	\$ 172,642	\$ 222,367	\$ 86,615	\$ 2,210,687	\$ 244,594	\$ 113,432	\$ 2,568,713	\$ 2,136,070	

See accompanying notes.

ISLA VISTA YOUTH PROJECTS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

(with Comparative Totals for 2018)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (80,097)	\$ (8,085)
Adjustments to reconcile increase in Net Assets to Cash Provided by (Used by) operating activities:		
Depreciation	39,348	36,185
Adjustment to accumulated depreciation - prior period adjustment	-	(138,072)
Prior period adjustment	-	66,075
(Increase) decrease in:		
Contracts and grants receivable	161,865	(286,468)
Accounts receivable	200	204,499
Prepaid expenses	320	1,298
Other current assets	(3,823)	(14,689)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,891	10,652
Accrued payroll and related liabilities	41,740	63,562
Government funded assets	(1,180)	15,358
California Department of Education reserve	15,195	(20,923)
Net Cash Provided by Operating Activities	<u>180,459</u>	<u>(70,608)</u>
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(988)	(25,965)
Net Cash Provided (Used) by Investing Activities	<u>(988)</u>	<u>(25,965)</u>
Cash Flows from Financing Activities		
Purchases of property and equipment using restricted contributions	(10,000)	-
Borrowings from line of credit	-	225,000
Principal repayments related to line of credit payable	(125,000)	(100,000)
Principal repayments related to note payable	(54,787)	(10,213)
Borrowings from mortgage payable	-	3,405
Net Cash Provided (Used) by Financing Activities	<u>(189,787)</u>	<u>118,192</u>
Net Increase in Cash and Cash Equivalents	(10,316)	21,619
Cash and Cash Equivalents at Beginning of Year	224,200	202,581
Cash and Cash Equivalents at End of Year	<u>\$ 213,884</u>	<u>\$ 224,200</u>

See accompanying notes.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

1. ORGANIZATION

General:

The Isla Vista Youth Projects, Inc. (IVYP) was founded in 1971 in response to the lack of local youth services for children residing in this community. Poverty, juvenile delinquency, changing family patterns, unsupervised children and a lack of family support services are among some of the issues impacting Isla Vista children. IVYP began as, and remains, the only private, community-based organization addressing the recreation, social and educational needs of the young children living in Isla Vista. Our mission is to strengthen the community through diverse educational, recreational and social programs for children and families, regardless of income. We envision a community where children are loved, valued, and respected and families are empowered to reach their highest potential.

Major Programs:

Isla Vista Children’s Center, the state-licensed, nationally accredited component of the Isla Vista Youth Projects, provides full day, year-round early care & education and nutrition services for children between the ages of 3 months to 6-years, including children with special needs.

School Age Enrichment Program offers enrichment activities, sports, arts and crafts, field trips, homework assistance, tutoring and supervised play for school-aged children. An average of 130 children attend daily. During summer, full-day programming is available.

Family Resource Center provides group support (parent education, on-going classes, peer support and group counseling) as well as individual support (resource & referral, assistance, distribution of goods and individual counseling) to parents of young children. On-site childcare is available.

THRIVE Isla Vista is part of a county-wide public-private collaborative focused on preparing and readying the next generation of Santa Barbara county residents for productive lives. The Isla Vista collaborative aspires to close the readiness gap by ensuring all children entering Isla Vista school are “school-ready” and maintain that success sixth grade and beyond. Working closely with 20 community partners, THRIVE Isla Vista utilizes a collective impact model to effect system change to improve our community.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IVYP prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by IVYP are described below to enhance the usefulness and understandability of the financial statements.

The financial statements are presented based on Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. ASC Topic 958, Sections 210 and 225 requires classification of IVYP's net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions. The statement requires presentation of the amounts for each of the two classes of net assets – with donor restrictions and without donor restrictions – in the statement of financial position and the amounts of change in each of those classes of net assets in the statement of activities.

Net Assets:

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- Without donor restrictions. Without donor restrictions are resources available to support operations. The only limits on the use of without donor restrictions are the broad limits resulting for the nature of IVYP, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- With donor restrictions. With donor restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. IVYP's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by IVYP, unless the donor provides more specific directions about the period of its use. IVYP did not have any net assets with donor restrictions at June 30, 2019.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All revenues and net gains are reported as increases in without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents:

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Contracts, Grants and Accounts Receivables:

Receivables consist of contracts, grants and accounts receivables and are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when IVYP receives notification from the grantor agency. IVYP uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all contracts and accounts receivable were collectible at year-end. No allowance for doubtful accounts for contracts and accounts receivable is considered necessary at June 30, 2019.

Prepaid Expenses:

Prepaid insurance, deposits and other costs are expensed ratably over their respective terms of agreement.

Other Current Assets:

Other current assets consist of deposits in transit as of June 30, 2019.

Property and Equipment, Net:

Land, buildings, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land, buildings, and property are capitalized. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Automobiles	5 years
Buildings	25 years
Equipment	5-7 years
Furniture and Fixtures	5-10 years
Leasehold Improvements	7 - 10 years, or remaining lease term, if shorter
Portable Classrooms	25 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Government funded assets are recorded as an asset and an offsetting liability. The related assets are depreciated over their estimated useful lives and a corresponding amount reduces the related liability each year and is recognized as revenue.

Accounting for Contributions:

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in with donor restrictions as either temporarily restricted or permanently, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services:

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IVYP benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. During the year ended IVYP did not receive any in-kind contributions.

Government Revenue:

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit under the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, IVYP's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of IVYP.

Revenue Recognition:

Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by IVYP. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument. Amounts received in excess of balances earned are recognized as liabilities in Contract Advance.

Income Taxes:

IVYP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

IVYP has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

merits of the position. As of and for the year ended June 30, 2019, IVYP had no material unrecognized tax benefits, tax penalties or interest.

IVYP's Forms 990, Return of Organization Exempt from Income Tax, for each of the tax years ended June 30, 2018, 2017, and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

Allocation of Expenses:

Administrative and other costs are allocate to operating programs based upon employees' time spent on various tasks, and other statistical analyses (such as meals served or child days of enrollment) prepared by management.

IVYP allocates its costs based on relative benefits received by the programs or activities. Accordingly, IVYP applies several methods for allocating costs:

Direct Costs - Costs identified 100 percent to a specific project are charged directly to that project.

Shared Costs – Costs identified to specific multiple programs or activities are shared between the programs benefitting.

Payroll costs are allocated using individual timesheets that report the actual time spent by the employees in each program each day.

Rent and associated utilities, maintenance, and insurance are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.

Indirect Costs – Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities, are allocated using direct payroll cost.

Fundraising Expense Recognition and Allocation:

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. IVYP generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

that include fundraising. Total fundraising costs for the year ended June 30, 2019 were \$113,432. Additionally, advertising costs are expensed as incurred; such amounts were insignificant at year end and totaled \$9,753.

Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the

financial statements. On an ongoing basis, IVYP's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. IVYP's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications:

Certain amounts in the 2018 comparative totals have been reclassified to conform with the 2019 reporting format.

Comparative Totals:

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with IVYP's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Fair Value Measurements:

IVYP reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which IVYP has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, IVYP measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

3. CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable at June 30, 2019 consisted of the following:

California Department of Education	\$ 165,654
Child and Adult Care Food Program	19,441
Other	53,616
TOTAL	<u>\$ 238,711</u>

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

3. CONTRACTS AND GRANTS RECEIVABLE (CONTINUED)

management's opinion, all contracts and grants receivable were collectible at year-end. No allowance for doubtful accounts for contracts and accounts receivable is considered necessary at June 30, 2019.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2019 consists of the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Automobiles	\$ 28,877	\$ (28,877)	\$ -
Building	392,719	(95,405)	297,314
Equipment	53,522	(43,816)	9,706
Furniture and Fixtures	91,033	(91,033)	-
Land	838,134	-	838,134
Leasehold Improvements	202,736	(163,559)	39,177
Portable Classrooms	265,049	(194,850)	70,199
TOTAL	<u>\$ 1,872,070</u>	<u>\$ (617,540)</u>	<u>\$ 1,254,530</u>

Total depreciation expense charged to operations was \$39,348 for the year ended June 30, 2019.

5. ACCRUED VACATION AND SICK LEAVE

Regular full-time and part-time employees that work more than four hours a day earn vacation time. Vacation time is pro-rated based on scheduled daily hours and years of continuous employment based upon the following schedule:

<u>Years of Continuous Employed</u>	<u>Number of Days Earned per Month</u>
Years 1 to 5	1 day / month
Years 6 to 10	1.25 days / month
Years 11 to 15	1.67 days / month
Years 15+	2 days / month

Total vacation payable at June 30, 2019 was \$58,410.

Accumulated sick leave benefits are not recognized as liabilities of IVYP since payment of such benefits is not probable or estimable.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

6. LINE OF CREDIT PAYABLE

IVYP has a \$300,000 line of credit agreement expiring September 15, 2019 bearing interest at 2.00% above the bank's Reference Rate (7% at June 30, 2019). The note is collateralized by the buildings and property owned by IVYP. The line of credit

agreement contains certain covenants which were in compliance during the year ended June 30, 2019. As of June 30, 2019, there was no balance due to the bank. There was no interest expense charged to any CDE programs paid during the year. Subsequent to June 30, 2019 the line of credit agreement was renewed by the bank.

7. MORTGAGE PAYABLE

IVYP entered into a mortgage payable with the County of Santa Barbara, secured by Phelps Road property, with principal and interest at 0% due in monthly installments of approximately \$0 and maturing on April 4, 2022. The balance owed at June 30, 2019 was \$297,354.

Future minimum payments on the mortgage payable are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ -
2021	-
2022	<u>297,354</u>
TOTAL	<u>\$ 297,354</u>

8. CALIFORNIA DEPARTMENT OF EDUCATION RESERVE

Child development contractors with the California Department of Education (CDE) are allowed, with prior CDE approval, to maintain a reserve account from earned but unexpended child development contract funds for three types of programs: Center-Based, Resource and Referral, and Alternative Payment. Transfers from a reserve account are considered restricted income for child development programs but may be applied to any of the contracts that are eligible to contribute to that particular program type.

The funding agreements with the California Department of Education ("CDE") provides IVYP to record deferred revenue or "reserves" for granted amounts not earned during the current year, up to certain amounts. IVYP maintains a reserve account for Center Based contracts, and funds are deposited into an interest-bearing account. The reserve account balance at June 30, 2019, was \$18,766, which is recorded as an asset in the cash account. Also, upon termination of all child development center-based contracts

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

8. CALIFORNIA DEPARTMENT OF EDUCATION RESERVE (CONTINUED)

with CDE, IVYP would have to return the reserve funds to CDE, so the reserve account is recorded as a liability in the amount of \$33,931.

9. CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the

grantors. IVYP deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. IVYP's management is of the opinion that the organization has complied with the terms of all grants.

10. RETIREMENT PLAN

IVYP maintains a contributory retirement plan available to eligible employees which allows participants to make tax deferred investment contributions. Full-time employees are eligible to participate immediately on hire. The plan qualifies under 403(b). IVYP makes no contributions to the plan.

11. OPERATING LEASE COMMITMENTS

IVYP conducts administrative and program activities in premises subject to operating leases expiring at various dates through September 2023 which provide for monthly rental payments as well as certain costs defined. Minimum lease commitments over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 56,808
2021	29,502
2022	20,400
2023	5,100
2024	-
hereafter	-
TOTAL	<u>\$ 111,810</u>

Total rent expenses charged against income was \$41,488 for the year ended June 30, 2019.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

11. OPERATING LEASE COMMITMENTS (CONTINUED)

IVYP leases a copier machine and the lease expires March 31, 2023. Total equipment rental expenses for the year ended June 30, 2019 were \$342. Minimum lease commitments over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2020	\$ 1,603
2021	1,603
2022	1,603
2023	400
2024	-
hereafter	-
TOTAL	<u>\$ 5,209</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019, consist of amounts restricted by donor-imposed stipulations as follows:

<u>Purpose</u>	<u>6/30/18</u>	<u>Income</u>	<u>Expenses</u>	<u>6/30/19</u>
Daniel Scholarship Fund	\$20,100	\$ -	\$ (20,100)	\$ -
GUSD Early Initiative - Bower	5,625	-	(5,625)	-
West Campus Toddler	4,876	-	(4,876)	-
TOTAL	<u>\$ 5,209</u>	<u>\$ -</u>	<u>\$ (30,601)</u>	<u>\$ -</u>

13. MISCELLANEOUS FUNDRAISING EXPENSES

Natural categories of the fundraising events expenses are as follows:

Fees for services	\$ 4,794
Occupancy	3,180
Office expenses	7,577
TOTAL	<u>\$ 15,551</u>

14. NUTRITION PROGRAM

IVYP has a nutrition agreement with CDE for Child and Adult Care Food Programs, as reported in the Schedule of Expenditures of Federal and State Awards. However, no nutrition audit report schedules are included in the audit because:

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

14. NUTRITION PROGRAM (CONTINUED)

(1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) the contractor did not request reimbursement of audit costs; and (3) the audit is not a program specific nutrition audit.

15. CONCENTRATION RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. IVYP deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

During the year ended June 30, 2019, IVYP had one major revenue funding source, the California Department of Education, which accounted for approximately 59% of the total revenue of IVYP. The majority of IVYP's contributions and grants are received from corporations, foundations, and individuals and from agencies located throughout the state of California.

As such, IVYP's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for IVYP's services.

16. LIQUIDITY AND AVAILABILITY

All of IVYP's financial assets totaling \$471,107 at June 30, 2019 were unrestricted and available to meet cash needs for general expenditures within one year.

IVYP receives significant contributions that are restricted by donors. Contributions that are restricted for programs which are ongoing, major, and central to its annual operations are considered by IVYP to be available to meet cash needs for general expenditures.

IVYP manages its liquidity and reserves following three guiding principles:

- (1) Operating within a prudent range of financial soundness and stability,
- (2) maintaining adequate liquid assets to fund near-term operating needs, and
- (3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

IVYP has a liquidity policy to maintain its working capital (current assets - current liabilities) at a minimum of 60 days of average operating expenses and has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 30 to 60 days of expected average expenditures for the next fiscal year.

ISLA VISTA YOUTH PROJECTS, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

16. LIQUIDITY AND AVAILABILITY (CONTINUED)

To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended June 30, 2019 the level of liquidity and reserves was managed within the policy requirements.

17. SUBSEQUENT EVENTS

IVYP has evaluated events subsequent to June 30, 2019 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 18, 2019, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.