



Supporting children and families
in Goleta and Isla Vista

**Financial Statements
For the Year Ended
June 30, 2021**



ISLA VISTA YOUTH PROJECTS, INC.
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June 30, 2021

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Supporting children and families
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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, 2021, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

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, 2021, 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.

Emphasis of Matter

As described in Note 10 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We previously audited Isla Vista Youth Projects, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, Hagen + Co.

Calabasas, California
October 15, 2021

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

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.

Guiding Principle

By building a resilient and connected community, IVYP seeks to mitigate the effects of poverty, racism, and trauma so that all children and families can prosper and thrive.

Children's Center

When children are cared for in a safe, stimulating and high-quality environment, they grow up to be lifelong learners and caregivers are able to work or go to school in order to provide for their families. IVYP's two Children's Center sites serve both state-certified and private pay students with trauma-informed 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. IVYP's Children's Center supported families with in-person learning and distance learning throughout the 2020-2021 fiscal year. Due to public health restrictions, capacity for in person care was limited. IVYP operated at approximately 60% capacity. Additionally, we provided distance learning for children opting to shelter in place. Distance learning included regular circle time via zoom, one on one connections between teacher and student, and teacher and parent via zoom. We also supplied families with activity packets to facilitate at home learning and positive parent-child interaction.

School Aged Enrichment

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 20210-2021, IVYP's after school program supported children both virtually and in person at Isla Vista Elementary School, El Camino Elementary School, and La Patera Elementary School. IVYP staff supported children who needed additional help engaging in on-line learning and provided social-emotional support and enrichment for all children enrolled.

**ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021**

Family Resource Center

IVYP's Family Resource Center mitigates the effects of poverty, racism, and trauma by strengthening families. 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. IVYP's FRC services exploded in FY 20-21. This year, IVYP provided 18,479 services to 2,425 individuals. New services included providing lap desks to students learning from home, starting a diaper bank distributing more than 23,000 diapers, and engaging in target COVID-19 education and vaccine outreach.

Community Leadership

IVYP envisions a community where children are loved, valued and respected and families are engaged to reach their highest potential. In FY 20-21, IVYP continued its leadership of the Goleta Valley Community Partnership Network. By convening community stakeholders regularly, IVYP ensured that childrens' and families' needs were met in a timely way.

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2021
(with comparative totals for 2020)

ASSETS	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 922,630	\$ 705,183
Contracts and Grants Receivables (Note 3)	202,796	43,163
Accounts Receivable	-	14
Prepaid Expenses	20,143	13,936
Property and Equipment, Net (Note 4)	1,305,201	1,215,166
Total Assets	<u>\$ 2,450,770</u>	<u>\$ 1,977,462</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 76,528	\$ 15,903
Accrued Payroll and Related Liabilities	90,450	83,891
Accrued Vacation and Sick Leave (Note 5)	75,053	35,494
Deferred Revenue (Note 6)	43,360	88,708
Paycheck Protection Program (PPP) Loan (Note 7)	-	359,892
Mortgage Payable (Note 10)	297,354	297,354
Government Funded Assets	12,351	12,997
California Department of Education Reserve (Note 9)	162,176	91,126
Total Liabilities	<u>757,272</u>	<u>985,365</u>
NET ASSETS		
Without Donor Restriction:		
Undesignated	388,297	(223,069)
Invested in Property and Equipment, Net	1,305,201	1,215,166
Total Net Assets Without Donor Restrictions	<u>1,693,498</u>	<u>992,097</u>
Total Liabilities and Net Assets	<u>\$ 2,450,770</u>	<u>\$ 1,977,462</u>

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
OPERATING				
PUBLIC SUPPORT				
Special Events, Gross	\$ 48,178	\$ -	\$ 48,178	\$ -
Less: Direct Costs	-	-	-	-
Special Events, Net	48,178	-	48,178	-
Contributions and Grants	530,906	-	530,906	661,134
Forgiveness of PPP Loan (Note 7)	359,892	-	359,892	-
Total Public Support	938,976	-	938,976	661,134
REVENUE				
Governmental service contracts	3,251,341	-	3,251,341	2,137,888
CACFP food program revenue	41,536	-	41,536	79,067
Parent fees	17,365	-	17,365	211,474
Other income	4,839	-	4,839	5,743
Interest income	162	-	162	120
Contract settlements	50,038	-	50,038	(57,195)
Total Public Support and Revenue	4,304,257	-	4,304,257	3,038,231
Net Assets Released from Restriction	-	-	-	-
EXPENSES				
PROGRAM SERVICES	3,204,416	-	3,204,416	2,933,294
SUPPORTING SERVICES				
Management and General	278,404	-	278,404	208,334
Fundraising	120,036	-	120,036	100,174
Total Supporting Services	398,440	-	398,440	308,508
Total Operating Expenses	3,602,856	-	3,602,856	3,241,802
Change in Net Assets	701,401	-	701,401	(203,571)
Net Assets, Beginning of Year	992,097	-	992,097	1,195,668
Net Assets, End of Year	\$ 1,693,498	\$ -	\$ 1,693,498	\$ 992,097

See accompanying notes.

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

	Program Services				Total Program Services	Support Services		Total Expenses 2021	Total Expenses 2020
	Children's Center	School Aged Programming	Family Resource Center	IV Community Room / Thrive		Management and General	Fundraising		
Salaries and Related Expenses									
Salaries and Wages	\$ 1,496,172	\$ 277,941	\$ 195,808	\$ -	\$1,969,921	\$ 94,968	\$ 84,330	\$ 2,149,219	\$2,134,649
Payroll Taxes	58,382	20,606	10,325	-	89,313	23,079	6,190	118,582	172,279
Employee Benefits	377,623	29,934	46,210	-	453,767	4,306	11,465	469,538	229,009
Total Salaries and Related Expenses	1,932,177	328,481	252,343	-	2,513,001	122,353	101,985	2,737,339	2,535,937
Operating Expenses									
Accounting	-	-	-	-	-	73,684	-	73,684	62,696
Advertising	225	-	25	-	250	8,369	-	8,619	16,997
Conferences, conventions and meetings	4,203	-	-	-	4,203	648	475	5,326	4,714
Fees for services	76,734	-	-	-	76,734	9,969	-	86,703	60,785
Information technology	28,463	2,294	1,379	-	32,136	15,636	-	47,772	32,870
Insurance	-	-	-	-	-	19,473	-	19,473	21,221
Interest expense	-	-	-	-	-	-	-	-	3,280
Legal	-	-	-	-	-	-	-	-	150
Miscellaneous fundraising expenses	-	-	-	-	-	-	12,346	12,346	-
Occupancy	156,558	780	21,875	-	179,213	16,271	-	195,484	131,896
Office expenses	46,781	2,310	11,172	-	60,263	1,932	3,738	65,933	71,271
Program supplies	248,203	5,844	18,971	-	273,018	709	160	273,887	167,947
Other expenses	26,087	3,592	314	-	29,993	8,215	1,332	39,540	1,161
Start-up expenses	-	-	-	-	-	-	-	-	81,443
Travel	-	174	90	-	264	499	-	763	10,070
Total Operating Expenses	2,519,431	343,475	306,169	-	3,169,075	277,758	120,036	3,566,869	3,202,438
Nonoperating Expenses									
Depreciation	35,341	-	-	-	35,341	646	-	35,987	39,364
Total Nonoperating Expenses	35,341	-	-	-	35,341	646	-	35,987	39,364
Total Functional Expenses	\$ 2,554,772	\$ 343,475	\$ 306,169	\$ -	\$3,204,416	\$ 278,404	\$ 120,036	\$ 3,602,856	\$3,241,802

See accompanying notes.

ISLA VISTA YOUTH PROJECTS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
(with Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 701,401	\$ (203,571)
Adjustments to reconcile increase in Net Assets to Cash Provided by (Used by) operating activities:		
Depreciation	35,987	39,364
Forgiveness of Paycheck Protection Program Loan	(359,892)	-
(Increase) decrease in:		
Contracts and grants receivable	(159,633)	195,548
Accounts receivable	14	(14)
Prepaid expenses	(6,207)	(5,830)
Other current assets	-	18,512
Increase (decrease) in:		
Accounts payable and accrued expenses	60,625	(33,029)
Accrued payroll and related liabilities	6,559	(1,379)
Accrued vacation and sick leave	39,559	(22,916)
Deferred revenue	(45,348)	88,708
Government funded assets	(646)	(1,181)
California Department of Education reserve	71,050	57,195
Net Cash Provided (Used) by Operating Activities	<u>343,469</u>	<u>131,407</u>
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(126,022)	-
Net Cash Provided (Used) by Investing Activities	<u>(126,022)</u>	<u>-</u>
Cash Flows from Financing Activities		
Borrowings from line of credit	-	178,350
Principal repayments related to line of credit payable	-	(178,350)
Borrowings from Paycheck Protection Program loan	-	359,892
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>359,892</u>
Net Increase in Cash and Cash Equivalents	217,447	491,299
Cash and Cash Equivalents at Beginning of Year	705,183	213,884
Cash and Cash Equivalents at End of Year	<u>\$ 922,630</u>	<u>\$ 705,183</u>
Supplemental Disclosure:		
Interest Paid	<u>\$ -</u>	<u>\$ 3,280</u>
Non-Cash Supplemental Disclosure:		
Forgiveness of PPP Loan (Note 7)	<u>\$ (359,892)</u>	<u>\$ -</u>

**ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021**

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. IVYP's 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 component of the Isla Vista Youth Projects, provides full day, year-round early care and 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, mindfulness, homework assistance, tutoring and supervised play for school-aged children.

Family Resource Center mitigates the effects of poverty, racism, and trauma, by providing strength-based supports to families. Using the protective factors framework, the FRC provides concrete support including food, diapers, and toiletries; and supports clients in applying for housing and other social services. The FRC improves parent/caregiver efficacy by offering parenting and grandparenting classes twice yearly.

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.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IVYP prepares its financial statements in accordance with GAAP. The significant accounting and reporting policies are described below to enhance the usefulness and understandability of the financial statements.

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:

- Net assets without donor restrictions. Net assets available for use in general operations and not subject to donor restrictions are reported as net assets without donor restrictions.
- Net assets with donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that funds be maintained in perpetuity.

All revenues and net gains are reported as increases in net assets 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 net assets without donor restrictions.

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, employee advances 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, 2021.

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses:

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

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 one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

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 net assets 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 net assets with donor restrictions, 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 net assets with donor restrictions until the payment is due unless the

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 merits of the position. As of and for the year ended June 30, 2021, 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, 2020, 2019, and 2018, are subject to examination by the IRS, generally for 3 years after they were filed. IVYP's Forms 199, California Exempt Organization Return, for each of the tax years ended June 30, 2020, 2019, 2018, and 2017, are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

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 that include fundraising. Total fundraising costs for the year ended June 30, 2021 were \$120,036. Additionally, advertising costs are expensed as incurred; such amounts were insignificant at year end and totaled \$8,619.

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:

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 based on relative direct payroll costs.

Reclassifications:

Certain amounts in the 2020 comparative totals have been reclassified to conform with the 2021 reporting format.

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.

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, 2020, from which the summarized information was derived.

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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

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.

ISLA VISTA YOUTH PROJECTS, INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the Year Ended June 30, 2021

3. CONTRACTS AND GRANTS RECEIVABLE

In 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, 2021.

4. PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2021 consists of the following:

	Cost	Accumulated Depreciation	Net
Automobiles	\$ 28,877	\$ (28,877)	\$ -
Building	392,719	(126,823)	265,896
Equipment	53,522	(48,211)	5,311
Furniture and Fixtures	91,033	(91,033)	-
Land	838,134	-	838,134
Leasehold Improvements	328,757	(184,592)	144,165
Portable Classrooms	265,049	(213,354)	51,695
TOTAL	\$ 1,998,091	\$ (692,890)	\$ 1,305,201

Total depreciation expense charged to operations was \$35,987 for the year ended June 30, 2021.

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 accrued vacation and accumulated sick leave benefits payable at June 30, 2021 was \$75,053.

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6. DEFERRED REVENUE

The activity for the year ended June 30, 2021 for deferred revenue is as follows:

	<u>Amount</u>
Beginning balance at July 1, 2020	\$ 88,708
Additions	43,360
Reductions	<u>(88,708)</u>
TOTAL	<u>\$ 43,360</u>

7. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In response to the pandemic, California Governor Gavin Newsom issued a “stay at home” order on March 19, 2020 requiring all California residents to stay at home or their place of residence.

In April 2020, IVYP received a Paycheck Protection Program (PPP) loan in the amount of \$359,892 to support the retention of staff and related operating costs during the time that the agency remained closed or only able to provide limited services. As of June 30, 2021, IVYP was able to retain all the staff who had been in place at the onset of the pandemic. The loan was forgiven in full during the fiscal year ended June 30, 2021.

The funds have been recorded in accordance with the technical guidance issued by the AICPA pertaining to a forgivable loan as a liability.

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.

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8. CALIFORNIA DEPARTMENT OF EDUCATION RESERVE (CONTINUED)

The reserve account balance at June 30, 2021, was \$162,176, which is recorded as an asset in the cash account. Also, upon termination of all child development center-based contracts 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 \$162,176.

9. 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). During the year ended June 30, 2021 IVYP contributed \$175,000 to the plan.

10. 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, 2021 was \$297,354. Future minimum payments on the mortgage payable are as follows:

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

IVYP expects the mortgage payable to be forgiven by the County of Santa Barbara.

11. CONTINGENCIES

Contracts and Grants:

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.

COVID-19:

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

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12. LIQUIDITY AND FUNDS AVAILABILITY

The total financial assets held by IVYP at June 30, 2021 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>June 30, 2021</u>
Financial assets:	
Cash and cash equivalents	\$ 922,630
Contracts and grants receivable	<u>202,796</u>
Total financial assets	<u>1,125,426</u>
Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,125,426</u>

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.

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, 2021 the level of liquidity and reserves was managed within the policy requirements.

13. 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:

- (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.

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14. OPERATING LEASE COMMITMENT

IVYP leases a copier machine and the lease expires March 31, 2023. Total equipment rental expenses for the year ended June 30, 2021 were \$342. Minimum lease commitments over the next five years are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2022	\$ 1,603
2023	400
2024	-
TOTAL	<u>\$ 2,003</u>

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, 2021, IVYP had one major revenue funding source, the California Department of Education, which accounted for approximately 61% 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. SUBSEQUENT EVENTS

IVYP has evaluated events subsequent to June 30, 2021 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 15, 2021 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.