

LARKIN STREET YOUTH SERVICES

JUNE 30, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Larkin Street Youth Services

Independent Auditors' Report and Financial Statements

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A Century Strong

Independent Auditors' Report

THE BOARD OF DIRECTORS
LARKIN STREET YOUTH SERVICES
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **LARKIN STREET YOUTH SERVICES (Larkin Street)**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, 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 from 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 auditor's 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 Larkin Street'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 Larkin Street'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.

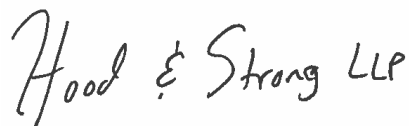
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Larkin Street as of June 30, 2020, 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Larkin Street's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California
December 18, 2020

Larkin Street Youth Services

Statement of Financial Position

<i>June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 5,419,895	\$ 3,565,974
Short-term investments	3,033,595	1,481,804
Contributions receivable	5,053,400	4,643,088
Government contracts receivable	4,390,497	3,356,989
Property and equipment, net	11,678,051	12,302,606
Other assets	515,369	606,011
Total Assets	\$ 30,090,807	\$ 25,956,472
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,307,072	\$ 2,654,149
Client deposits	188,543	344,430
Notes payable	5,658,329	5,548,117
Loans payable	5,464,249	2,820,849
Total liabilities	14,618,193	11,367,545
Net Assets:		
Without donor restrictions	9,026,413	7,316,556
With donor restrictions	6,446,201	7,272,371
Total net assets	15,472,614	14,588,927
Total Liabilities and Net Assets	\$ 30,090,807	\$ 25,956,472

See accompanying notes to financial statements.

Larkin Street Youth Services

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support:				
Government contract revenue	\$ 17,693,510		\$ 17,693,510	\$ 13,933,661
Grants and contributions	7,790,825	\$ 4,521,877	12,312,702	13,372,236
Special events (net of direct expenses of \$191,207 for 2020)	726,531		726,531	1,118,633
Investment income (loss), net	(44,196)		(44,196)	16,815
Other income	377,485		377,485	347,747
Net assets released from restrictions	5,348,047	(5,348,047)	-	-
Total revenue and support	31,892,202	(826,170)	31,066,032	28,789,092
Expenses:				
Program services	25,461,120		25,461,120	21,286,988
Fundraising	1,375,727		1,375,727	1,042,984
General and administrative	3,575,498		3,575,498	2,879,687
Total expenses	30,412,345	-	30,412,345	25,209,659
Change in Net Assets Before Other Changes in Net Assets	1,479,857	(826,170)	653,687	3,579,433
Other Changes in Net Assets:				
Gain from forgiven loan				1,000,100
Loss from disposal of land held for sale				(185,858)
Bequest contribution	230,000		230,000	1,425,000
Total other changes in net assets	230,000	-	230,000	2,239,242
Total Changes in Net Assets	1,709,857	(826,170)	883,687	5,818,675
Net Assets, beginning of year	7,316,556	7,272,371	14,588,927	8,770,252
Net Assets, end of year	\$ 9,026,413	\$ 6,446,201	\$ 15,472,614	\$ 14,588,927

See accompanying notes to financial statements.

Larkin Street Youth Services

Statement of Functional Expenses

Year Ended June 30, 2020 (with comparative totals for 2019)

	2020								
	Program Services				Supporting Services				2019 Total
	Housing Services	Education and Employment Services	Engagement Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total	
Salaries and benefits	\$ 5,663,101	\$ 3,279,025	\$ 4,797,041	\$ 13,739,167	\$ 895,889	\$ 2,733,851	\$ 3,629,740	\$ 17,368,907	\$ 14,395,337
Subcontractors	898,798	12,433	543,171	1,454,402	6,047	19,718	25,765	1,480,167	654,979
Consultants and professional services	156,949	136,989	52,383	346,321	34,482	536,206	570,688	917,009	1,462,021
Travel, training, retention, recruitment	204,956	121,193	141,128	467,277	31,247	35,698	66,945	534,222	700,352
Rent and property maintenance	1,194,718	544,796	785,808	2,525,322	91,811	65,008	156,819	2,682,141	2,277,244
Rental subsidies and emergency housing	2,074,553	184,021	1,369,652	3,628,226	2,605	3,171	5,776	3,634,002	2,565,860
Food and food vouchers	274,422	54,702	327,413	656,537	4,533	1,607	6,140	662,677	454,486
Client activities	81,721	268,390	36,831	386,942	28,545	2,726	31,271	418,213	412,831
Insurance	75,735	45,582	47,261	168,578	7,088	5,315	12,403	180,981	136,776
Telecommunications	157,796	49,051	74,552	281,399	12,178	16,762	28,940	310,339	249,033
Office and computer supplies	58,990	44,392	65,152	168,534	24,025	8,888	32,913	201,447	166,744
Interest and finance	78,757	65,826	121,502	266,085	10,144	6,545	16,689	282,774	244,346
Licenses, fees, permits	40,920	30,669	33,891	105,480	55,007	12,312	67,319	172,799	146,001
Property tax	31,138	12,157	17,783	61,078	3,320	10,132	13,452	74,530	75,525
Equipment	236,636	142,714	175,053	554,403	37,303	28,362	65,665	620,068	492,261
Other expense	32,584	96,034	75,095	203,713	105,760	8,969	114,729	318,442	202,675
Depreciation and amortization	162,725	120,656	164,275	447,656	25,743	80,228	105,971	553,627	573,188
Expenses as shown on the Statement of Activities and Changes in Net Assets	11,424,499	5,208,630	8,827,991	25,461,120	1,375,727	3,575,498	4,951,225	30,412,345	25,209,659
Other expenses: Special event support costs					191,207			191,207	375,779
Total Expenses	\$ 11,424,499	\$ 5,208,630	\$ 8,827,991	\$ 25,461,120	\$ 1,566,934	\$ 3,575,498	\$ 4,951,225	\$ 30,603,552	\$ 25,585,438

See accompanying notes to financial statements.

Larkin Street Youth Services

Statement of Cash Flows

<i>Year Ended June 30, 2020 (with comparative totals for 2019)</i>	2020	2019
Operating Activities:		
Change in net assets	\$ 883,687	\$ 5,818,675
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	553,627	573,188
Net realized and unrealized loss on investments		400
Loan forgiven during fiscal year		(1,000,100)
Loss from disposal of land		185,858
Transfer of property and equipment to expenses	153,040	
Changes in:		
Contributions receivable	(410,312)	(2,317,726)
Government contracts receivable	(1,033,508)	(735,121)
Other assets	90,642	(185,983)
Accounts payable and accrued expenses	652,923	709,212
Client deposits	(155,887)	23,660
Net cash provided by operating activities	734,212	3,072,063
Investing Activities:		
Proceeds from sale of land and equipment		846,142
Purchase of short-term investments	(1,551,791)	(543,941)
Purchases of property and equipment	(82,112)	(224,740)
Net cash (used) provided by investing activities	(1,633,903)	77,461
Financing Activities:		
Principal payments on notes payable	(1,889,788)	(122,914)
Proceeds from notes payable	2,000,000	
Proceeds from Paycheck Protection Program	2,643,400	
Net cash provided (used) by financing activities	2,753,612	(122,914)
Change in Cash and Cash Equivalents	1,853,921	3,026,610
Cash and Cash Equivalents, beginning of year	3,565,974	539,364
Cash and Cash Equivalents, end of year	\$ 5,419,895	\$ 3,565,974
Components of Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 2,911,486	\$ 721,013
Restricted cash	2,508,409	2,844,961
	\$ 5,419,895	\$ 3,565,974
Supplemental Information:		
Interest paid	\$ 282,774	\$ 244,347
Supplemental Disclosure of Non Cash Operating Activities:		
Loan forgiven during fiscal year		\$ 1,000,100

See accompanying notes to financial statements.

Larkin Street Youth Services

Notes to Financial Statement

Note 1 - Organization and Summary of Significant Accounting Policies:

Founded in 1984, Larkin Street Youth Services (Larkin Street) is a community-based nonprofit organization dedicated to helping homeless, runaway, and at-risk youth in San Francisco find healthy and lasting alternatives to street life. Larkin Street is a nationally recognized continuum of youth-centered services designed to support a young person's permanent transition from street life to independence.

Larkin Street provides more than 350 beds of emergency, transitional, and subsidized housing citywide, as well as extensive street outreach service, wrap-around case management, health care (including mental health, substance abuse, HIV prevention and treatment), and education and employment support. In 2019-20, Larkin Street served approximately 2,025 homeless and runaway youth between the ages of 12 and 24 through its onsite programs and made approximately 5,000 outreach contacts on the streets of San Francisco. The integration of crisis intervention, housing, rehabilitation and supportive services has proven extremely successful in breaking the cycle of homelessness: Larkin Street estimates that 75% of young people who complete comprehensive programs successfully leave street life permanently.

Larkin Street's primary source of revenues is from government contracts, grants and contributions from the general public.

A summary of Larkin Street's significant accounting policies applied in the preparation of the accompanying financial statements follows:

a. Basis of Presentation

Larkin Street uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

The portion of net assets that is neither subject to time or donor-imposed restrictions and may be expended for any purpose in performing the objective of Larkin Street. Net assets without donor restrictions may be designated for use by management or the Board of Directors. As of June 30, 2020, Larkin Street maintains an operating reserve of \$3,221,206.

Net Assets With Donor Restrictions

The portion of net assets which use by Larkin Street is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Larkin Street. As of June 30, 2020, Larkin Street did not have any assets that require to be maintained in perpetuity.

Larkin Street Youth Services

Notes to Financial Statement

b. Revenue Recognition

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to Larkin Street. Contributions that are restricted by the donor, and grants and contracts are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions, grants and contracts are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows only when material and are discounted at an appropriate discount rate. Amortization of the discounts is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of Larkin's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or incurring qualifying expenses. Amounts received are recognized as revenue when Larkin has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. Larkin was awarded cost reimbursable grants of approximately \$17,200,000 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred.

Government grants and contracts are recognized when Larkin Street incurs expenditures related to the required services. Amounts billed or received in advance are recorded as deferred revenue until the related services are performed. Amounts due at June 30, 2020 are included in government contracts receivable.

Larkin Street is the beneficiary under various wills and trust agreements. Such amounts are recognized in the financial statements as planned gifts when clear title is established, and the proceeds are measurable.

c. Cash and Cash Equivalents

Cash and cash equivalents, for the purposes of the Statements of Financial Position and Cash Flows, consist of amounts held with banks, highly liquid money market funds, and other investments with a maturity of three months or less.

Larkin Street maintains restricted operating and capital reserve balances as required by its contracts. At June 30, 2020, total restricted operating and capital reserves were \$107,673. In addition, Larkin Street's restricted cash also includes \$178,413 related to its client savings program and \$2,222,323 for Rising Up program and other restricted funds.

Larkin Street Youth Services

Notes to Financial Statement

d. Short-Term Investments

Short-term investments are reported at fair value. Investments received through gifts are recorded at estimated fair value at the date of donation. Gains or losses are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Short-term investments are comprised of money market funds of \$3,008,595 and fixed income securities of \$25,000 and are classified as level 1.

e. Fair Value Measurement

Larkin carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Larkin classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

f. Contributions and Government Contracts Receivable

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Larkin Street uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. Management has deemed all receivables to be fully collectable; therefore, no allowance has been recognized in the accompanying financial statements.

g. Property and Equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Asset lives range from three years to forty years. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Larkin Street Youth Services

Notes to Financial Statement

h. Donated Materials and Services

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A number of unpaid volunteers have made significant contributions of their time to Larkin Street. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

i. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, personnel costs, which comprise more than 50% of the allocated costs, are allocated based on timecards submitted in the payroll system in which time is allocated to the functional areas. All other costs are allocated by percentage of headcount in each of the functional areas.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from these estimates.

k. Tax Exempt Status

Larkin Street is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and from California franchise and/or income taxes under Section 23701(d) of the Revenue and Taxation Code.

Larkin Street follows the guidance of Accounting for Uncertainty in Income Taxes issued by the Financial Accounting Standards Board (FASB). As of June 30, 2020, management evaluated Larkin Street's tax positions and concluded that Larkin Street had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements.

l. Comparative Information

The financial statements include certain comparative information for which the prior year information is summarized in total but not by net asset class. Accordingly, such information should be read in conjunction with Larkin Street's financial statements for the year ended June 30, 2019, from which the summarized information is derived.

Larkin Street Youth Services

Notes to Financial Statement

m. Recent Accounting Pronouncements

Pronouncement Adopted:

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

Pronouncements Effective in the Future:

In February 2016, the FASB issued ASU 2016-02 - *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for fiscal years beginning after December 15, 2021. Early application will be permitted for all organizations. Larkin is currently evaluating the impact of this pronouncement on its financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. Larkin is currently evaluating the impact of this pronouncement on its financial statements.

n. Subsequent Events

The management of Larkin Street has reviewed the changes in its net assets for the period of time from its fiscal year ended June 30, 2020 through December 18, 2020, the date the financial statements were available to be issued and has determined that there were no material subsequent events that required recognition or additional disclosures in these financial statements, except as disclosed in Note 12.

Larkin Street Youth Services

Notes to Financial Statement

Note 2 - Contributions Receivable:

Contributions receivable consists of the following at June 30, 2020:

Foundations	\$ 1,665,000
Corporations	2,917,500
Individuals	470,900
	<hr/>
	\$ 5,053,400

Contributions receivable as of June 30, 2020 are expected to be received as follows: \$3,438,650 within one year and \$1,614,750 within two to five years.

Note 3 - Property and Equipment:

Property and equipment consist of the following at June 30, 2020:

Land	\$ 3,850,370
Buildings and improvements	8,103,376
Leasehold improvements	3,911,093
Furniture and equipment	762,001
Vehicles	152,248
	<hr/>
	16,779,088
Less: accumulated depreciation	5,101,037
	<hr/>
	\$ 11,678,051

Depreciation and amortization expense for the year ended June 30, 2020 was \$553,627.

During 2019, Larkin sold land, previously held as Land-for-Sale with a book value of approximately \$1,000,000. The land was sold for \$900,000, which generated a loss of \$185,858 after accounting for total selling costs of \$85,858

Larkin Street Youth Services

Notes to Financial Statement

Note 4 - Line of Credit:

Larkin Street has an operating line of credit with a local bank which provides for borrowings up to \$500,000. The credit agreement calls for interest at prime rate plus the applicable margin of 2% per annum, (5.25% at June 30, 2020) which is payable monthly. The line of credit is collateralized by all the assets of Larkin Street, excluding the buildings. At June 30, 2020, there was no balance outstanding. The line of credit agreement contains various financial covenants. Larkin Street was in compliance with these covenants at June 30, 2020. The line of credit is due on demand without an expiration.

Note 5 - Notes Payable:

Notes payable at June 30, 2020 are as follows:

In December 2015, Larkin Street entered into a note payable of \$1,600,000 with Dignity Health, secured by a deed of trust on the land and building at 1251 Second Avenue. The note has a fixed interest rate of 3.00% per annum, payable over 84 months, maturing November 30, 2022. Monthly payments are interest only for the first 36 months in the amount of \$4,000, and principal and interest for the remaining 48 months in the amount of \$7,587.38. The balance at June 30, 2020 was

\$ 1,571,068

In March 2018, Larkin Street refinanced a note payable to Comerica Bank, secured by a deed of trust on the land and building at 61-63 Moss Street. The note of \$1,266,000 with interest rate of 3% per annum above LIBOR-Base rate or Prime Reference rate matures February 1, 2020. Monthly payments are \$4,220 of principal plus interest. In January 2019, balance of \$1,215,360 was refinanced with a fixed interest rate of 6.85% that matures on February 19, 2025 with a fixed monthly payment of \$8,689. The balance at June 30, 2020 was

1,188,076

In March 2018, Larkin Street entered into a note payable of \$980,521 with Comerica Bank, secured by a deed of trust on the land and building at 536 Central. It is a 2 year note with interest rate of 3% per annum above LIBOR-based Rate or Prime Reference Rate. Monthly payments are \$3,268 of principal plus interest. The note matures on February 1, 2020 at which point the outstanding balance on the note is payable. In January 2019, the balance of \$941,300 was refinanced with a fixed interest rate of 6.85% that matures on February 19, 2025 with a fixed monthly payment of \$6,730. The balance at June 30, 2020 was

920,168

Larkin Street Youth Services

Notes to Financial Statement

In January 2020, Larkin Street refinanced a note payable of \$2,000,000 with Comerica Bank, secured by a deed of trust on the land and building at 850 Van Ness. The interest rate is fixed at 3.85% for the life of the loan. Note payments of approximately \$10,456 containing principal and interest payments. The note matures on January 1, 2030 at which point the outstanding balance on the note is payable. The balance at June 30, 2020 was

	1,979,017
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Total	5,658,329
Less: current portion	133,169
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Long-term portion	\$ 5,525,160

The notes are payable as follows:

Year Ended	
June 30,	
2021	\$ 133,169
2022	139,759
2023	1,579,642
2024	104,188
2025	110,095
Thereafter	3,591,476
<hr/>	
Total	\$ 5,658,329

Total interest expense on these notes amounted to \$282,774 for the year ended June 30, 2020. During the year ended June 30, 2020, Larkin refinanced certain notes and paid in full one loan held by First Republic Bank, total principal payments for the note was \$1,802,274.

Larkin Street Youth Services

Notes to Financial Statement

Note 6 - Loans Payable:

Loans payable at June 30, 2020 are as follows:

Larkin Street entered into a loan agreement with the Redevelopment Agency of the City and County of San Francisco (Agency) for \$1,749,936. Loan proceeds were from Housing Opportunities for Persons with AIDS (HOPWA) funds. The funds were used to purchase and convert a building into 12 residential units for an assisted care facility for youth in the later stages of AIDS. During the term of the loan, the building must be used for this purpose and Larkin Street must comply with other Federal requirements. The loan is secured by the property and rents. The term of the loan is for fifty years (through 2046). Larkin Street's obligation to repay the loan will be waived at the end of the loan term providing that the loan is not in default. Default would be caused if a change in purpose, transfer of title or delinquent in reporting. Principal and interest, at a rate of 10% per annum, is only due upon default.

\$ 1,749,936

Larkin Street assumed a portfolio of loan agreements with the Mayor's Office of Housing (MOH) totaling \$1,070,913. These funds were used to purchase an existing building for use as low income housing for youth. During the term of the loan, the building must be used for this purpose. The term of the loan is 75 years (through 2078). The loans are secured with deeds of trust and are subject to a regulatory agreement with MOH. Per amended loan agreement dated June 1, 2011, interest rate was changed from 3% to 0%. All interest previously accrued, in the amount of \$58,390, was forgiven, and all payments are deferred until 2078.

1,070,913

In April 2020, Larkin Street applied for the SBA – Paycheck Protection Program (PPP Loan) at 1%. As part of the 2020 Coronavirus Aid, Relief and Economic Security Act (CARES ACT), this loan is designed to help organizations keep their workforce employed. Initial loan documents stated a 6 month deferral that ended October 2020 with first payment due on the first of November 2020. The Paycheck Protection Flexibility Act of 2020, the Coverage Period of Section 1106 (Loan Forgiveness) was extended on the earlier of 24- weeks after loan origination or December 31, 2020. Larkin may elect to retain the 8-week coverage period. Borrowers can apply for forgiveness at any time between the date of the loan funded and 10 months after the Covered Period ended or August 2021.

2,643,400

Total

\$ 5,464,249

Larkin Street Youth Services

Notes to Financial Statement

Larkin Street entered into a loan agreement with the California Department of Housing and Community Development (HCD) for \$1,000,100. The term of the loan is for ten years (through October 2018). These funds were used to purchase an existing building used as an emergency shelter. The loan was secured by a deed of trust and is subject to a regulatory agreement with HCD. During the term of the loan, the building was used for an emergency shelter as well as compliance with other HCD requirements. The loan was reconveyed by HCD on March 7, 2019. As of June 30, 2019, Larkin Street had complied with the requirements of the loan through the maturity date and reclassified the forgivable loan as a contribution without donor restrictions in the Statement of Activities and Changes in Net Assets.

Note 7 - Net Assets With Donor Restrictions:

Net assets with donor restrictions at June 30, 2020, are restricted for the following purposes:

Rising Up	\$ 4,018,687
Art	250,000
Research	633,505
Time restricted and other programs	1,544,009
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Total	\$ 6,446,201

Net assets with donor restrictions were released from donor restrictions during the year ended June 30, 2020 as follows:

Rising Up	\$ 2,269,813
Art	126,000
Operating grants – COVID 19	721,000
Behavioral Health & Training	1,519,965
Time restricted and other programs	711,269
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Total	\$ 5,348,047

The Rising Up campaign is a public and private partnership with the San Francisco Department of Homelessness and Supportive Housing (HSH), with the goal of reducing youth homelessness by 50% by 2023. A combination of public and private funds totaling \$35 million will support the Rising Up campaign. Larkin Street's role is to develop and implement a process to deploy the private dollars to campaign partners in accordance with funder intent.

Larkin Street Youth Services

Notes to Financial Statement

Note 8 - Availability of Financial Assets and Liquidity:

Larkin Street's financial assets available within one year of the Statement of Financial Position date for expenditures are as follows:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 5,419,895
Short-term investments	3,033,595
Contributions receivable	5,053,400
Government contracts receivable	4,390,497
	<hr/>
Total financial assets	17,897,387
	<hr/>
Less amounts not available to be used within one year:	
Restricted cash	(2,508,409)
Net assets with donor restrictions:	
Time or purpose	(4,831,451)
Long-term receivables	(1,614,750)
Net asset designated by the board	(3,221,206)
Add net assets with purpose restrictions to be met in less than one year	4,417,546
	<hr/>
	(7,758,270)
	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 10,139,117
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Larkin Street's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$7,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and income securities. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the date of financial statements. The Board can undesignate the Board designated funds and make them available for general operations. Larkin Street also maintains a line of credit to be used for operations as needed (See Note 4).

Larkin Street Youth Services

Notes to Financial Statement

Note 9 - Commitments and Contingencies:

a. Operating Leases

Larkin Street has several operating lease agreements for its various locations including its administrative office which expire through 2029. Estimated future minimum annual lease payments are as follows:

Year Ended	
June 30,	
2021	\$ 1,125,000
2022	931,000
2023	829,000
2024	1,441,000
2025	830,000
Thereafter	2,160,000
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Total	\$ 7,316,000

Rent expenses under all operating leases amounted to \$1,218,110 for the year ended June 30, 2020.

Larkin Street's operating lease for its administrative office include a tenant improvement allowance of \$275,000 which the landlord reimbursed Larkin Street for improvements. The tenant improvement allowance is amortized over the term of the lease. The amount for 2020 was \$18,333.

b. Contingencies

Larkin Street's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Larkin Street has no provision for the possible disallowance of program costs on their financial statements.

c. Lease on Rental Property

Larkin Street was assigned a lease agreement as the landlord of a commercial entity, when it purchased the building at 850 Van Ness. Rental income under the lease amounted to \$136,157 for the year ended June 30, 2020. The lessee terminated the lease during June 30, 2020.

Larkin Street Youth Services

Notes to Financial Statement

d. Collective Bargaining Agreement

Approximately 68% of Larkin Street's employees are members of the Service Employee International Union (SEIU) Local 1021.

Note 10 - Concentration of Risk:

Larkin Street has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and receivables.

Periodically, throughout the year, Larkin Street has maintained balances in various operation and money market accounts in excess of federally insured limits.

All receivables consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. The credit risk associated with receivables is substantially mitigated by the large number of entities comprising the receivable balance, and 46% of the receivables are due from governmental agencies.

Larkin Street receives approximately 57% of its revenue from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Note 11 - Related Parties:

Larkin Street has and may continue to have Board and committee members who are employed by corporations that provide services to Larkin Street. Larkin Street has a conflict of interest policy which covers custodial and vendor relationships with Board, committee members, and staff. The policy requires annual disclosures and discussion of potential conflicts at meetings, so that Board Members, committee members, and staff may continue to serve Larkin Street through their professional knowledge and expertise.

Larkin Street received approximately \$431,000 in contributions from the Board of Directors or its committees and staff for the year ended June 30, 2020.

Note 12 - Global Pandemic and Market Volatility:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors. In addition, financial markets volatility has significantly increased with general decrease in the value of major market equity indices.

Larkin Street Youth Services

Notes to Financial Statement

As a result, this has significantly impacted Larkin Street's operations in many ways, including reducing the capacity in shelters and required the provision of additional support for clients in the form of emergency housing vouchers and food. Larkin Street shifted the way it delivered services to comply with state and local mandates for sheltering in place, social distancing and personal protection for staff and clients.

Larkin Street has moved in-person fundraising events to an on-line platform which is expected to net lower revenues. Additionally, the community has risen to the occasion by responding with significant non-recurring support to Larkin Street.

The 3rd Street Youth Center & Clinic, a non-profit organization fiscally sponsored by Larkin Street, will separating from Larkin Street effective upon execution of a separation agreement. Included in the separation agreement will be the transfer of approximately \$750,000 in net assets.