

## **Larkin Street Youth Services**

Financial Statements  
and Single Audit Reports and Schedules

June 30, 2021  
(With Comparative Totals for 2020)



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Larkin Street Youth Services  
San Francisco, California

We have audited the accompanying financial statements of Larkin Street Youth Services (a California nonprofit corporation) ("Larkin Street"), 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.

### **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Larkin Street Youth Services 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.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, on our consideration of Larkin Street's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Larkin Street's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Larkin Street's internal control over financial reporting and compliance.

## **Report on Summarized Comparative Information**

The financial statements of Larkin Street Youth Services as of June 30, 2020, were audited by other auditors whose report dated December 18, 2020, expressed an unmodified opinion on those statements. 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.



Armanino<sup>LLP</sup>  
San Francisco, California

December 23, 2021

Larkin Street Youth Services  
Statement of Financial Position  
June 30, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,989,013	\$ 8,428,490
Investments	25,000	25,000
Contributions and grants receivable, net	11,776,665	5,053,400
Government contracts receivable	3,047,424	4,390,497
Prepaid and other current assets	569,554	515,369
Property and equipment, net	11,160,829	11,678,051
Total assets	\$ 40,568,485	\$ 30,090,807
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 915,901	\$ 1,418,303
Accrued expenses	2,351,498	1,888,769
Client deposit	199,780	188,543
Notes payable	5,523,663	5,658,329
Loans payable	5,495,529	5,464,249
Total liabilities	14,486,371	14,618,193
<b>Net assets</b>		
Without donor restrictions	9,132,568	9,026,413
With donor restrictions	16,949,546	6,446,201
Total net assets	26,082,114	15,472,614
Total liabilities and net assets	\$ 40,568,485	\$ 30,090,807

The accompanying notes are an integral part of these financial statements.

Larkin Street Youth Services  
Statement of Activities  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Without Donor <u>Restrictions</u>	With Donor Restrictions	2021 <u>Total</u>	2020 <u>Total</u>
Revenues and support				
Government contract revenue	\$ 21,116,834	\$ -	\$ 21,116,834	\$ 17,693,510
Grants and contributions	8,549,099	15,360,201	23,909,300	12,542,701
Fundraising and special events, net	925,337	-	925,337	917,739
Investment income	5,627	-	5,627	(44,195)
Other revenue	766,859	-	766,859	377,484
Net assets released from restriction	<u>4,856,856</u>	<u>(4,856,856)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>36,220,612</u>	<u>10,503,345</u>	<u>46,723,957</u>	<u>31,487,239</u>
Functional expenses				
Program services				
Housing Services	19,239,805	-	19,239,805	11,424,499
Education & Employment Services	3,773,820	-	3,773,820	5,208,630
Engagement Services	<u>4,655,483</u>	<u>-</u>	<u>4,655,483</u>	<u>8,827,991</u>
Total program services	<u>27,669,108</u>	<u>-</u>	<u>27,669,108</u>	<u>25,461,120</u>
Support services				
Management and general	5,784,620	-	5,784,620	3,575,498
Fundraising	<u>1,555,328</u>	<u>-</u>	<u>1,555,328</u>	<u>1,566,934</u>
Total support services	<u>7,339,948</u>	<u>-</u>	<u>7,339,948</u>	<u>5,142,432</u>
Total functional expenses	<u>35,009,056</u>	<u>-</u>	<u>35,009,056</u>	<u>30,603,552</u>
Change in net assets from operations	1,211,556	10,503,345	11,714,901	883,687
Loss from transfer of program (see Note 11)	<u>1,105,401</u>	<u>-</u>	<u>1,105,401</u>	<u>-</u>
Change in net assets	106,155	10,503,345	10,609,500	883,687
Net assets, beginning of year	<u>9,026,413</u>	<u>6,446,201</u>	<u>15,472,614</u>	<u>14,588,927</u>
Net assets, end of year	<u>\$ 9,132,568</u>	<u>\$ 16,949,546</u>	<u>\$ 26,082,114</u>	<u>\$ 15,472,614</u>

The accompanying notes are an integral part of these financial statements.

Larkin Street Youth Services  
Statement of Functional Expenses  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	Program Services				Support Services			2021 Total	2020 Total
	Housing Services	Education & Employment Services	Engagement Services	Total Program Services	Management and General	Fundraising	Total Support Services		
Salaries and benefits	\$ 9,184,696	\$ 2,690,195	\$ 2,111,337	\$ 13,986,228	\$ 3,810,254	\$ 988,559	\$ 4,798,813	\$ 18,785,041	\$ 17,368,908
Subcontractors	3,572,834	-	846,140	4,418,974	5,760	-	5,760	4,424,734	1,480,167
Consultants and professional services	245,546	71,185	51,288	368,019	643,427	165,086	808,513	1,176,532	917,010
Travel	162,831	47,362	27,294	237,487	182,496	25,145	207,641	445,128	534,222
Rent and property maintenance	1,459,037	393,757	437,907	2,290,701	432,391	62,548	494,939	2,785,640	2,562,352
Rental subsidies and emergency housing	3,239,756	6,032	798,586	4,044,374	2,102	240	2,342	4,046,716	3,634,002
Food and food vouchers	287,340	24,495	156,718	468,553	119	7,502	7,621	476,174	662,676
Client activities	73,573	226,978	27,589	328,140	-	-	-	328,140	611,246
Insurance	101,937	37,285	24,932	164,154	50,366	5,549	55,915	220,069	180,981
Telecommunications	89,958	25,849	18,199	134,006	101,881	6,428	108,309	242,315	310,339
Office and computer supplies	70,355	31,749	9,133	111,237	35,485	39,770	75,255	186,492	200,140
Interest and finance charges	181,487	44,865	24,888	251,240	65,879	52,711	118,590	369,830	358,893
Licenses, fees and permits	5,203	7,044	594	12,841	39,223	8,890	48,113	60,954	109,493
Property taxes	17,871	-	-	17,871	63,567	-	63,567	81,438	74,530
Special events and fundraising costs	-	-	-	-	-	117,769	117,769	117,769	191,207
Equipment	268,081	104,307	50,353	422,741	250,994	50,989	301,983	724,724	754,517
Miscellaneous	9,061	10,996	5,116	25,173	20,162	3,171	23,333	48,506	99,242
Depreciation	270,239	51,721	65,409	387,369	80,514	20,971	101,485	488,854	553,627
<b>Total expenses</b>	<b>\$ 19,239,805</b>	<b>\$ 3,773,820</b>	<b>\$ 4,655,483</b>	<b>\$ 27,669,108</b>	<b>\$ 5,784,620</b>	<b>\$ 1,555,328</b>	<b>\$ 7,339,948</b>	<b>\$ 35,009,056</b>	<b>\$ 30,603,552</b>

The accompanying notes are an integral part of these financial statements.

Larkin Street Youth Services  
Statement of Cash Flows  
For the Year Ended June 30, 2021  
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 10,609,500	\$ 883,687
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	488,854	553,627
Loss on disposal of fixed assets	123,345	153,040
Changes in operating assets and liabilities		
Contributions receivable	(6,723,265)	(410,312)
Government contracts receivable	1,343,073	(1,033,508)
Prepaid and other current assets	(54,185)	90,642
Accounts payable and accrued expenses	(8,393)	652,923
Client deposits	11,237	(155,887)
Net cash provided by operating activities	5,790,166	734,212
Cash flows from investing activities		
Purchases of property and equipment	(94,977)	(82,112)
Net cash used in investing activities	(94,977)	(82,112)
Cash flows from financing activities		
Principal payments on notes payable	(134,666)	(1,889,788)
Proceeds from notes payable	-	2,000,000
Proceeds from Paycheck Protection Program	-	2,643,400
Net cash provided by (used in) financing activities	(134,666)	2,753,612
Net increase in cash and cash equivalents	5,560,523	3,405,712
Cash and cash equivalents, beginning of year	8,428,490	5,022,778
Cash and cash equivalents, end of year	\$ 13,989,013	\$ 8,428,490

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 31,280	\$ 282,774
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The accompanying notes are an integral part of these financial statements.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

1. NATURE OF OPERATIONS

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 nearly 500 beds of emergency, transitional, supportive, and subsidized housing throughout San Francisco and surrounding counties, as well as street outreach, drop-in programs, case management, health care (including mental health, substance abuse, and HIV prevention), education and employment support. During the fiscal year ending June 30, 2021, Larkin Street served nearly 1,600 young people across Larkin Street's continuum of services, and made hundreds more contacts through street outreach. The integration of crisis intervention, engagement, stabilization, and long-term housing support has proven extremely successful in breaking the cycle of homelessness; last year, 88% of young people in Larkin Street's transitional and long-term housing programs either maintained their housing or exited services into stable housing.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement 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* - represents the portion of net assets that is neither subject to time or donor-imposed restrictions. Net assets without donor restrictions may be designated for use by the Board of Directors. At June 30, 2021, Board designated operating funds amounted to \$2,000,000.

*Net assets with donor restrictions* - represents the portion of net assets subject to donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of Larkin Street according to the intention of the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restriction.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Street'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 Street 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 Street was awarded cost reimbursable grants of approximately \$32,388,000 that have not been recognized at June 30, 2021 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, 2021 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.

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 Youth Services  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

Larkin Street maintains restricted operating and capital reserve balances as required by its contracts. At June 30, 2021, total restricted operating and capital reserves were \$107,662. In addition, Larkin Street's restricted cash also includes \$199,780 related to its client savings program.

Investments

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 in the period such fluctuations occur. Dividend and interest income are accrued when earned.

Investments at June 30, 2021 amounted to \$25,000 and are comprised of fixed income securities.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Larkin Street determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- *Level 1* - quoted market prices are available in active market for identical assets or liabilities as of the reporting date.
- *Level 2* - pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- *Level 3* - pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Larkin Street's assets at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fixed income securities	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>

Receivables

Contributions, grants and government contract receivables 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. Contributions that will be paid in future years are recorded at the present value of the committed payments. The discount to these amounts is computed using the market rates applicable at the time the grant was authorized.

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.

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.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional 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 department and program budget.

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.

Income tax 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 evaluates its tax positions taken or expected to be taken to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. As of June 30, 2021, management has 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.

Comparative financial 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, 2020, from which the summarized information is derived. Certain 2020 balances have been reclassified to conform to the 2021 financial statement presentation.

Subsequent events

Larkin Street has evaluated subsequent events through December 23, 2021, 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.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consisted of the following:

Receivable due in less than one year	\$ 6,282,307
Receivable due in two to five years	<u>5,659,679</u>
	11,941,986
Less discount to present value	<u>(165,321)</u>
	<u><u>\$ 11,776,665</u></u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 3,850,370
Buildings	8,103,376
Leasehold improvements	3,400,705
Furniture and fixtures	762,001
Automobiles	152,247
Computer equipment	85,997
Construction in progress	<u>8,980</u>
	16,363,676
Accumulated depreciation	<u>(5,202,847)</u>
	<u>(5,202,847)</u>
	<u><u>\$ 11,160,829</u></u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$488,854.

5. 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, 2021), which is payable monthly. The line of credit is collateralized by all the assets of Larkin Street, excluding the buildings. As of June 30, 2021, 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, 2021. The line of credit is due on demand without an expiration.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

6. NOTES PAYABLE

Notes payable are detailed 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 a residential property. The note has a fixed interest rate of 3.00% per annum, maturing November 30, 2022. Monthly payments of principal and interest for 2021 and 2020 were \$7,587.	\$ 1,525,324
In January 2019, Larkin Street refinanced a note payable of \$1,215,360 with Comerica Bank, secured by a deed of trust on residential property. The note has a fixed interest rate of 6.85%, matures on December 19, 2025, and has a fixed monthly payment of \$8,689.	1,165,628
In January 2019, Larkin Street refinanced a note payable of \$941,300 with Comerica Bank, secured by a deed of trust on residential property. The note has a fixed interest rate of 6.85%, matures on December 19, 2025, and has a fixed monthly payment of \$6,730.	902,783
In January 2020, Larkin Street refinanced a note payable of \$2,000,000 with Comerica Bank, secured by a deed of trust on real property. The note has a fixed rate of interest at 3.85% and calls for fixed monthly payments of \$10,456. The note matures on January 1, 2030.	<u>1,929,928</u> <u>5,523,663</u> <u>(147,753)</u>
Current portion	<u>\$ 5,375,910</u>

The future principal to be repaid of the notes payable are as follows:

<u>Year ending June 30,</u>	
2022	\$ 147,753
2023	1,590,120
2024	114,408
2025	118,247
2026	122,628
Thereafter	<u>3,430,507</u>
	<u>\$ 5,523,663</u>

Total interest expense on these notes amounted to \$298,407 for the year ended June 30, 2021.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

7. LOANS PAYABLE

Loans payable are detailed 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. Under 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. Otherwise the loan is due in full on April 28, 2022. On July 2, 2021, Larkin Street received notification that the PPP Loan was forgiven in full.

2,674,680

\$ 5,495,529

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Rising Up	\$ 14,606,499
Behavioral Health and Training	1,159,647
Art	125,000
Time restricted and other programs	<u>1,058,400</u>
	<u><u>\$ 16,949,546</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

Rising Up	\$ 2,179,188
Behavioral Health and Training	685,228
Art	126,050
Time restricted and other programs	<u>1,866,390</u>
	<u><u>\$ 4,856,856</u></u>

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 \$50 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 and provide programmatic oversight.

9. LIQUIDITY AND FUNDS AVAILABLE

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

Financial assets consisted of the following:

Cash and cash equivalents	\$ 13,989,013
Investments	25,000
Contributions and grants receivable, net	11,776,665
Government contracts receivable	<u>3,047,424</u>
	<u>28,838,102</u>
Less amounts not available to be used within one year:	
Restricted cash	(107,662)
Net assets with donor restrictions	(16,949,546)
Board designated net assets	<u>(2,000,000)</u>
	<u>(19,057,208)</u>
	<u><u>\$ 9,780,894</u></u>

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

9. LIQUIDITY AND FUNDS AVAILABLE (continued)

Larkin Street's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and income securities. 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 5).

10. COMMITMENTS AND CONTINGENCIES

Operating leases

Larkin Street has several operating lease agreements for its various locations including its administrative office which expire through 2029.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2022	\$ 1,124,302
2023	1,134,503
2024	1,144,705
2025	1,250,573
2026	1,271,702
Thereafter	<u>2,280,000</u>
	<u>\$ 8,205,785</u>

Rent expenses under all operating leases amounted to \$1,219,603 for the year ended June 30, 2021.

Larkin Street's operating lease for its administrative office includes 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 2021 was \$18,333.

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.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

10. COMMITMENTS AND CONTINGENCIES (continued)

Legal matters

From time to time, Larkin Street may be subject to a variety of claims and suits in the ordinary course of business. As of June 30, 2021, management believes there are no such outstanding claims or suits, individually or in the aggregate, where the likelihood is probable that the outcome would have a material adverse effect on Larkin Street's financial position, results of operations, or cash flows.

Collective Bargaining Agreement

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

11. PROGRAM TRANSFER

In 2009, Larkin Street assumed fiscal sponsorship of 3rd Street Youth Center & Clinic ("3rd Street"), a youth center and clinic helping youth from Bayview Hunters Point make healthy and safe decisions that improve their physical, emotional, and social health, empowering them to become successful, contributing adults (the "Program"). Larkin Street and 3rd Street determined it was in the best interests of all parties for 3rd Street to assume responsibility for operating the Program effective July 1, 2020, and as of that date, Larkin Street's fiscal sponsorship of 3rd Street was terminated. As part of the Program Transfer Agreement, Larkin Street and 3rd Street have agreed to settle certain program expenses and Larkin Street is to transfer certain program assets to 3rd Street. As part of the program transfer, Larkin Street recognized an accumulated loss over the life of the program of \$1,105,401 during the year ended June 30, 2021. In accordance with the program transfer, all assets have been transferred to 3rd Street as of June 30, 2021 with the exception of approximately \$121,000 related to 3rd Street's allocation of the PPP Loan.

12. CONCENTRATIONS

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 20% of the receivables are due from governmental agencies.

Larkin Street receives approximately 46% of its revenue from government funding and accordingly is especially vulnerable to the inherent risks of budget cutbacks.

Larkin Street Youth Services  
Notes to Financial Statements  
June 30, 2021

13. 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 \$445,468 in contributions from the Board of Directors or its committees and staff for the year ended June 30, 2021.

14. RISK AND UNCERTAINTIES

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.

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.

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Larkin Street Youth Services  
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Larkin Street Youth Services (a California nonprofit corporation) ("Larkin Street"), 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, and have issued our report thereon dated December 23, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Larkin Street's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Larkin Street's internal control. Accordingly, we do not express an opinion on the effectiveness of Larkin Street's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Larkin Street's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Larkin Street's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Larkin Street's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Francisco, California

December 23, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

Board of Directors  
Larkin Street Youth Services  
San Francisco, California

### **Report on Compliance for Each Major Federal Program**

We have audited Larkin Street Youth Services (a California nonprofit corporation) ("Larkin Street")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Larkin Street's major federal programs for the year ended June 30, 2021. Larkin Street's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Larkin Street's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Larkin Street's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Larkin Street's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Larkin Street complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

Management of Larkin Street is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Larkin Street's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Larkin Street's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Francisco, California

December 23, 2021

Larkin Street Youth Services  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Justice			
Pass-through program from: California Governor's Office of Emergency Services			
Crime Victim Assistance	16.575		\$ <u>97,078</u>
Total U.S. Department of Justice			<u>97,078</u>
U.S. Department of Health and Human Services			
Direct awards			
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		178,270
Basic Center Grant	93.623		215,290
Transitional Living for Homeless Youth	93.550		<u>219,672</u>
			<u>613,232</u>
Pass-through program from: University of California San Francisco			
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		32,090
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		4,575
WIOA Youth Activities	17.259		<u>100,308</u>
			<u>136,973</u>
Total U.S. Department of Health and Human Services			<u>750,205</u>
U.S. Department of Housing and Urban Development			
Pass-through program from: Department of Homeless and Supportive Housing			
Continuum of Care Program	14.267		1,059,710
Housing Opportunities for Persons with AIDS	14.241		2,215,081
Supportive Housing Program	14.235		89,959
Emergency Solutions Grant Program	14.231		<u>112,000</u>
			<u>3,476,750</u>
Total U.S. Department of Housing and Urban Development			<u>3,476,750</u>
Total Expenditures of Federal Awards			<u>\$ 4,324,033</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

Larkin Street Youth Services  
Notes to Schedule of Expenditures of Federal Awards  
June 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Larkin Street Youth Services ("Larkin Street") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Larkin Street, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Larkin Street.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COST RATE

Larkin Street has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. LOANS

Federal awards received under the Housing Opportunities for Persons with AIDS (HOPWA) loan are in the form of a loan for a period of 50 years (through 2046). The loan is secured by the property and assignment of rents. The loan obligation will be waived at the end of the loan term providing that Larkin Street has complied with all the terms of the agreement and the loan is not in default. In the event of default, principal and interest, at 10% per annum, will be charged for the period from initial borrowing through the date of repayment of the loan. The amount of the HOPWA loan represents the balance outstanding at the beginning of the year.

Federal awards were received under the CDBG Grant loan (the Loan) received by a predecessor organization that operated an eight-unit residential building located at 538 Holloway. The Loan was originally received by that organization in 2003, with a maturity term of 75 years. In August 2008, Larkin Street assumed the Loan and operations of the property. The Loan is secured by the property and assignment of rents. The principal will be due upon maturity of the note providing that Larkin Street has complied with all the terms of the agreement and the Loan is not in default. In the event of default, the principal will become due immediately. The amount of the loan represents the balance outstanding at the beginning of the year.

Larkin Street Youth Services  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Housing Opportunities for Persons with AIDS	14.241
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Larkin Street Youth Services  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Larkin Street Youth Services  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2021

There were no prior year findings.