

**FRESH LIFELINES FOR YOUTH, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

IZABAL, BERNACIAK & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

**FRESH LIFELINES FOR YOUTH, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**FRESH LIFELINES FOR YOUTH, INC.**  
Milpitas, California

### Report on Financial Statements

We have audited the accompanying financial statements of Fresh Lifelines for Youth, Inc., which comprise the statement of financial position as of June 30, 2015, 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. 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 Organization'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 Organization'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 Fresh Lifelines for Youth, Inc. as of June 30, 2015, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, on our consideration of Fresh Lifelines for Youth, Inc.'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 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 Fresh Lifelines for Youth, Inc.'s internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Fresh Lifelines for Youth, Inc.'s 2014 financial statements, and our report dated November 5, 2014, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California  
October 15, 2015

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR JUNE 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 752,399	\$ 1,151,441
Investments, at fair value (See Note 3)	2,633,000	2,273,241
Grants and Contracts Receivable (See Note 4)	862,662	1,010,296
Prepaid Expenses	47,193	46,114
Deposits	9,611	7,764
Property and Equipment (net of accumulated depreciation of \$362,791 and \$347,016, respectively)	<u>19,135</u>	<u>34,910</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>4,324,000</u></b>	<b>\$ <u>4,523,766</u></b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 46,671	\$ 103,120
Accrued Expenses	256,657	243,913
Deferred Revenue (See Note 6)	<u>0</u>	<u>31,200</u>
<b>Total Liabilities</b>	<u>303,328</u>	<u>378,233</u>
 <b>Net Assets:</b>		
Unrestricted:		
Undesignated	2,605,402	1,823,875
Fixed Assets Purchased with Grant Funds	<u>11,070</u>	<u>19,780</u>
Total Unrestricted	2,616,472	1,843,655
Temporarily Restricted (See Note 10)	<u>1,404,200</u>	<u>2,301,878</u>
<b>Total Net Assets</b>	<u>4,020,672</u>	<u>4,145,533</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>4,324,000</u></b>	<b>\$ <u>4,523,766</u></b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Totals	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Government grants	\$ 826,723	\$ 0	\$ 826,723	\$ 823,975
Contributions:				
Foundations	0	1,698,500	1,698,500	2,700,733
Corporations	0	100,560	100,560	100,000
Misc. Income/Donation	5,703	0	5,703	0
In-Kind	181,413	0	181,413	178,327
Individuals (See Note 10)	561,599	0	561,599	708,256
Special Event Fundraiser	409,361	0	409,361	385,655
Direct Expenses	(69,858)	0	(69,858)	(60,719)
Special Event Fundraiser, net	339,503	0	339,503	324,936
 Total Support	 1,914,941	 1,799,060	 3,714,001	 4,836,227
Revenue:				
Program Service Fees - Fee for Service Contracts	251,405	0	251,405	271,000
Investment Income (See Note 3)	59,388	0	59,388	81,540
Unrealized Gain/(Loss) on Sale of Investment (See Note 3)	(88,174)	0	(88,174)	73,857
Total Revenue	222,619	0	222,619	426,397
Net Assets released from:				
Satisfaction of restrictions	2,696,738	(2,696,738)	0	0
 Total Support and Revenue	 4,834,298	 (897,678)	 3,936,620	 5,262,624
<b><u>EXPENSES</u></b>				
Program Services	3,183,352	0	3,183,352	3,037,425
Supporting Services				
Management and General	342,543	0	342,543	343,072
Fundraising	526,876	0	526,876	455,542
 Total Expenses	 4,052,771	 0	 4,052,771	 3,836,039
<b>CHANGES IN NET ASSETS (See Note 8)</b>	781,527	(897,678)	(116,151)	1,426,585
Net Assets, Beginning of Year	1,843,655	2,301,878	4,145,533	2,712,560
Fixed Assets Purchased with Grant Funds	0	0	0	16,213
Depreciation on Fixed Assets Purchased with Grant Funds	(8,710)	0	(8,710)	(9,825)
 <b>NET ASSETS - AT END OF YEAR</b>	 <b>\$ 2,616,472</b>	 <b>\$ 1,404,200</b>	 <b>\$ 4,020,672</b>	 <b>\$ 4,145,533</b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>				<u>2014</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 1,936,258	\$ 189,131	\$ 359,297	\$ 2,484,686	\$ 2,199,075
Employee benefits	237,976	22,665	40,664	301,305	267,386
Payroll Taxes	159,016	15,577	29,322	203,915	209,463
Professional Fees	62,790	3,698	7,503	73,991	224,726
Fiscal/Auditor Fees	33,548	75,375	4,789	113,712	77,134
Stipends and Scholarships	17,974	155	338	18,467	19,107
Occupancy	49,470	1,756	3,517	54,743	57,353
Youth Advisory/Speech Committee	8,361	492	1,197	10,050	9,003
Telephone	27,499	1,579	3,472	32,550	35,930
Conferences and Meetings	30,342	1,808	7,590	39,740	17,328
Travel/Mileage	71,647	(137)	4,347	75,857	88,572
Office Supplies	12,367	746	1,523	14,636	10,507
Printing and Publications	68,574	4,030	15,933	88,537	34,488
Equipment Rental and Maintenance	52,595	3,098	6,249	61,942	127,676
Insurance	19,044	1,060	2,243	22,347	23,982
In-kind Professional Fees	25,911	1,524	3,048	30,483	26,000
In-kind Rent	121,069	7,122	14,243	142,434	133,998
Other In-kind Expenses	7,210	428	858	8,496	18,329
Program Activities and Training	139,086	51	100	139,237	157,587
Program Supplies	22,264	231	12,227	34,722	29,325
Miscellaneous	74,863	12,154	6,840	93,857	62,354
Depreciation	5,488	0	1,576	7,064	6,716
<b>Total Functional Expenses</b>	<b>\$ <u>3,183,352</u></b>	<b>\$ <u>342,543</u></b>	<b>\$ <u>526,876</u></b>	<b>\$ <u>4,052,771</u></b>	<b>\$ <u>3,836,039</u></b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets (See Note 8)	\$ (116,151)	\$ 1,426,585
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(27,440)	(28,496)
Unrealized (Gain)/Loss on Investments	88,174	(45,361)
Contributed Stock	(238,644)	0
Depreciation	7,064	6,716
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	147,634	(593,046)
Prepaid Expenses	(1,079)	(19,121)
Deposits	(1,847)	882
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(56,449)	52,953
Accrued Expenses	12,744	4,602
Deferred Revenue	(31,200)	31,200
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(217,194)</u>	<u>836,914</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(2,495,000)	(281,367)
Proceeds from Sale of Investments	<u>2,313,152</u>	<u>225,189</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(181,848)</u>	<u>(56,178)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(399,042)	780,736
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>1,151,441</u>	<u>370,705</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 752,399</u>	<u>\$ 1,151,441</u>
<b>Supplemental Disclosure:</b>		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See notes to financial statements



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 1: ORGANIZATION**

FLY is currently operating in Santa Clara and San Mateo and now, Alameda County. Working with juvenile justice youth and those at-risk of entering the system, FLY's mission is to prevent juvenile crime and incarceration through legal education, leadership training and one-on-one mentoring.

Fresh Lifelines for Youth, Inc. (FLY) is a California non-profit public benefit corporation founded in 1998 and incorporated on April 24, 2000 to prevent juvenile crime and incarceration. FLY believes that all our children deserve the chance to become more than their past mistakes.

Many children who end up in the juvenile justice system often do not get that chance and they do not have the knowledge, skills or support they need to lead productive lives. They often believe that by the time they are 18, they will be in prison or dead. But, it doesn't have to be this way. FLY provides legal education, leadership development and mentoring to youth, builds a community who will support their healthy development and helps our juvenile justice systems be more effective and humane. As a result, FLY works collaboratively with all our system partners to actively engage in system reform efforts, and FLY is often asked to take a leadership role in local detention reform work. Together we inspire our at-risk youth and give them a chance to transform from juvenile delinquents into positive community leaders, creating a safer, healthier and happier community for us all.

**Programs**

Currently FLY's main programs include:

**Law Program**

**Brief Description**

A semester-long legal education and life skills course that teaches youth who are involved in or at risk of becoming involved in the juvenile justice system about the law and consequences of crime. Our nationally recognized law curriculum uses role-plays, debates, and mock trials to capture youth interest and foster the development life skills such as anger management, problem solving, empathy, and the ability to resist negative peer pressure. FLY's Law Program encourages even the highest-risk youth to envision a positive future.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 1: ORGANIZATION (continued)**

**Leadership Training Program**

Brief Description

At the end of the Law Program, youth who need additional support to change their lives can join the Leadership Training Program. During the program year, youth complete a comprehensive assessment to identify their greatest barriers to living a crime-free, self-sufficient life. A FLY case manager/mentor then works with the youth to create and execute an individualized plan to address these barriers and build skills to sustain healthy behaviors. Youth also receive leadership training, which kicks off with a wilderness retreat that builds self-confidence, communication skills, collaboration, and positive peer relationships. Together youth in the program engage in pro-social activities and plan service learning projects where they discover how to build on and redirect their strengths as positive leaders.

**Mentor Program**

Brief Description

This program serves youth on probation in Santa Clara County, many of whom struggle with substance abuse. The program matches highly trained volunteer mentors one-on-one with youth. FLY mentors are often the first positive and healthy adults our youth have had in their lives.

**Middle School Law Program**

Brief Description

This program offers a five-day version of our legal education course to 7th graders. Youth at greatest risk of dropping out of school then receive case management during their 8th grade year in order to prevent them from entering the juvenile justice system and help them successfully transition to high school.

**Aftercare**

Brief Description

This program serves in-custody youth who are in long term detention. While incarcerated, youth receive FLY's legal education classes. Following their release, they receive up to six months of FLY case management to help them reintegrate successfully into their communities.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

FLY prepares its financial statements using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

**Basis of Presentation**

FLY is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2015 FLY did not have any permanently restricted net assets.

**Income Tax Status**

FLY is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and therefore has made no provisions for federal income taxes in the accompanying financial statements. FLY is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code. Management believes FLY has no uncertain tax positions as of June 30, 2015.

**Functional Allocation of Expenses**

FLY allocates indirect costs between program and supporting services, using estimates of usage and benefit, based principally on personnel hours.

**Cash and Cash Equivalents**

Cash and cash equivalents consists principally of amounts on hand and on deposit with commercial banks and a registered investment company, available within 90 days of demand. The carrying amount of cash approximates fair value due to its short-term nature.

**Investments**

Investments consist of certificates of deposit with original terms exceeding 90 days and registered investment company shares (mutual funds) carried at fair value based on quoted prices in active markets (all Level 1 measurements).

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses as of the date and for the period presented. Actual results could differ from these estimates.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with FLY's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**Grants and Contracts Receivable**

Grants and contract receivable consist of uncollected promises to give and fees for services. FLY discounts long-term promises to give and estimates an allowance for uncollectible fees for services using the experience method. FLY classifies past due grants and contracts receivable based on grant or contract payment terms and charges off such past due grants receivable when management estimates that collection is less likely than not collecting. As of June 30, 2015, there were no discounts and allowances on pledges.

**Property and Equipment**

Property and equipment consists of leasehold improvements, furniture, software, computer, office and transportation equipment. FLY records property and equipment at cost or fair value when purchased or donated, respectively, when the cost or fair value exceeds \$5,000. FLY computes depreciation using the straight-line method over the estimated useful lives of the property and equipment (or lower remaining lease period for leasehold improvements), ranging from three to five years.

Assets purchased with grantor funds are expensed in the period acquired. A corresponding entry is recorded in the accompanying statement of financial position as an asset with an offset to net assets. In order to reflect the decrease in value over time of these assets, depreciation is charged directly to net assets annually. These assets are restricted to use only in the programs from which they were purchased.

**Revenue Recognition**

Contributions receivable are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**In-kind Support**

FLY records contributions of goods and services at their fair market value only if they create or enhance a non-financial asset or require specialized skills, are provided by entities or persons possessing those skills and FLY would have purchased the goods or services if they did not receive them as contributions.

**Advertising Costs**

The production costs of advertising are expensed as incurred. During the year ended June 30, 2015, advertising costs charged to expense totaled \$88,537 and are recorded as printing and publication expenses on the Statement of Functional Expenses.

**Note 3: INVESTMENTS**

The FASB defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and describes disclosures about fair value measurements.

The FASB has established a three level fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. A level is assigned to each fair value measurement in its entirety. The three levels of the fair value hierarchy under the FASB are defined below:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

As of June 30, 2015, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,633,000 and \$2,625,815, respectively.

As of June 30, 2014, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,273,241 and \$2,087,687, respectively.

Net investment income for the years ended June 30, total as follows:

	2015	2014
Interest and dividends	\$ 59,388	\$ 81,540
Net realized and unrealized gain/(loss)	(88,174)	73,857
<b>Net investment income</b>	<b>\$ (28,786)</b>	<b>\$ 155,397</b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 4: GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable as of June 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Franklin and Catherine Johnson Foundation	\$ 30,000	\$ 60,000
James Irvine Foundation	0	0
The 1440 Foundation	100,000	100,000
Silicon Valley Community Foundation	225,000	525,000
Noble & Lorraine Hancock Family Fund	80,000	80,000
San Francisco Super Bowl Legacy, Inic.	250,000	0
City of San Jose:		
Bring Everybody's Strengths Together	30,200	33,700
County of San Mateo Probation – YOBG	35,311	9,726
County of San Mateo Probation – JJCPA	13,554	20,867
County of Santa Clara:		
Probation Department	66,634	22,890
Social Services Agency	4,463	6,032
Department of Alcohol and Health	0	8,470
EMQ Family First	0	24,860
Santa Clara Office of Education	27,500	6,250
State of California - CSA	0	112,501
<b>Total Grants and Contracts Receivable</b>	<b>\$ <u>862,662</u></b>	<b>\$ <u>1,010,296</u></b>

**Note 5: DEFINED CONTRIBUTION RETIREMENT PLAN**

FLY sponsors a defined contribution plan (Plan) under IRC Section 403(b) for its employees. The Plan allows participating employees to defer a portion of their compensation into income tax-deferred investments. During the years ended June 30, 2015 and 2014, FLY provided a benefit stipend to its employees of 13% of their compensation. Employees may use their benefit stipend to purchase supplemental benefits and contribute to the Plan. During the years ended June 30, 2015 and 2014, employees directed portions of their benefit stipend to the Plan totaling \$119,391 and \$127,530, respectively.

**Note 6: DEFERRED REVENUE**

Deferred revenue, which represents grants received but not yet earned, consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
City of San Jose BEST	\$ 0	\$ 31,200

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 7: OVERHEAD RATE CALCULATION**

Expenses by function for the year ended June 30, 2015 are as follows:

Management and General	\$ 342,543	8%
Fundraising	526,876	13%
Program Services	<u>3,183,352</u>	<u>79%</u>
Total	<u>\$ 4,052,771</u>	<u>100%</u>

**Note 8: CHANGE IN NET ASSETS**

In the fiscal year ended June 30, 2015, there was a decrease in total net assets of \$116,156. However, this number does not take into account, revenue that was received or pledged in a prior year, but was restricted by the donor for use in FY2015. FLY released or expended an additional \$2,696,738 of Temporarily Restricted Net Assets (TRNA). Per GAAP, total support and revenue, include only revenue that was received or committed to the agency during FY2015.

**Note 9: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES**

At various times during the years ended June 30, 2015 and 2014, FLY had deposits at commercial banks exceeding federal deposit insurance limits.

Support and revenue from specific sources exceeding 10% of gross support and revenue during either year ended June 30, 2015 or 2014, total as follows:

	<u>2015</u>	<u>2014</u>
San Francisco Super Bowl Legacy, Inc.	13%	0%
The Tipping Point Foundation	10%	12%
County of Santa Clara	12%	7%

Certain programs of FLY depend on contributions of services (volunteers).

A significant reduction in volunteers or these sources of support and revenue, if this would occur, may adversely affect the programs and activities of FLY.

FLY receives certain support and revenue pursuant to various agreements with local governmental agencies. The agreements provide the agencies with the opportunity to review or audit the expenditures of support and performance of services to establish compliance with laws, regulations and the specific terms of the agreements. Management believes FLY complied in the terms of the agreements and that any adjustments, if they would occur, would be immaterial to the financial position of FLY.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 10: TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2015 and 2014 temporarily restricted net assets consist of the following:

	June 30, 2014	2015 Additions of TRNA	2015 Releases of TRNA	June 30, 2015
100 Women Charitable Foundation	\$ 45,000	\$ 0	\$ 45,000	\$ 0
AAA NCNU Grant	20,000	0	20,000	0
All Star Helping Kids	0	5,000	5,000	0
Bank of America Foundation	0	5,000	0	5,000
Barkley Foundation	0	50,000	50,000	0
California Wellness Foundation	0	50,000	50,000	0
Cisco Systems Corp. Fund	15,000	15,000	15,000	15,000
Edna McConnell Clark Foundation	150,000	0	150,000	0
Elfin Award	25,000	0	25,000	0
EMQ – Families First	49,720	0	49,720	0
Fernwick & West	0	10,000	10,000	0
Franklin Johnson Foundation	90,000	0	30,000	60,000
Ghisolfo Trust	250,000	0	250,000	0
Intuit Foundation	2,500	0	2,500	0
James Irvine Foundation	100,000	5,000	105,000	0
Junior League of Palo Alto	4,000	0	4,000	0
Kaiser Foundation	30,000	25,000	55,000	0
Kurjan Family	15,000	0	15,000	0
Leo M. Shortino Foundation	0	35,000	35,000	0
Marc and Laura Andreessen Fund	47,000	0	47,000	0
Noble & Lorraine Hancock Family Foundation	120,000	0	40,000	80,000
Palo Alto Community Foundation	10,000	10,000	10,000	10,000
Peery Foundation	100,000	105,000	105,000	100,000
PVF – Somerville	4,200	0	0	4,200
San Disk Foundation	15,000	3,500	18,500	0
SF 49ers Foundation	99,000	100,560	199,560	0
Silicon Valley Community Foundation	525,000	0	300,000	225,000
Silicon Valley Social Venture Fund	3,500	0	3,500	0
Greenleaf Trust	200,000	0	200,000	0
SF Super Bowl Legacy, Inc.	0	500,000	0	500,000
Stanley Langedorf Foundation	0	20,000	20,000	0
Stewart Family Foundation	10,000	0	10,000	0
Sunnyvale Rotary Club	2,500	0	2,500	0
Symon College Fund	945	0	945	0
Tangram	3,000	0	3,000	0



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 10: TEMPORARILY RESTRICTED NET ASSETS (continued)**

	June 30, 2014	2015 Additions of TRNA	2015 Releases of TRNA	June 30, 2015
The 1440 Foundation	\$ 150,000	\$ 10,000	\$ 50,000	\$ 110,000
The Brin Wojcicki Foundation	100,000	50,000	100,000	50,000
The Grove Foundation	30,000	30,000	30,000	30,000
The Long Foundation	0	150,000	0	150,000
The Lucille Packard Foundation	25,000	50,000	50,000	25,000
Thrive Foundaiton	0	12,500	12,500	0
Tides Foundation	20,513	0	20,513	0
Tim & Theresia Ranzetta Foundation	0	50,000	50,000	0
Tipping Point Foundation	0	402,500	402,500	0
Westly Foundation	25,000	25,000	25,000	25,000
Witchy Women (Bella Vista)	0	65,000	65,000	0
Women's Foundation of California	15,000	15,000	15,000	15,000
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 2,301,878</b>	<b>\$ 1,799,060</b>	<b>\$ 2,696,738</b>	<b>\$ 1,404,200</b>

FLY was a recipient of multiple year foundation grants recognized in prior fiscal years. This is reflective in the balance of Temporarily Restricted Net Assets (TRNA) of \$2,301,878 as of June 30, 2014.

Please note the Greenleaf Trust gift was a restricted donor gift received in FY14 but meant to support efforts in FY15; however per GAAP, it is included in FY14 total support.

As of the fiscal year ended June 30, 2015, a total of \$2,696,738 was spent on the satisfaction of funding restrictions from prior years.

**Note 11: IN-KIND CONTRIBUTIONS AND VOLUNTEERS**

During the year ended June 30, 2015, FLY recorded in-kind contributions for office space of \$142,434, legal fees of \$18,483, financial advisor fees of \$12,000, and supplies of \$8,496 for total in-kind contributions of \$181,413.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2015 was:

Law	4,114
Mentoring	4,265
Management/Administrative	<u>862</u>
<b>Total Volunteer Hours Contributed</b>	<b><u>9,241</u></b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Note 12: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through October 15, 2015, the date the financial statements were available to be issued.

**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  
**FRESH LIFELINES FOR YOUTH, INC.**  
Milpitas, 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 Fresh Lifelines for Youth, Inc., which comprise the statement of financial position as of June 30, 2015, 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 October 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization'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 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 Organization's financial statements are free of 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Francisco, California  
October 15, 2015