

**FRESH LIFELINES FOR YOUTH, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015**

**IZABAL, BERNACIAK & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

**FRESH LIFELINES FOR YOUTH, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2015**

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**IZABAL, BERNACIAK & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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, 2016, 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 August 10, 2016, 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 2015 financial statements, and our report dated October 15, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California

August 10, 2016

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR JUNE 30, 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,086,772	\$ 752,399
Investments, at fair value (See Note 3)	2,695,632	2,633,000
Grants and Contracts Receivable (See Note 4)	721,091	862,662
Prepaid Expenses	31,957	47,193
Deposits	14,419	9,611
Property and Equipment (net of accumulated depreciation of \$373,106 and \$362,791 respectively)	8,821	19,135
<b>TOTAL ASSETS</b>	<b>\$ 4,558,692</b>	<b>\$ 4,324,000</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 60,281	\$ 46,671
Accrued Expenses	293,885	256,657
<b>Total Liabilities</b>	<b>354,166</b>	<b>303,328</b>
 <b>Net Assets:</b>		
Unrestricted:		
Undesignated	3,004,543	2,605,402
Fixed Assets Purchased with Grant Funds	7,821	11,070
Total Unrestricted	3,012,364	2,616,472
Temporarily Restricted (See Note 9)	1,192,160	1,404,200
<b>Total Net Assets</b>	<b>4,204,524</b>	<b>4,020,672</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,558,692</b>	<b>\$ 4,324,000</b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Totals</u>
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Government grants	\$ 842,614	\$ 0	\$ 842,614	\$ 826,723
Contributions:				
Foundations	0	2,336,250	2,336,250	1,698,500
Corporations	75,500	225,000	300,500	100,560
Misc. Income/Donation	19,629	0	19,629	5,703
In-Kind	204,247	0	204,247	181,413
Individuals	447,594	0	447,594	561,599
Special Event Fundraiser	543,196	0	543,196	409,361
Direct Expenses	(91,092)	0	(91,092)	(69,858)
Special Event Fundraiser, net	452,104	0	452,104	339,503
Total Support	<u>2,041,688</u>	<u>2,561,250</u>	<u>4,602,938</u>	<u>3,714,001</u>
Revenue:				
Program Service Fees - Fee for Service Contracts	292,000	0	292,000	251,405
Investment Income (See Note 3)	54,295	0	54,295	59,388
Net realized and unrealized gain/(loss) (See Note 3)	(57,406)	0	(57,406)	(88,174)
Total Revenue	<u>288,889</u>	<u>0</u>	<u>288,889</u>	<u>222,619</u>
Net Assets released from:				
Satisfaction of restrictions	<u>2,773,290</u>	<u>(2,773,290)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>5,103,867</u>	<u>(212,040)</u>	<u>4,891,827</u>	<u>3,936,620</u>
<b><u>EXPENSES</u></b>				
Program Services	3,759,200	0	3,759,200	3,183,352
Supporting Services				
Management and General	414,181	0	414,181	342,543
Fundraising	531,345	0	531,345	526,876
Total Expenses	<u>4,704,726</u>	<u>0</u>	<u>4,704,726</u>	<u>4,052,771</u>
<b>CHANGES IN NET ASSETS (See Note 7)</b>	399,141	(212,040)	187,101	(116,151)
Net Assets, Beginning of Year	2,616,472	1,404,200	4,020,672	4,145,533
Depreciation on Fixed Assets Purchased with Grant Funds	(3,249)	0	(3,249)	(8,710)
<b>NET ASSETS - AT END OF YEAR</b>	<u>\$ 3,012,364</u>	<u>\$ 1,192,160</u>	<u>\$ 4,204,524</u>	<u>\$ 4,020,672</u>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2016</u>				<u>2015</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 2,209,041	\$ 240,786	\$ 347,141	\$ 2,796,968	\$ 2,484,686
Employee benefits	258,994	31,644	40,953	331,591	301,305
Payroll Taxes	222,776	21,675	33,267	277,718	203,915
Professional Fees	130,447	6,064	15,173	151,684	73,991
Fiscal/Auditor Fees	37,342	76,975	4,349	118,666	113,712
Stipends and Scholarships	13,117	26	64	13,207	18,467
Occupancy	75,250	1,468	3,671	80,389	54,743
Youth Advisory/Speech Committee	9,266	1,235	1,038	11,539	10,050
Telephone	33,785	1,528	3,816	39,129	32,550
Conferences and Meetings	48,713	2,803	17,450	68,966	39,740
Travel/Mileage	88,112	795	6,870	95,777	75,857
Office Supplies	10,059	0	1,557	11,616	14,636
Printing and Publications	63,308	2,960	7,429	73,697	88,537
Equipment Rental and Maintenance	75,910	3,078	7,638	86,626	61,942
Insurance	21,564	1,003	2,507	25,074	22,347
In-kind Professional Fees	48,107	2,238	5,594	55,939	30,483
In-kind Rent	113,898	6,700	13,400	133,998	142,434
Other In-kind Expenses	12,519	655	1,137	14,311	8,496
Program Activities and Training	160,494	0	45	160,539	139,237
Program Supplies	39,568	348	7,783	47,699	34,722
Miscellaneous	80,895	12,200	9,432	102,527	93,857
Depreciation	6,035	0	1,031	7,066	7,064
 Total Functional Expenses	 <u>\$ 3,759,200</u>	 <u>\$ 414,181</u>	 <u>\$ 531,345</u>	 <u>\$ 4,704,726</u>	 <u>\$ 4,052,771</u>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets (See Note 7)	\$ 187,101	\$ (116,151)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(20,522)	(27,440)
Net realized and unrealized (gain)/loss	57,406	88,174
Contributed Stock	(26,350)	(238,644)
Depreciation	7,066	7,064
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	141,571	147,634
Prepaid Expenses	15,236	(1,079)
Deposits	(4,808)	(1,847)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	13,610	(56,449)
Accrued Expenses	37,228	12,744
Deferred Revenue	0	(31,200)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>407,538</b>	<b>(217,194)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(373,165)	(2,495,000)
Proceeds from Sale of Investments	300,000	2,313,152
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(73,165)</b>	<b>(181,848)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>334,373</b>	<b>(399,042)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>752,399</b>	<b>1,151,441</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,086,772</b>	<b>\$ 752,399</b>
<b>Supplemental Disclosure:</b>		
Interest paid	\$ 0	\$ 0

See notes to financial statements



**FRESH LIFELINES FOR YOUTH, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 1: ORGANIZATION**

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

FLY currently operates in Santa Clara, San Mateo, and Alameda counties. 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.

Many children who end up in the juvenile justice system 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 training, and mentoring to youth; builds a community of people willing to support them in the process; and helps our local juvenile justice systems become more effective and humane.

FLY is frequently asked by systems leaders to take an active role in system reform efforts. FLY is part of a collaborative effort that has seen a 75% reduction in juvenile incarceration in Santa Clara County and a 60% reduction in San Mateo County. By giving youth a chance to transform into positive community leaders, FLY helps create a safer, healthier, and happier community for us all.

**Programs**

Currently FLY's main programs include:

**Legal Education Program**

**Brief Description**

FLY's semester-long Legal Education Program teaches youth about the legal, social, and personal consequences of crime, helps them learn new coping strategies, and inspires them to change

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 1: ORGANIZATION (continued)**

**Leadership Training Program**

Brief Description

FLY's 10-month Leadership Training Program is for moderate- to high-risk youth who have completed FLY's Legal Education Program and need additional support to change their lives. They receive leadership training, positive peer support, and intensive case management/mentoring.

**Mentor Program**

Brief Description

The FLY Mentor Program links youth ages 14-18 who are involved in the juvenile justice system in Santa Clara County with trained, caring adult volunteers who support the youth in their development of new attitudes, behaviors, and ambitions. FLY mentors are often the first positive and healthy adults our youth have had in their lives.

**Middle School GOLD 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, 2016**

**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, 2016 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, 2016.

**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, 2016**

**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, 2015, 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, 2016, 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, 2016**

**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, 2016, advertising costs charged to expense totaled \$73,697 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, 2016, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,695,632 and \$2,779,668, respectively.

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.

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 54,295	\$ 59,388
Net realized and unrealized gain/(loss)	<u>(57,406)</u>	<u>(88,174)</u>
<b>Net investment income</b>	<b>\$ <u>(3,111)</u></b>	<b>\$ <u>(28,786)</u></b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 4: GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable as of June 30, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
City of San Jose:		
Bring Everybody's Strengths Together	\$ 33,850	\$ 30,200
City of Redwood City	10,000	0
County of San Mateo Probation – YOBG	22,101	35,311
County of San Mateo Probation – JJCPA	24,598	13,554
County of Santa Clara:		
Probation Department	149,711	66,634
Social Services Agency	5,334	4,463
Franklin and Catherine Johnson Foundation	0	30,000
Koshland Foundation	150,000	0
Noble & Lorraine Hancock Family Fund	0	80,000
Opportunity Youth Partnership (Planned Parenthood)	20,497	0
San Francisco Super Bowl Legacy, Inc.	0	250,000
Santa Clara Office of Education	55,000	27,500
Silicon Valley Community Foundation	0	225,000
The 1440 Foundation	0	100,000
Tipping Point Foundation	<u>250,000</u>	<u>0</u>
<b>Total Grants and Contracts Receivable</b>	<b>\$ <u>721,091</u></b>	<b>\$ <u>862,662</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, 2016 and 2015, 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, 2016 and 2015, employees directed portions of their benefit stipend to the Plan totaling \$145,794 and \$119,391 respectively.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 6: OVERHEAD RATE CALCULATION**

Expenses by function for the year ended June 30, 2016 are as follows:

Management and General	\$ 414,181	9%
Fundraising	531,345	11%
Program Services	<u>3,759,200</u>	<u>80%</u>
Total	<u>\$ 4,704,726</u>	<u>100%</u>

**Note 7: CHANGE IN NET ASSETS**

In the fiscal year ended June 30, 2016, there was an increase in total net assets of \$187,101. This this number does not take into account, revenue that was received or pledged to the Organization in a prior year, but was restricted by the donor for use in FY 2016. In FY 2016, FLY released or expended an additional \$1,144,000 of Temporarily Restricted Net Assets (TRNA) from prior years; per GAAP, this number is not reflected in total support and revenue for FY 2016.

**Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES**

At various times during the years ended June 30, 2016 and 2015, 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, 2016 or 2015, total as follows:

	<u>2016</u>	<u>2015</u>
San Francisco Super Bowl Legacy, Inc.	0%	13%
The Tipping Point Foundation	18%	10%
County of Santa Clara	12%	12%

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, 2016**

**Note 9: TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2016 and 2015 temporarily restricted net assets consist of the following:

	June 30, 2015	2016 Additions of TRNA	2016 Releases of TRNA	June 30, 2016
Adobe Foundation	\$ 0	\$ 27,000	\$	\$ 27,000
All Star Helping Kids	0	5,000	5,000	0
Applied Materials	0	15,000	15,000	0
Bank of America Foundation	5,000	0	5,000	0
Barkley Foundation	0	75,000	75,000	0
Beloved in Christ Foundation	0	25,000	25,000	0
Cisco Systems Corp. Fund	15,000	0	15,000	0
Emerson Collective	0	150,000	150,000	0
Franklin Johnson Foundation	60,000	0	30,000	30,000
Heising-Simmons Foundation	0	15,000	15,000	0
Innovative Family Foundation	0	80,000	5,000	75,000
James Irvine Foundation	0	3,000	3,000	0
Jazz Pharmaceuticals	0	5,000	5,000	0
Koogle Scott	225,000	0	225,000	0
Koshland Foundation	0	300,000	150,000	150,000
Leo M. Shortino Foundation	0	35,000	35,000	0
Noble & Lorraine Hancock Family Foundation	80,000	0	40,000	40,000
Palo Alto Community Foundation	10,000	0	10,000	0
Peery Foundation	100,000	0	100,000	0
PVF – Somerville	4,200	5,000	7,584	1,616
San Disk Foundation	0	20,000	20,000	0
SF 49ers Foundation	0	225,000	225,000	0
SF Super Bowl Legacy, Inc.	500,000	0	350,000	150,000
Sobrato Foundation	0	151,000	151,000	0
Stanley Langendorf Foundation	0	10,000	10,000	0
The 1440 Foundation	110,000	10,000	70,000	50,000
The Brin Wojcicki Foundation	50,000	150,000	200,000	0
The Grove Foundation	30,000	0	30,000	0
The Jay & Rose Phillips Family Foundation	0	75,000	75,000	0
The Long Foundation	150,000	150,000	150,000	150,000
The Lucille Packard Foundation	25,000	0	25,000	0
The Zellerbach Foundation	0	50,000	50,000	0
Thrive Foundation	0	3,500	3,500	0



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Note 9: TEMPORARILY RESTRICTED NET ASSETS (continued)**

	June 30, 2015	2016 Additions of TRNA	2016 Releases of TRNA	June 30, 2016
Tim & Theresia Ranzetta Foundation	\$ 0	\$ 75,000	\$ 75,000	\$ 0
Tipping Point Foundation	0	900,000	381,456	518,544
Westley Foundation	25,000	0	25,000	0
Women's Foundation of California	15,000	0	15,000	0
Other	0	1,750	1,750	0
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 1,404,200</b>	<b>\$ 2,561,250</b>	<b>\$ 2,773,290</b>	<b>\$ 1,192,160</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 \$1,404,200 as of June 30, 2015.

As of the fiscal year ended June 30, 2016, a total of \$2,773,290 was spent on the satisfaction of funding restrictions from prior years.

**Note 10: IN-KIND CONTRIBUTIONS AND VOLUNTEERS**

During the year ended June 30, 2016, FLY recorded in-kind contributions for office space of \$133,998, legal fees of \$30,739, financial advisor fees of \$25,200, and supplies/other of \$14,311 for total in-kind contributions of \$204,247.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2016 was:

Law	4,238
Mentoring	6,346
Management/Administrative	922
<b>Total Volunteer Hours Contributed</b>	<b>11,506</b>

**Note 11: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through August 10, 2016, the date the financial statements were available to be issued.

**IZABAL, BERNACIAK & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2016, 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 August 10, 2016.

**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  
August 10, 2016