

FRESH LIFELINES FOR YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013**

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

FRESH LIFELINES FOR YOUTH, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013

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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, 2014, 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, 2014, 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 November 5, 2014, 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 2013 financial statements, and our report dated November 21, 2013, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California
November 5, 2014

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 WITH SUMMARIZED
COMPARATIVE TOTALS FOR JUNE 30, 2013

	2014	2013
Assets:		
Cash and Cash Equivalents	\$ 1,151,441	\$ 370,705
Investments, at fair value (See Note 3)	2,273,241	2,143,206
Grants and Contracts Receivable, net (See Note 4)	1,010,296	417,250
Prepaid Expenses	46,114	26,993
Deposits	7,764	8,646
Property and Equipment (net of accumulated depreciation of \$347,016)	34,910	35,238
TOTAL ASSETS	\$ 4,523,766	\$ 3,002,038
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 103,120	\$ 50,167
Accrued Expenses	243,913	239,311
Deferred Revenue (See Note 6)	31,200	0
Total Liabilities	378,233	289,478
 Net Assets (See Note 10):		
Unrestricted:		
Undesignated	1,823,875	1,778,429
Fixed Assets Purchased with Grant Funds	19,780	13,391
Total Unrestricted	1,843,655	1,791,820
Temporarily Restricted	2,301,878	920,740
Total Net Assets	4,145,533	2,712,560
TOTAL LIABILITIES AND NET ASSETS	\$ 4,523,766	\$ 3,002,038

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Government grants	\$ 798,975	\$ 25,000	\$ 823,975	\$ 838,583
Contributions				
Foundations	0	2,800,733	2,800,733	1,331,195
In-Kind	178,327	0	178,327	196,342
Individuals	384,527	323,729	708,256	188,184
Special Event Fundraiser	385,655	0	385,655	374,339
Direct Expenses	(60,719)	0	(60,719)	(61,441)
Special Event Fundraiser, net	<u>324,936</u>	<u>0</u>	<u>324,936</u>	<u>312,898</u>
Total Support	<u>1,686,765</u>	<u>3,149,462</u>	<u>4,836,227</u>	<u>2,867,202</u>
Revenue:				
Program Service Fees - Fee for Service Contracts	271,000	0	271,000	292,218
Investment Income (See Note 3)	81,540	0	81,540	78,518
Gain on Sale of Investment (See Note 3)	73,857	0	73,857	63,420
Total Revenue	<u>426,397</u>	<u>0</u>	<u>426,397</u>	<u>434,156</u>
Net Assets released from:				
Satisfaction of restrictions	<u>1,768,324</u>	<u>(1,768,324)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>3,881,486</u>	<u>1,381,138</u>	<u>5,262,624</u>	<u>3,301,358</u>
<u>EXPENSES</u>				
Program Services	3,037,425	0	3,037,425	2,743,362
Supporting Services				
Management and General	343,072	0	343,072	334,795
Fundraising	455,542	0	455,542	253,211
Total Expenses	<u>3,836,039</u>	<u>0</u>	<u>3,836,039</u>	<u>3,331,368</u>
CHANGES IN NET ASSETS (See Note 8)	45,447	1,381,138	1,426,585	(30,010)
Net Assets, Beginning of Year	1,791,820	920,740	2,712,560	2,745,562
Fixed Assets Purchased with Grant Funds	16,213	0	16,213	0
Depreciation on Fixed Assets Purchased with Grant Funds	(9,825)	0	(9,825)	(2,992)
NET ASSETS - AT END OF YEAR	<u>\$ 1,843,655</u>	<u>\$ 2,301,878</u>	<u>\$ 4,145,533</u>	<u>\$ 2,712,560</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)

	2014				2013
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries	\$ 1,714,042	\$ 190,247	\$ 294,786	\$ 2,199,075	\$ 1,873,309
Employee benefits	214,625	17,711	35,050	267,386	272,519
Payroll Taxes	163,828	17,579	28,056	209,463	197,229
Professional Fees	203,538	6,237	14,951	224,726	223,645
Fiscal/Auditor Fees	0	77,134	0	77,134	72,796
Stipends and Scholarships	18,631	140	336	19,107	17,264
Occupancy	51,332	1,748	4,273	57,353	45,453
Youth Advisory/Speech Committee	7,477	456	1,070	9,003	0
Telephone	30,136	1,718	4,076	35,930	32,603
Conferences and Meetings	13,778	779	2,771	17,328	22,127
Travel/Mileage	83,226	863	4,483	88,572	72,616
Office Supplies	8,750	563	1,194	10,507	7,419
Printing and Publications	21,315	1,284	11,889	34,488	39,983
Equipment Rental and Maintenance	105,895	6,370	15,411	127,676	40,791
Insurance	19,661	1,478	2,843	23,982	24,132
In-kind Professional Fees	21,580	1,300	3,120	26,000	21,996
In-kind Rent	111,218	6,700	16,080	133,998	129,546
Other In-kind Expenses	15,225	913	2,191	18,329	22,606
Program Activities and Training	157,540	0	47	157,587	145,354
Program Supplies	22,031	170	7,124	29,325	34,033
Miscellaneous	48,023	9,346	4,985	62,354	30,486
Depreciation	5,574	336	806	6,716	5,461
 Total Functional Expenses	 \$ <u>3,037,425</u>	 \$ <u>343,072</u>	 \$ <u>455,542</u>	 \$ <u>3,836,039</u>	 \$ <u>3,331,368</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets (See Note 8)	\$ 1,426,585	\$ (30,010)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Realized (Gain)/Loss on Investments	(28,496)	(63,420)
Unrealized (Gain)/Loss on Investments	(45,361)	97,889
Contributed Property and Equipment	0	(22,196)
Depreciation	6,716	5,461
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	(593,046)	4,539
Prepaid Expenses	(19,121)	3,294
Deposits	882	(1,350)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	52,953	(8,654)
Accrued Expenses	4,602	61,569
Deferred Revenue	31,200	0
Net Cash Provided by Operating Activities	836,914	47,122
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(281,367)	(2,583,048)
Proceeds from Sale of Investments	225,189	2,522,522
Net Cash Used by Investing Activities	(56,178)	(60,526)
Net Increase/(Decrease) in Cash and Cash Equivalents	780,736	(13,404)
CASH AND CASH EQUIVALENTS, beginning of year	370,705	384,109
CASH AND CASH EQUIVALENTS, end of year	\$ 1,151,441	\$ 370,705
Supplemental Disclosure:		
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, 2014

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 prevent juvenile crime and incarceration. FLY believes that all our children deserve the chance to become more than their past mistakes. The principle offices for FLY are in Santa Clara County, California.

Programs

Currently FLY's main programs include:

Legal Education

The Law Program is a 12-week legal education course with experiential components that inspire youth to change their behavior and build their skills and confidence to help make change possible.

The interactive CBT-based legal education curriculum includes weekly sessions and key experiential components which provide:

- Knowledge on legal and social consequences of juvenile crimes
- Safety (physical/emotional) among adults and mixture of youth that allows for trying new behaviors and identities
- Community for youth that supports positive actions and choices
- Empathy for juvenile justice system and its stakeholders
- Cognitive Dissonance that creates discord between present realities and future potential
- Self-Efficacy that allows youth to see they have the potential that can be used in a positive way

Leadership Training

At the end of the law course youth who want and need to continue making changes to their behavior, but do not have the support to be successful on their own, can apply to join the Leadership Program.

During the next 12 to 24 months youth receive: (1) Leadership Training: Youth identify and build on their strengths through the design and execution of community service-learning projects that improve the lives of others and allow them to socialize with peers in a positive pro-social manner; (2) Intensive youth advocacy: The youth and FLY case manager create an action plan with goals in the area of education, vocation, family, health, life skills, and completion of probation. The case manager then provides support directly to the youth and by working with the systems (school, probation, etc) to help the youth be successful.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 1: ORGANIZATION (continued)

Mentoring

The Mentor Program matches youth with a volunteer role model that is recruited, trained, and supported by FLY for an average of 12-15 months. The fundamental purpose and intended outcome for the Mentor Program is to provide youth with meaningful access to a positive pro-social role model. Responsive to jurisdictional needs, the Mentor Program relies on mentoring research to prove the effectiveness/impact of the relationship on a young person.

Additionally FLY has expertise in the following:

Goal Oriented Leadership Development (GOLD) Program

The GOLD Program helps at-risk youth focus on their academics and change their behavior, such that they can successfully graduate from middle school/8th grade.

The law component includes a 5-day to 8-day law-related education and life skill building course; which includes field trips to local law schools. In addition, youth who are identified as the most at-risk, get individualized case managing and service plans that focus on academic and behavioral change.

Aftercare

To help youth transition from longer term incarceration back into the community, FLY provides a version of Law and Leadership. FLY offers legal education to youth while they are incarcerated and then provides intensive youth advocacy and case managing as they are released and begin their re-integration back into their communities.

Record Sealing

To help our youth take a permanent step away from their delinquent past, FLY recruits and trains volunteer attorneys to file the legal paperwork necessary to officially seal juvenile records for those youth who have successfully completed probation.

System Reform

To help our system partners maximize their effectiveness, FLY has designed workshops and a course in political action in which probation youth research, analyze, and propose adaptation to juvenile justice policies and procedures.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014 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, 2014.

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, 2014

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, 2013, 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, 2014, 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, 2014

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, 2014, advertising costs charged to expense totaled \$34,488.

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

As of June 30, 2013, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,143,206 and \$2,061,555, respectively.

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

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 81,540	\$ 78,518
Net realized and unrealized gain/(loss)	<u>73,857</u>	<u>63,420</u>
Net investment income	<u>\$ 155,397</u>	<u>\$ 141,938</u>

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of June 30, 2014 and 2013, total as follows:

	<u>2014</u>	<u>2013</u>
Franklin and Catherine Johnson Foundation	\$ 60,000	\$ 0
James Irvine Foundation	0	100,000
The 1440 Foundation	100,000	0
Koogle Foundation	525,000	0
Noble & Lorraine Hancock Family Fund	80,000	0
United Way	0	12,500
City of San Jose:		
Bring Everybody's Strengths Together	33,700	34,000
County of San Mateo Probation – YOBG	9,726	29,182
County of San Mateo Probation – JJCPA	20,867	22,525
County of Santa Clara:		
Probation Department	22,890	17,291
Social Services Agency	6,032	10,733
Department of Alcohol and Health	8,470	0
EMQ Family First	24,860	12,430
Santa Clara Office of Education	6,250	6,250
State of California - CSA	<u>112,501</u>	<u>172,339</u>
Total Grants and Contracts Receivable	\$ <u>1,010,296</u>	\$ <u>417,250</u>

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, 2014 and 2013, 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, 2014 and 2013, employees directed portions of their benefit stipend to the Plan totaling \$127,530 and \$118,409, respectively.

Note 6: DEFERRED REVENUE

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

	<u>2014</u>	<u>2013</u>
City of San Jose BEST	\$ 31,200	\$ 0

**FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Note 7: OVERHEAD RATE CALCULATION

Expenses by function for the year ended June 30, 2014 are as follows:

Management and General	\$ 343,072	9%
Fundraising	455,542	12%
Program Services	<u>3,037,425</u>	<u>79%</u>
Total	<u>\$ 3,836,039</u>	<u>100%</u>

Note 8: CHANGE IN NET ASSETS

In the fiscal year ended June 30, 2014, there was an increase in total net assets of \$1,426,585. Per GAAP, total net assets includes revenue that was received or committed to the agency in FY 14 but will be spent in subsequent Fiscal Years. These funds are classified as Temporary Restricted Net Assets (TRNA) and will be released accordingly per their respective agreements.

Note 9: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES

At various times during the years ended June 30, 2014 and 2013, 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, 2014 or 2013, total as follows:

	<u>2014</u>	<u>2013</u>
State of California	7%	12%
County of Santa Clara	7%	10%
Silicon Valley Community Foundation	14%	0%

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, 2014

Note 10: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2014 and 2013 temporarily restricted net assets consist of the following:

	June 30, 2013	2014 Additions of TRNA	2014 Releases of TRNA	June 30, 2014
100 Women Charitable Foundation	\$ 0	\$ 45,000	\$ 0	\$ 45,000
AAA NCNU Grant	0	20,000	0	20,000
All Star Helping Kids	5,000	0	5,000	0
Andreessen Foundation	77,000	0	30,000	47,000
Barkley Foundation	60,000	0	60,000	0
BEST	34,006	0	34,006	0
Brin Wojcicki Foundation	0	200,000	100,000	100,000
Cisco Systems Corp. Fund	0	15,000	0	15,000
Edna McConnell Clark Foundation	100,000	218,000	168,000	150,000
Elfin Award	0	25,000	0	25,000
EMQ -- Families First	25,000	49,720	25,000	49,720
Franklin Johnson Foundation	20,000	90,000	20,000	90,000
Ghisolfo Trust	0	250,000	0	250,000
Intuit Foundation	0	7,500	5,000	2,500
James Irvine Foundation	153,174	0	53,174	100,000
Junior League of Palo Alto	4,000	4,000	4,000	4,000
Kaiser Foundation	0	30,000	0	30,000
Koogle Scott	0	775,000	250,000	525,000
Kurjan Family	3,000	17,000	5,000	15,000
Leo M. Shortino Foundation	35,000	35,000	70,000	0
Los Altos Rotary	2,000	0	2,000	0
May Smith Trust	0	50,000	50,000	0
Noble & Lorraine Hancock Family Foundation	35,000	120,000	35,000	120,000
Palo Alto Community Foundation	10,000	10,000	10,000	10,000
Peery Foundation	100,000	100,000	100,000	100,000
Philanthropic Venture	0	5,000	5,000	0
PVF -- Somerville	4,200	0	0	4,200
San Disk Foundation	0	15,000	0	15,000
SF 49ers Foundation	80,000	100,000	81,000	99,000
Silicon Valley Social Venture Fund	0	3,500	0	3,500
Greenleaf Trust	0	313,729	113,729	200,000
Stewart Family Foundation	0	10,000	0	10,000
Sunnyvale Rotary Club	0	2,500	0	2,500
Symon College Fund	5,805	10,000	14,860	945
Tangram	0	3,000	0	3,000

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Note 10: TEMPORARILY RESTRICTED NET ASSETS (continued)

	June 30, 2013	2014 Additions of TRNA	2014 Releases of TRNA	June 30, 2014
Taste of FLY	\$ 1,150	\$ 0	\$ 1,150	\$ 0
The 1440 Foundation	0	150,000	0	150,000
The Grove Foundation	35,000	45,000	50,000	30,000
The Lucille Packard Foundation	50,000	0	25,000	25,000
Tides Foundation	28,905	20,513	28,905	20,513
Tim & Theresia Ranzetta Foundation	0	50,000	50,000	0
Tipping Point Foundation	0	295,000	295,000	0
Van Loben/Rembe Rock Foundation	7,500	0	7,500	0
Westly Foundation	20,000	25,000	20,000	25,000
Wilson, Sonsini, Goodrich & Rosati Foundation	5,000	0	5,000	0
Women's Foundation of California	20,000	15,000	20,000	15,000
Other	0	25,000	25,000	0
Total	\$ 920,740	\$ 3,149,462	\$ 1,768,324	\$ 2,301,878

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 \$920,740 as of June 30, 2013.

As of the fiscal year ended June 30, 2014, a total of \$1,768,324 was spent on the satisfaction of funding restrictions from prior years.

Note 11: IN-KIND CONTRIBUTIONS AND VOLUNTEERS

During the year ended June 30, 2014, FLY recorded in-kind contributions for office space of \$133,998, legal fees of \$11,000, financial advisor fees of \$15,000, and supplies of \$18,329 for total in-kind contributions of \$178,327.

Approximate volunteer contributed time for the year ended June 30, 2014 was:

Law	6,116
Mentoring	3,630
Management/Administrative	1,543
Total Volunteer Hours Contributed	11,289

Note 12: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through November 5, 2014, 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, 2014, 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 November 5, 2014.

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
November 5, 2014