

FRESH LIFELINES FOR YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012**

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

FRESH LIFELINES FOR YOUTH, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012

TABLE OF CONTENTS

<u>Financial Statements</u>	<u>Page</u>
Independent Auditor's Report.....	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to the Financial Statements.....	7-15
<u>Supplementary Information</u>	
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 <i>Government Auditing Standards</i>	16-17

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Director
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, 2013, 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, 2013, 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 21, 2013, 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.

A handwritten signature in black ink, appearing to read "Sybil Bernick" followed by a flourish.

San Francisco, California
November 21, 2013

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 WITH SUMMARIZED
COMPARATIVE TOTALS FOR JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and Cash Equivalents	\$ 370,705	\$ 384,109
Investments, at fair value	2,143,206	2,117,151
Grants and Contracts Receivable, net (See Note 4)	417,250	421,788
Prepaid Expenses	26,993	30,287
Deposits	8,646	7,296
Property and Equipment (net of accumulated depreciation of \$340,276)	<u>35,238</u>	<u>21,494</u>
TOTAL ASSETS	\$ <u>3,002,038</u>	\$ <u>2,982,125</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 50,167	\$ 58,821
Accrued Expenses	<u>239,311</u>	<u>177,742</u>
Total Liabilities	<u>289,478</u>	<u>236,563</u>
 Net Assets (See Note 9):		
Unrestricted:		
Undesignated	1,778,429	1,520,172
Fixed Assets Purchased with Grant Funds	<u>13,391</u>	<u>16,383</u>
Total Unrestricted	1,791,820	1,536,555
Temporarily Restricted	<u>920,740</u>	<u>1,209,007</u>
Total Net Assets	<u>2,712,560</u>	<u>2,745,562</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,002,038</u>	\$ <u>2,982,125</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Government grants	\$ 702,583	\$ 136,000	\$ 838,583	\$ 530,356
Contributions				
Foundations	0	1,331,195	1,331,195	872,580
In-Kind	196,342	0	196,342	233,760
Individuals	169,034	19,150	188,184	395,333
Special Event Fundraiser	374,339		374,339	179,573
Direct Expenses	(61,441)	0	(61,441)	(25,263)
Special Event Fundraiser, net	312,898	0	312,898	154,310
 Total Support	 1,380,857	 1,486,345	 2,867,202	 2,186,339
Revenue:				
Program Service Fees - Fee for Service Contracts	292,218	0	292,218	316,218
Investment Income	78,518	0	78,518	66,078
Gain on Sale of Investment	63,420	0	63,420	8,139
Total Revenue	434,156	0	434,156	390,435
Net Assets released from:				
Satisfaction of restrictions	1,774,612	(1,774,612)	0	0
 Total Support and Revenue	 3,589,625	 (288,267)	 3,301,358	 2,576,774
<u>EXPENSES</u>				
Program Services	2,743,362	0	2,743,362	2,165,690
Supporting Services				
Management and General	334,795	0	334,795	234,013
Fundraising	253,211	0	253,211	207,814
Total Expenses	3,331,368	0	3,331,368	2,607,517
CHANGES IN NET ASSETS (See Note 7)	258,257	(288,267)	(30,010)	(30,743)
Net Assets, Beginning of Year	1,536,555	1,209,007	2,745,562	2,759,922
Fixed Assets Purchased with Grant Funds	0	0	0	16,383
Depreciation on Fixed Assets Purchased with Grant Funds	(2,992)	0	(2,992)	0
 NET ASSETS - AT END OF YEAR	 \$ 1,791,820	 \$ 920,740	 \$ 2,712,560	 \$ 2,745,562

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	<u>2013</u>				<u>2012</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 1,534,291	\$ 175,520	\$ 163,498	\$ 1,873,309	\$ 1,369,489
Employee benefits	216,097	36,954	19,468	272,519	185,194
Payroll Taxes	161,477	18,686	17,066	197,229	144,001
Stipends and Scholarships	15,264	2,000	0	17,264	15,260
Conferences and Meetings	17,677	905	3,545	22,127	18,711
Equipment Rental and Maintenance	35,757	1,295	3,739	40,791	83,829
Insurance	20,500	1,233	2,399	24,132	19,851
Occupancy	41,373	1,360	2,720	45,453	29,751
Office Supplies	6,231	477	711	7,419	14,406
Printing and Publications	33,923	2,020	4,040	39,983	33,947
Professional Fees	210,686	4,383	8,576	223,645	88,646
Fiscal/Auditor Fees	620	72,103	73	72,796	73,525
Inkind Professional Fees	18,696	1,100	2,200	21,996	114,599
Inkind Rent	110,114	6,477	12,955	129,546	94,501
Other Inkind Expenses	19,270	1,119	2,217	22,606	24,660
Program Activities	133,660	2	3	133,665	117,417
Program Supplies	29,109	92	4,832	34,033	25,243
Program Training	11,689	0	0	11,689	7,523
Telephone	27,913	1,597	3,093	32,603	25,852
Travel/Mileage	70,063	716	1,837	72,616	60,532
Interest	0	327	0	327	23
Miscellaneous	24,310	6,156	(307)	30,159	40,219
Depreciation	4,642	273	546	5,461	20,338
Total Functional Expenses	\$ <u>2,743,362</u>	\$ <u>334,795</u>	\$ <u>253,211</u>	\$ <u>3,331,368</u>	\$ <u>2,607,517</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets (See Note 7)	\$ (30,010)	\$ (30,743)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Realized (Gain)/Loss on Investments	(63,420)	(8,139)
Unrealized (Gain)/Loss on Investments	97,889	(2,539)
Contributed Property and Equipment	(22,196)	0
Fixed Assets Purchased with Grant Funds	0	16,383
Depreciation	5,461	20,338
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	4,539	517,243
Other Receivables	0	0
Prepaid Expenses	3,294	(6,196)
Deposits	(1,350)	(3,246)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(8,654)	29,303
Accrued Expenses	61,569	33,149
Net Cash Provided by Operating Activities	47,122	565,553
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets with Grant Funds	0	(16,383)
Purchase of Investments	(2,583,048)	(719,969)
Proceeds from Sale of Investments	2,522,522	119,752
Net Cash Used by Investing Activities	(60,526)	(616,600)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Increase/(Decrease) in Cash and Cash Equivalents	(13,404)	(51,047)
CASH AND CASH EQUIVALENTS, beginning of year	384,109	435,156
CASH AND CASH EQUIVALENTS, end of year	\$ 370,705	\$ 384,109
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, 2013**

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

A law course that teaches youth along the juvenile justice spectrum (from probation for a first-time offense to post-incarceration release) about the law and consequences of crime, while building important life skills such as empathy, problem solving, and anger management.

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.

* Note the above combination of legal education and leadership training is referred to as FLY's Legal Eagle Program.

Mentoring

A one-to-two year program that provides a positive adult role model to youth who often slip through the cracks: youth struggling with substance abuse; youth on probation; and youth in the pivotal 8th grade years at risk of dropping out of school.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 1: ORGANIZATION (continued)

Additionally FLY has expertise in the following:

Crime Prevention

In an effort to help stop crime before it starts, youth on probation help FLY provide a week-long law program to 7th and 8th graders attending schools in under-resourced communities with higher rates of crime and school drop-out. After the course students can elect to participate in ongoing FLY activities to reinforce the concepts taught during the class and to connect youth with a caring adult.

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.

Aftercare

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

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, 2013 FLY did not have any permanently restricted net assets.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013.

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.

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, 2012, from which the summarized information was derived.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013, 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.

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.

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, 2013, advertising costs charged to expense totaled \$39,983.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 3: INVESTMENTS

FLY has adopted fair value measurements for investments effective July 1, 2008 as permitted by FASB.

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

As of June 30, 2012, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,117,151 and \$2,038,326, respectively.

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 78,518	\$ 66,078
Net realized gain/(loss) and unrealized appreciation/(depreciation)	<u>63,420</u>	<u>8,139</u>
Net investment income	\$ <u>141,938</u>	\$ <u>74,217</u>

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of June 30, 2013 and 2012, total as follows:

	<u>2013</u>	<u>2012</u>
Franklin and Catherine Johnson Foundation	\$ 0	\$ 20,000
James Irvine Foundation	100,000	0
Ashoka Foundation	0	22,500
Koogle Foundation	0	225,000
United Way	12,500	0
City of San Jose:		
Bringing Everybody's Strengths Together	34,000	21,200
Community Development Block Grant	0	15,076
County of San Mateo – Probation Department	29,182	28,537
San Mateo County – JJCPA	22,525	0
County of Santa Clara:		
Probation Department	17,291	9,516
Social Services Agency	10,733	5,693
Redwood City School District:		
Hoover Magnet School District	0	4,333
Kennedy Middle School	0	4,333
EMQ Family First	12,430	0
Santa Clara Office of Education	6,250	12,500
State of California - CSA	<u>172,339</u>	<u>53,100</u>
Total Grants and Contracts Receivable	\$ <u>417,250</u>	\$ <u>421,788</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 year ended June 30, 2013 and 2012, 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, 2013 and 2012, employees directed portions of their benefit stipend to the Plan totaling \$118,409 and \$84,472, respectively.

**FRESH LIFELINES FOR YOUTH, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Note 6: OVERHEAD RATE CALCULATION

Management and General	334,795	10%
Fundraising	253,211	8%
Program Services	<u>2,743,362</u>	<u>82%</u>
Total	<u>3,331,368</u>	<u>100%</u>

Note 7: CHANGE IN NET ASSETS

In the fiscal year ended June 30, 2013, there was a decrease in total net assets of \$30,010. However, this number does not take into account Revenue that was received in prior years and used in fiscal year 12-13. FLY released or expended \$1,774,612 of Temporarily Restricted Net Assets (TRNA), per grant requirements. Due to the fact that this Revenue was booked in a prior year, per GAAP, it is not accounted for in FY 12-13 Total Support and Revenue. See page 4. As a result, FLY did not experience an operational cash loss during FY 12-13. In addition, FLY received an additional \$1,486,345 in TRNA funds in FY 12-13; unspent funds will be rolled into fiscal year 13-14 and released accordingly.

Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES

At various times during the years ended June 30, 2013 and 2012, 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, 2013 or 2012, total as follows:

	<u>2013</u>	<u>2012</u>
State of California	12%	4%
County of Santa Clara	10%	13%

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, 2013

Note 9: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012 temporarily restricted net assets consist of the following:

	June 30, 2012	2013 Additions of TRNA	2013 Releases of TRNA	June 30, 2013
Ashoka Foundation	\$ 22,500	\$ 0	\$ 22,500	\$ 0
BEST	21,200	136,000	123,194	34,006
Brin Wojcicki Foundation	50,000	0	50,000	0
Edna McConnell Clark Foundation	0	150,000	50,000	100,000
EMQ – Families First	0	37,290	12,290	25,000
Family Foundations	560,002	181,905	538,002	203,905
Franklin Johnson Foundation	30,000	0	10,000	20,000
Frieda C Fox Family Foundation	15,000	0	15,000	0
James Irvine Foundation	125,000	200,000	171,826	153,174
Leo M. Shortino Foundation	35,000	35,000	35,000	35,000
Palo Alto Community Foundation	0	10,000	0	10,000
Peery Foundation	127,000	100,000	127,000	100,000
Philanthropic Venture	50,000	0	50,000	0
PVF – Somerville	6,500	0	2,300	4,200
SF 49ers Foundation	110,000	80,000	110,000	80,000
Sobrato Family Foundation	21,000	0	21,000	0
Taste of FLY	0	1,150	0	1,150
The Grove Foundation	0	35,000	0	35,000
The Lucille Packard Foundation	0	50,000	0	50,000
Thrive Foundation	0	75,000	75,000	0
Tipping Point Foundation	0	270,000	270,000	0
United Way	0	50,000	50,000	0
Van Loben/Rembe Rock Foundation	0	7,500	0	7,500
Westly Foundation	15,000	20,000	15,000	20,000
Wilson, Sonsini, Goodrich & Rosati Foundation	5,000	5,000	5,000	5,000
Women's Foundation of California	0	20,000	0	20,000
Other	15,805	22,500	21,500	16,805
Total	\$ 1,209,007	\$ 1,486,345	\$ 1,774,612	\$ 920,740

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 \$1,209,007 as of June 30, 2012.

As of the fiscal year ended June 30, 2013, a total of \$1,774,612 was spent on the satisfaction of funding restrictions from prior years.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Note 10: IN-KIND CONTRIBUTIONS AND VOLUNTEERS

During the year ended June 30, 2013, FLY recorded in-kind contributions for office space of \$125,546, legal fees of \$11,000, financial advisor fees of \$12,000, and supplies of \$47,796 for total in-kind contributions of \$196,342.

Approximate volunteer contributed time for the year ended June 30, 2013 were:

Law	4,168
Mentoring	5,601
Management/Administrative	<u>1,610</u>
Total Volunteer Hours Contributed	<u>11,379</u>

Note 11: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through November 21, 2013, 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, 2013, 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 21, 2013.

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 21, 2013