

FRESH LIFELINES FOR YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016**

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

FRESH LIFELINES FOR YOUTH, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2016

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IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

388 Market Street, Suite 888
San Francisco, California 94111

Tel. (415) 896-5551
Fax (415) 896-0584

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, 2017, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 2016 financial statements, and our report dated October 10, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it was derived.


San Francisco, California
October 31, 2017

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 WITH SUMMARIZED
COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017	2016
Assets:		
Cash and Cash Equivalents	\$ 517,771	\$ 1,086,772
Investments, at fair value (See Note 3)	2,910,328	2,695,632
Grants and Contracts Receivable (See Note 4)	378,042	721,091
Prepaid Expenses	49,627	31,957
Deposits	11,348	14,419
Property and Equipment (net of accumulated depreciation of \$377,354 and \$373,106 respectively)	4,572	8,821
TOTAL ASSETS	\$ 3,871,688	\$ 4,558,692
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 24,748	\$ 60,281
Accrued Expenses	383,158	293,885
Total Liabilities	407,906	354,166
 Net Assets:		
Unrestricted:		
Undesignated	2,994,208	3,004,543
Fixed Assets Purchased with Grant Funds	4,572	7,821
Total Unrestricted	2,998,780	3,012,364
Temporarily Restricted (See Note 9)	465,000	1,192,160
Total Net Assets	3,463,780	4,204,524
TOTAL LIABILITIES AND NET ASSETS	\$ 3,871,688	\$ 4,558,690

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Totals</u>
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Government grants	\$ 1,047,004	\$ 0	\$ 1,047,004	\$ 842,614
Contributions:				
Foundations	0	2,200,220	2,200,220	2,336,250
Corporations	75,526	0	75,526	300,500
Misc. Income/Donation	7,885	0	7,885	19,629
In-Kind	172,254	0	172,254	204,247
Individuals	231,628	0	231,628	447,594
Special Event Fundraiser	564,821	0	564,821	543,196
Direct Expenses	(115,954)	0	(115,954)	(91,092)
Special Event Fundraiser, net	448,867	0	448,867	452,104
Total Support	<u>1,983,164</u>	<u>2,200,220</u>	<u>4,183,384</u>	<u>4,602,938</u>
Revenue:				
Program Service Fees - Fee for Service Contracts	254,076	0	254,076	292,000
Investment Income (See Note 3)	49,243	0	49,243	54,295
Net realized and unrealized gain/(loss) (See Note 3)	114,771	0	114,771	(57,406)
Total Revenue	<u>418,090</u>	<u>0</u>	<u>418,090</u>	<u>288,889</u>
Net Assets released from:				
Satisfaction of restrictions	<u>2,927,379</u>	<u>(2,927,379)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>5,328,633</u>	<u>(727,159)</u>	<u>4,601,474</u>	<u>4,891,827</u>
<u>EXPENSES</u>				
Program Services	4,031,467	0	4,031,467	3,759,200
Supporting Services				
Management and General	418,783	0	418,783	414,181
Fundraising	888,719	0	888,719	531,345
Total Expenses	<u>5,338,969</u>	<u>0</u>	<u>5,338,969</u>	<u>4,704,726</u>
CHANGES IN NET ASSETS (See Note 7)	(10,336)	(727,159)	(737,495)	187,101
Net Assets, Beginning of Year	3,012,365	1,192,159	4,204,524	4,020,672
Depreciation on Fixed Assets Purchased with Grant Funds	(3,249)	0	(3,249)	(3,249)
NET ASSETS - AT END OF YEAR	<u>\$ 2,998,780</u>	<u>\$ 465,000</u>	<u>\$ 3,463,780</u>	<u>\$ 4,204,524</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>				<u>2016</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 2,528,517	\$ 233,035	\$ 620,049	\$ 3,381,601	\$ 2,796,968
Employee benefits	332,971	56,863	85,964	475,798	331,591
Payroll Taxes	231,372	21,872	55,442	308,686	277,718
Professional Fees	80,357	5,419	31,070	116,846	151,684
Fiscal/Auditor Fees	5,403	62,616	861	68,880	118,666
Stipends and Scholarships	32,283	3	7	32,293	13,207
Occupancy	82,966	2,252	4,873	90,091	80,389
Youth Advisory/Speech Committee	7,999	249	615	8,863	11,539
Telephone	37,542	2,762	5,991	46,295	39,129
Conferences and Meetings	34,111	1,695	17,922	53,728	68,966
Travel/Mileage	106,038	1,575	4,889	112,502	95,777
Office Supplies	18,812	1,713	2,979	23,504	11,616
Printing and Publications	13,867	1,027	7,447	22,341	73,697
Equipment Rental and Maintenance	63,629	241	10,209	74,079	86,626
Insurance	16,105	1,193	2,585	19,883	25,074
In-kind Professional Fees	24,822	1,839	3,984	30,645	55,939
In-kind Rent	103,048	7,633	16,539	127,220	133,998
Other In-kind Expenses	11,503	852	2,035	14,390	14,311
Program Activities and Training	202,905	20	1,024	203,949	160,539
Program Supplies	37,376	323	5,952	43,651	47,699
Miscellaneous	59,393	15,601	7,730	82,724	102,527
Depreciation	448	0	552	1,000	7,066
Total Functional Expenses	\$ <u>4,031,467</u>	\$ <u>418,783</u>	\$ <u>888,719</u>	\$ <u>5,338,969</u>	\$ <u>4,704,726</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets (See Note 7)	\$ (737,495)	\$ 187,101
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(8,144)	(20,522)
Net realized and unrealized (gain)/loss	(114,771)	57,406
Contributed Stock	(3,651)	(26,350)
Depreciation	1,000	7,066
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	343,049	141,571
Prepaid Expenses	(17,670)	15,236
Deposits	3,071	(4,808)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(35,533)	13,610
Accrued Expenses	89,273	37,228
Net Cash Provided (Used) by Operating Activities	(480,871)	407,538
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(375,152)	(373,165)
Proceeds from Sale of Investments	287,022	300,000
Net Cash Provided (Used) by Investing Activities	(88,130)	(73,165)
Net Increase/(Decrease) in Cash and Cash Equivalents	(569,001)	334,373
CASH AND CASH EQUIVALENTS, beginning of year	1,086,772	752,399
CASH AND CASH EQUIVALENTS, end of year	\$ 517,771	\$ 1,086,772
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, 2017

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, and each year serves approximately 2,000 youth who have been in trouble with the law, or who are at risk of entering the juvenile justice system. Nearly 80% of youth in the system have experienced significant trauma and the overwhelming majority have no positive adult role models or basic life skills they need to make healthy choices. FLY's unique combination of law, leadership training, and mentoring programs motivates and equips youth to change the course of their lives. And through service projects and mentoring other kids, FLY youth help change their communities, too.

In addition to working directly with youth, FLY is committed to helping our local juvenile justice systems become more just, humane, and equitable. The agency is frequently asked by systems leaders to take an active role in system reform efforts. FLY has played an important role in community-wide efforts to reduce the number of youth incarcerated and its costly impact on taxpayers. Since 2000, Santa Clara County has experienced a 77% reduction, and San Mateo County a 65% reduction, in juvenile incarceration.

Programs

Currently FLY's main programs include:

FLY Law Program

FLY partners with schools and probation officers, lawyers, and judges in the juvenile justice system. They refer youth to the FLY Law Program, where our staff and highly trained volunteers teach a fun, interactive course on the law and consequences of crime. They use role plays, mock trials, and group work to help youth develop skills like anger management, problem solving, and conflict resolution so they can learn to make healthier choices. The classes are taught in schools, community centers, juvenile halls, and juvenile camps and ranches.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 1: ORGANIZATION (continued)

FLY Leadership Training Program

When the Law Program ends, youth needing additional support join the FLY Leadership Training Program, where they work with a FLY case manager. Each youth completes a comprehensive assessment to identify their greatest barriers to living a healthy, productive life. Together the case manager and youth create a plan to address these barriers. The program kicks off with a wilderness retreat where they begin building trust and the confidence to change. Then the youth, now identified as Peer Leaders, meet bi-monthly for social activities and to plan service learning projects where together they learn how to identify, build on, and redirect their strengths.

Court Appointed Friend and Advocate Mentor Program

For more than 15 years in Santa Clara County, FLY has trained and matched adult volunteer mentors with youth on probation. The mentors meet weekly with the youth to support them in developing new attitudes, behaviors, and ambitions. Each mentor/mentee match has a FLY case manager for support and also attends monthly group activities organized by FLY. Recently, FLY added a court advocacy component that achieved a dramatic turnaround in probation failure rates for the youth involved. Now through FLY's CAFA (Court-Appointed Friend and Advocate) Mentor Program, all mentors are granted legal standing to act as advocates for their mentees in the courtroom and at schools.

FLY Middle School Program

The FLY Middle School Program helps interrupt the "school-to-prison pipeline" in which kids with issues at school are disciplined and pushed into the juvenile justice system instead of being offered the additional services they need. Our program helps seventh and eighth graders in high-crime, high-poverty areas of Santa Clara County stay engaged in school and out of the system. The program offers an age-appropriate version of FLY's Law Program along with one-on-one support from a FLY case manager for youth referred by school officials.

FLY Reentry Program

The FLY Reentry Program serves youth in longer term incarceration at camps in Santa Clara and San Mateo counties. In both counties, the program provides 12 weeks of law classes taught by FLY staff while the youth are in custody. In San Mateo County, after youth are released, they also receive intensive one-on-one support from a FLY case manager to help with their transition back into the community.

Youth Advisory Council

FLY's latest collaboration with the Santa Clara County Probation Department is the Youth Advisory Council (YAC). The young adults in YAC were all formerly impacted by the juvenile justice system. Now as Justice Consultants sworn by the court, they guide the department on policy initiatives that will improve the success of youth in completing probation.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017 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, 2017.

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 and corporate stock) 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, 2017

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, 2016, 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, 2017, 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

Under FASB, 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, 2017

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, 2017, advertising costs charged to expense totaled \$22,341 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, 2017, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,910,328 and \$2,962,071, respectively.

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.

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 49,243	\$ 54,925
Net realized and unrealized gain/(loss)	<u>114,771</u>	<u>(57,406)</u>
Net investment income	<u>\$ 164,014</u>	<u>\$ (3,111)</u>

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
City of San Jose:		
Bring Everybody's Strengths Together	\$ 0	\$ 33,850
City of Oakland	10,202	0
City of Redwood City	0	10,000
County of San Mateo Probation – YOBG	45,391	22,101
County of San Mateo Probation – JJCPA	7,370	24,598
County of Santa Clara:		
Probation Department	107,223	149,711
Social Services Agency	6,346	5,334
Koshland Foundation	0	150,000
Opportunity Youth Partnership (Planned Parenthood)	44,010	20,497
Santa Clara Office of Education	7,500	55,000
Silicon Valley Community Foundation	150,000	0
Tipping Point Foundation	<u>0</u>	<u>250,000</u>
Total Grants and Contracts Receivable	\$ <u>378,042</u>	\$ <u>721,091</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, 2017 and 2016, 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, 2017 and 2016, employees directed portions of their benefit stipend to the Plan totaling \$173,539 and \$145,794 respectively.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 6: OVERHEAD RATE CALCULATION

Expenses by function for the year ended June 30, 2017 are as follows:

Management and General	\$ 418,783	8%
Fundraising	888,719	17%
Program Services	<u>4,031,467</u>	<u>76%</u>
Total	<u>\$ 5,338,969</u>	<u>100%</u>

Note 7: CHANGE IN NET ASSETS

In the fiscal year ended June 30, 2017, there was a decrease in total net assets of \$740,744. However, this number does not take into account revenue that was received or pledged to the Organization in prior years, but was restricted by the donor for use in FY 2017. In FY 2017, FLY released or expended an additional \$1,192,159 of Temporarily Restricted Net Assets (TRNA) from prior years intended to support operations in FY17. However, per GAAP, this number is not to be recognized in total support and revenue for FY 2017 as this revenue was accounted for in prior years.

Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES

At various times during the years ended June 30, 2017 and 2016, 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, 2017 or 2016, total as follows:

	<u>2017</u>	<u>2016</u>
County of Santa Clara	16%	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, 2017

Note 9: TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2017 and 2016 temporarily restricted net assets consist of the following:

	June 30, 2016	2017 Additions of TRNA	2017 Releases of TRNA	June 30, 2017
Adobe Foundation	\$ 27,000	\$ 20,000	\$ 47,000	\$ 0
Akonadi Foundation	0	25,000	25,000	0
All Stars Helping Kids	0	3,500	3,500	0
Applied Materials	0	15,000	15,000	0
Anonymous	0	150,000	150,000	0
Beloved In Christ Foundation	0	30,000	30,000	0
Cisco Systems Corp Foundation	0	15,000	15,000	0
Emerson Collective	0	25,000	5,000	20,000
Franklin Johnson Foundation	30,000	0	30,000	0
Heising-Simons Foundation	0	20,000	20,000	0
Innovative Family Foundation	75,000	0	75,000	0
Ishiyama Foundation	0	100,000	100,000	0
Kaneb Family Foundation	0	20,000	20,000	0
Koshland Foundation	150,000	0	150,000	0
Noble & Lorraine Hancock Family Foundation	40,000	0	40,000	0
Palo Alto Community Foundation	0	10,000	10,000	0
Philanthropic Venture Fund	0	75,000	75,000	0
PVF – Somerville	1,615	7,500	4,115	5,000
Quest Foundation	0	44,000	44,000	0
San Disk Foundation	0	20,000	20,000	0
SF Super Bowl Legacy, Inc.	150,000	0	150,000	0
Silicon Valley Community Foundation	0	250,000	100,000	150,000
Sobrato Foundation	0	157,500	157,500	0
Stanley S. Langendorf Foundation	0	10,000	10,000	0
Stewart Family Foundation	0	10,000	10,000	0
Symon College Fund	0	5,000	5,000	0
The 1440 Foundation	50,000	15,000	50,000	15,000
The 49ers Foundation	0	77,720	77,720	0
The Brin Wojcicki Foundation	0	400,000	200,000	200,000
The Edna McConnell Foundation	0	15,000	15,000	0
The Goldman Foundation	0	75,000	75,000	0
The Grove Foundation	0	30,000	30,000	0
The Jay & Rose Phillips Family Foundation	0	75,000	75,000	0

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 9: TEMPORARILY RESTRICTED NET ASSETS (continued)

	June 30, 2016	2017 Additions of TRNA	2017 Releases of TRNA	June 30, 2017
The Long Foundation	\$ 150,000	\$ 0	\$ 150,000	\$ 0
The Lucille Packard Foundation	0	200,000	125,000	75,000
The Zellerbach Foundation	0	50,000	50,000	0
Tipping Point Foundation	518,544	0	518,544	0
William & Flora Hewlett Foundation	0	250,000	250,000	0
Total Temporarily Restricted Net Assets	\$ 1,192,159	\$ 2,200,220	\$ 2,927,379	\$ 465,000

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 \$1,192,159 as of June 30, 2016.

As of the fiscal year ended June 30, 2017, a total of \$2,927,379 was spent on the satisfaction of funding restrictions from both current and prior years.

Note 10: IN-KIND CONTRIBUTIONS AND VOLUNTEERS

During the year ended June 30, 2017, FLY recorded in-kind contributions for office space of \$127,220, legal fees of \$9,645, financial advisor fees of \$21,000, and supplies/other of \$14,389 for total in-kind contributions of \$172,254.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2017 was:

Law	5,207
Mentoring	6,394
Management/Administrative	<u>1,875</u>
Total Volunteer Hours Contributed	<u>13,476</u>

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Note 11: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through October 31, 2017 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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


San Francisco, California
October 31, 2017