

**FRESH LIFELINES FOR YOUTH, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

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

**FRESH LIFELINES FOR YOUTH, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2017**

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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, 2018, 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, 2018, 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 8, 2018, 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 2017 financial statements, and our report dated October 10, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California  
November 8, 2018

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 836,049	\$ 517,771
Investments, at fair value (See Note 3)	2,130,944	2,910,328
Grants and Contracts Receivable (See Note 4)	509,846	378,042
Prepaid Expenses	50,561	49,627
Deposits	11,348	11,348
Property and Equipment (net of accumulated depreciation of \$383,272 and \$377,354 respectively)	<u>12,000</u>	<u>4,572</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,550,748</u></u>	<u><u>\$ 3,871,688</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 33,258	\$ 24,750
Accrued Expenses	<u>407,648</u>	<u>383,158</u>
<b>Total Liabilities</b>	<u>440,906</u>	<u>407,908</u>
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	2,672,545	2,994,208
Fixed Assets Purchased with Grant Funds	<u>1,325</u>	<u>4,572</u>
Total Unrestricted	2,673,870	2,998,780
Temporarily Restricted (See Note 9)	<u>435,972</u>	<u>465,000</u>
<b>Total Net Assets</b>	<u>3,109,842</u>	<u>3,463,780</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,550,748</u></u>	<u><u>\$ 3,871,688</u></u>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Totals	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Government grants	\$ 1,245,140	\$ 0	\$ 1,245,140	\$ 1,047,004
Contributions:				
Foundations	235	2,490,617	2,490,852	2,200,220
Corporations	112,696	0	112,696	75,526
Misc. Income/Donation	6,500	0	6,500	7,885
In-Kind	144,208	0	144,208	172,254
Individuals	415,474	0	415,474	231,628
Special Event Fundraiser	586,405	0	586,405	564,821
Direct Expenses	(109,832)	0	(109,832)	(115,954)
Special Event Fundraiser, net	<u>476,573</u>	<u>0</u>	<u>476,573</u>	<u>448,867</u>
Total Support	<u>2,400,826</u>	<u>2,490,617</u>	<u>4,891,443</u>	<u>4,183,384</u>
Revenue:				
Program Service Fees - Fee for Service Contracts	302,477	0	302,477	254,076
Investment Income (See Note 3)	79,748	0	79,748	49,243
Net realized and unrealized gain/(loss) (See Note 3)	(22,827)	0	(22,827)	114,771
Total Revenue	<u>359,398</u>	<u>0</u>	<u>359,398</u>	<u>418,090</u>
Net Assets released from:				
Satisfaction of restrictions	<u>2,519,645</u>	<u>(2,519,645)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>5,279,869</u>	<u>(29,028)</u>	<u>5,250,841</u>	<u>4,601,474</u>
<b><u>EXPENSES</u></b>				
Program Services	4,208,334	0	4,208,334	4,031,467
Supporting Services				
Management and General	426,480	0	426,480	418,783
Fundraising	<u>966,716</u>	<u>0</u>	<u>966,716</u>	<u>888,719</u>
Total Expenses	<u>5,601,530</u>	<u>0</u>	<u>5,601,530</u>	<u>5,338,969</u>
<b>CHANGES IN NET ASSETS (See Note 7)</b>	(321,661)	(29,028)	(350,689)	(737,495)
Net Assets, Beginning of Year	2,998,780	465,000	3,463,780	4,204,524
Depreciation on Fixed Assets Purchased with Grant Funds	<u>(3,249)</u>	<u>0</u>	<u>(3,249)</u>	<u>(3,249)</u>
<b>NET ASSETS - AT END OF YEAR</b>	<u>\$ 2,673,870</u>	<u>\$ 435,972</u>	<u>\$ 3,109,842</u>	<u>\$ 3,463,780</u>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	2018				2017
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries	\$ 2,629,486	\$ 287,876	\$ 694,927	\$ 3,612,289	\$ 3,381,601
Employee benefits	351,388	37,995	91,429	480,812	475,798
Payroll Taxes	232,295	24,516	58,716	315,527	308,686
Professional Fees	69,857	4,049	31,000	104,906	116,846
Fiscal/Auditor Fees	3,192	35,260	559	39,011	68,880
Stipends and Scholarships	51,145	5	11	51,161	32,293
Occupancy	90,528	2,814	5,792	99,134	90,091
Youth Advisory/Speech Committee	9,271	677	1,580	11,528	8,863
Telephone	45,583	3,418	7,977	56,978	46,295
Conferences and Meetings	26,772	1,223	13,285	41,280	53,728
Travel/Mileage	108,617	1,684	3,847	114,148	112,502
Office Supplies	16,178	1,201	2,804	20,183	23,504
Printing and Publications	15,034	1,128	2,703	18,865	22,341
Equipment Rental and Maintenance	54,157	4,065	9,452	67,674	74,079
Insurance	16,500	0	2,895	19,395	19,883
In-kind Professional Fees	8,514	644	1,502	10,660	30,645
In-kind Rent	98,993	7,402	16,969	123,364	127,220
Other In-kind Expenses	8,148	611	1,426	10,185	14,390
Program Activities and Training	241,918	85	552	242,555	203,949
Program Supplies	51,182	552	8,014	59,748	43,651
Miscellaneous	77,737	11,275	10,451	99,463	82,724
Depreciation	1,839	0	825	2,664	1,000
Total Functional Expenses	\$ <u>4,208,334</u>	\$ <u>426,480</u>	\$ <u>966,716</u>	\$ <u>5,601,530</u>	\$ <u>5,338,969</u>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets (See Note 7)	\$ (350,689)	\$ (737,495)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	994	(8,144)
Net realized and unrealized (gain)/loss	22,827	(114,771)
Contributed Stock	(30,837)	(3,651)
Depreciation	2,664	1,000
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	(131,804)	343,049
Prepaid Expenses	(934)	(17,670)
Deposits	0	3,071
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	8,508	(35,533)
Accrued Expenses	24,490	89,273
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(454,781)</u>	<u>(480,871)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(13,340)	0
Purchase of Investments	(624,000)	(375,152)
Proceeds from Sale of Investments	<u>1,410,399</u>	<u>287,022</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>773,059</u>	<u>(88,130)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	318,278	(569,001)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>517,771</u>	<u>1,086,772</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u><u>836,049</u></u>	\$ <u><u>517,771</u></u>
<b>Supplemental Disclosure:</b>		
Interest paid	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See notes to financial statements



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 1: ORGANIZATION**

Founded in 2000, Fresh Lifelines for Youth (FLY) is an award-winning nonprofit working to break the cycle of juvenile violence, crime, and incarceration. FLY believes that **all** our children deserve a chance to become more than their past mistakes. FLY is one of the very few Bay Area agencies that specialize in working with kids who are incarcerated or on probation, or whose risky behavior could land them in juvenile hall. The agency serves approximately 2,500 youth ages 12-18 annually in 25 cities across Santa Clara, San Mateo, and Alameda counties.

Youth of color represent 86% of FLY's clients; they are far more likely to be arrested and incarcerated than white youth, and this national trend has actually been growing in recent decades. Most FLY youth live in areas with high rates of crime and poverty. Many have experienced significant trauma and have other key risk factors such as involvement with child welfare services (including foster care), living in a single-parent home, and having a parent in prison.

FLY's legal education, leadership training, and mentoring programs motivate and equip youth to change the course of their lives. These programs were based on ideas from youth who were facing years or life in prison. These ideas remain the foundation of FLY and have been strengthened with best practices in youth development and crime prevention. And FLY's services are less than one-tenth the cost of incarceration.

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. As a result, FLY increases safety in our communities and decreases the costs and consequences of crime.

**Programs**

Currently FLY's main programs include:

**FLY Law Program**

In the FLY Law Program, staff and highly trained volunteers teach a fun, interactive 12-week course using our nationally recognized legal education curriculum, which covers relevant topics such as police encounters, accomplice liability, three strikes, theft, vandalism, drugs, gangs, and police arrests. The law curriculum is interesting and engaging to the youth, and is an excellent vehicle to teach critical life skills like anger management, problem solving, conflict resolution, and resisting negative peer

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 1: ORGANIZATION (continued)**

**FLY Law Program - continued**

pressure. Everything is taught in a non-judgmental manner with no stigma attached, which makes the youth more willing to learn. Mid-way through the semester, youth take a field trip to a local university law school where they tour the campus and act out a mock trial in the moot courtroom. The Law Program classes are taught in schools, community centers, juvenile halls, and juvenile camps and ranches.

**FLY Leadership Training Program**

When the Law Program ends, youth who are assessed as being at the highest risk and having the least support are recruited to join the FLY Leadership Training Program. Each youth completes a comprehensive assessment to identify their greatest barriers to living a healthy, productive life. Together with a FLY case manager, who supports them during the entire program year, the youth each create a plan to address these barriers. The program kicks off with a wilderness retreat where the youth begin building trust, learning the value of teamwork, and developing the confidence to change. Then the youth, now identified as Peer Leaders, meet bi-monthly for social activities and to plan service learning projects in the community where 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, in partnership with the Santa Clara County Probation department, FLY added a court advocacy component to address the fact that youth of color were failing a specific type of probation at significantly higher rates than white youth. FLY's CAFA (Court Appointed Friend and Advocate) Mentor Program helped achieve a dramatic turnaround in the failure rates. Because of this success, all mentors are now 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 services they need. This 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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 1: ORGANIZATION (concluded)**

**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**

In partnership with the Santa Clara County Probation Department, FLY launched the first-ever Youth Advisory Council in 2017. The founding group of ten were sworn in as Youth Justice Consultants by our presiding Juvenile Court Judge. The YAC is comprised of former probation youth, ages 17-24, who participate in decision-making processes and influence policies and practices throughout the county. They work closely with the SCC Probation Department to analyze current policy and practices and give their input on future initiatives. YAC members also meet with youth currently incarcerated to hear their feedback and report to the Probation Department so that the youth voice is fully captured. The group has also created a youth-led orientation program for youth new to probation and their families. As this program is built out in Santa Clara County, the council could become a model for incorporating the youth voice in government policy and procedures in other 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, 2018 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, 2018.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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.

**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, 2017, 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, 2018, there were no discounts and allowances on pledges.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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.

**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, 2018, advertising costs charged to expense totaled \$18,865 and are recorded as printing and publication expenses on the Statement of Functional Expenses.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,130,944 and \$2,108,586, respectively.

As of June 30, 2017, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,910,328 and \$2,779,668, respectively.

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

	<b>2018</b>		<b>2017</b>
Interest and dividends	\$ 79,748	\$	49,243
Net realized and unrealized gain/(loss)	<u>(22,827)</u>		<u>114,771</u>
<b>Net investment income</b>	<b>\$ <u>56,921</u></b>	<b>\$</b>	<b><u>164,014</u></b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 4: GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable as of June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
City of Oakland	\$ 19,896	\$ 10,202
County of San Mateo Probation – YOBG	30,782	45,391
County of San Mateo Probation – JJCPA	6,790	7,370
County of Santa Clara:		
Probation Department	127,741	107,223
Social Services Agency	4,062	6,346
Franklin & Catherine Johnson Foundation	100,000	0
George Family Foundation	10,000	0
Opportunity Youth Partnership (Planned Parenthood)	0	44,010
Santa Clara Office of Education	9,660	7,500
Silicon Valley Community Foundation	0	150,000
49er Foundation	200,000	0
Miscellaneous Receivables	915	0
<b>Total Grants and Contracts Receivable</b>	<b>\$ <u>509,846</u></b>	<b>\$ <u>378,042</u></b>

**Note 5: DEFINED CONTRIBUTION RETIREMENT PLAN**

FLY sponsors a defined contribution plan (Plan) under IRC Section 403(b) for its employees. The Plan allows participating employees to defer a portion of their compensation into income tax-deferred investments. During the years ended June 30, 2018 and 2017, 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, 2018 and 2017, employees directed portions of their benefit stipend to the Plan totaling \$162,483 and \$173,539 respectively.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Note 6: OVERHEAD RATE CALCULATION**

Expenses by function for the year ended June 30, 2018 are as follows:

Management and General	\$ 426,480	8%
Fundraising	966,716	17%
Program Services	4,208,334	75%
Total	\$ <u>5,601,530</u>	<u>100%</u>

**Note 7: CHANGE IN NET ASSETS**

In the fiscal year ended June 30, 2018, there was a decrease in total net assets of \$353,938 when compared to total net assets at the end of June 30, 2017. However, the total net assets of \$3,109,842 at the end of June 30, 2018 does not take into account revenue that was received or pledged to the Organization in prior years and was restricted by the donor for use in FY 17/18. In FY 17/18, FLY released or expended an additional \$465,000 of Temporarily Restricted Net Assets (TRNA) from prior years intended to support operations in FY 17/18. Per GAAP, this number is not to be recognized in total support and revenue for FY 17/18 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, 2018 and 2017, 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, 2018 or 2017, total as follows:

	<u>2018</u>	<u>2017</u>
County of Santa Clara	19%	16%

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, 2018**

**Note 9: TEMPORARILY RESTRICTED NET ASSETS**

At June 30, 2018 and 2017 temporarily restricted net assets consist of the following:

	June 30, 2017	2018 Additions of TRNA	2018 Releases of TRNA	June 30, 2018
Adobe Foundation	\$ 0	\$ 20,000	\$ 20,000	\$ 0
Akonadi Foundation	0	25,000	25,000	0
Applied Materials	0	15,000	15,000	0
Anonymous	150,000	53,450	198,703	4,747
Atkinson Foundation	0	5,000	5,000	0
Beloved In Christ Foundation	0	50,000	50,000	0
Cisco Systems Corp Foundation	0	15,000	15,000	0
Emerson Collective	20,000	306,000	326,000	0
Franklin Johnson Foundation	0	150,000	50,000	100,000
Goodwin Memorial Foundation	0	7,500	7,500	0
Hall Capital Partners	0	10,000	10,000	0
Heising-Simons Foundation	0	100,000	50,000	50,000
Highway Foundation	0	32,000	32,000	0
Ishiyama Foundation	0	100,000	100,000	0
Kaiser Foundation	0	30,000	30,000	0
Koshland Foundation	0	250,000	250,000	0
Leo Shortino Family Foundation	0	25,000	25,000	0
Palo Alto Community Foundation	0	15,000	15,000	0
Philanthropic Venture Fund	5,000	0	5,000	0
Quest Foundation	0	66,000	66,000	0
SAP Foundation	0	10,410	10,410	0
Sobrato Foundation	0	210,000	210,000	0
Stanley S. Langendorf Foundation	0	25,000	25,000	0
Symon College Fund	0	10,000	10,000	0
The 1440 Foundation	15,000	0	15,000	0
The 49ers Foundation	0	280,000	80,000	200,000
The Brin Wojcicki Foundation	200,000	0	200,000	0
The Edna McConnell Foundation	0	225	225	0
The George Family Foundation	0	20,000	10,000	10,000
The Grove Foundation	0	35,000	35,000	0
The Hand Foundation	0	1,000	1,000	0
The Jay & Rose Phillips Family Foundation	0	100,000	100,000	0

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	June 30, 2017	2018 Additions of TRNA	2018 Releases of TRNA	June 30, 2018
The Long Foundation	\$ 0	\$ 50,000	\$ 0	\$ 50,000
The Lucille Packard Foundation	75,000	0	75,000	0
The Sadie Miller and Louis Cohn Foundation	0	2,000	2,000	0
The Zellerbach Foundation	0	50,000	50,000	0
Tipping Point Foundation	0	417,032	395,807	21,225
UPS Foundation	0	5,000	5,000	0
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 465,000</b>	<b>\$ 2,490,617</b>	<b>\$ 2,519,645</b>	<b>\$ 435,972</b>

FLY was a recipient of multiple year foundation grants recognized in prior fiscal years. This is reflective in the balance of Temporarily Restricted Net Assets (TRNA) of \$465,000 as of June 30, 2017.

As of the fiscal year ended June 30, 2018, a total of \$2,519,645 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, 2018, FLY recorded in-kind contributions for office space of \$123,364, professional fees of \$10,660, and supplies/other of \$10,184 for total in-kind contributions of \$144,208.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2018 was:

Law	6,646
Mentoring	5,291
Middle School	40
Management/Administrative	1,692
<b>Total Volunteer Hours</b>	<b>13,669</b>
<b>Contributed</b>	<b>13,669</b>

**Note 11: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through November 8, 2018 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, 2018, 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 8, 2018.

**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.

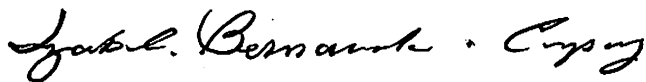
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in black ink, reading "J. Bernmark & Company". The signature is written in a cursive, flowing style.

San Francisco, California  
November 8, 2018