

FRESH LIFELINES FOR YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018**

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

FRESH LIFELINES FOR YOUTH, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018

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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, 2019, 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, 2019, 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

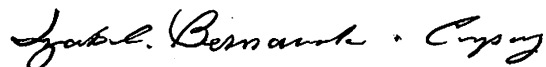
In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of Fresh Lifelines for Youth, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 2018 financial statements, and our report dated November 8, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Fresh Lifelines for Youth, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



San Francisco, California
November 7, 2019

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and Cash Equivalents	\$ 906,453	\$ 836,049
Investments, at fair value (See Note 3)	2,326,180	2,130,944
Grants and Contracts Receivable (See Note 4)	840,945	509,846
Prepaid Expenses	56,137	50,561
Deposits	11,348	11,348
Property and Equipment (net of accumulated depreciation of \$387,923 and \$383,272 respectively)	<u>20,514</u>	<u>12,000</u>
TOTAL ASSETS	\$ <u>4,161,577</u>	\$ <u>3,550,748</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 48,793	\$ 33,258
Accrued Expenses	<u>418,650</u>	<u>407,648</u>
Total Liabilities	<u>467,443</u>	<u>440,906</u>
Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	3,097,509	2,672,545
Fixed Assets Purchased with Grant Funds	<u>0</u>	<u>1,325</u>
Total Net Assets Without Donor Restrictions	3,097,509	2,673,870
Net Assets With Donor Restrictions (See Note 9)	<u>596,625</u>	<u>435,972</u>
Total Net Assets	<u>3,694,134</u>	<u>3,109,842</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>4,161,577</u>	\$ <u>3,550,748</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Government grants	\$ 1,617,380	\$ 0	\$ 1,617,380	\$ 1,245,140
Contributions:				
Foundations	0	2,678,724	2,678,724	2,490,852
Corporations	76,338	0	76,338	112,696
Misc. Income/Donation	600	0	600	6,500
In-Kind	159,794	0	159,794	144,208
Individuals	481,736	25,950	507,686	415,474
Special Event Fundraiser	647,621	0	647,621	586,405
Direct Expenses	(106,256)	0	(106,256)	(109,832)
Special Event Fundraiser, net	541,365	0	541,365	476,573
Total Support	2,877,213	2,704,674	5,581,887	4,891,443
Revenue:				
Program Service Fees - Fee for Service Contracts	312,425	0	312,425	302,477
Investment Income (See Note 3)	48,126	0	48,126	79,748
Net realized and unrealized gain/(loss) (See Note 3)	82,746	0	82,746	(22,827)
Total Revenue	443,297	0	443,297	359,398
Net Assets released from:				
Satisfaction of restrictions	2,544,021	(2,544,021)	0	0
Total Support and Revenue	5,864,531	160,653	6,025,184	5,250,841
<u>EXPENSES</u>				
Program Services	4,228,376	0	4,228,376	4,208,334
Supporting Services				
Management and General	213,696	0	213,696	426,480
Fundraising	997,495	0	997,495	966,716
Total Expenses	5,439,567	0	5,439,567	5,601,530
CHANGES IN NET ASSETS (See Note 7)	424,964	160,653	585,617	(350,689)
Net Assets, Beginning of Year	2,673,870	435,972	3,109,842	3,463,780
Depreciation on Fixed Assets Purchased with Grant Funds	(1,325)	0	(1,325)	(3,249)
NET ASSETS - AT END OF YEAR	\$ 3,097,509	\$ 596,625	\$ 3,694,134	\$ 3,109,842

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019				2018
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries	\$ 2,621,472	\$ 111,194	\$ 730,022	\$ 3,462,688	\$ 3,612,289
Employee benefits	326,309	26,733	99,206	452,248	480,812
Payroll Taxes	225,997	11,330	60,040	297,367	315,527
Professional Fees	93,697	2,950	13,546	110,193	104,906
Fiscal/Auditor Fees	5,112	35,004	791	40,907	39,011
Stipends and Scholarships	53,234	2	8	53,244	51,161
Occupancy	94,806	1,243	5,388	101,437	99,134
Youth Advisory/Speech Committee	8,104	290	1,255	9,649	11,528
Telephone	57,652	1,981	8,772	68,405	56,978
Conferences and Meetings	6,425	229	6,763	13,417	41,280
Travel/Mileage	130,011	1,538	6,810	138,359	114,148
Office Supplies	19,953	713	3,056	23,722	20,183
Printing and Publications	18,294	653	3,017	21,964	18,865
Equipment Rental and Maintenance	64,232	2,288	9,921	76,441	67,674
Insurance	16,607	593	2,570	19,770	19,395
In-kind Professional Fees	0	0	0	0	10,660
In-kind Rent	129,502	4,625	20,042	154,169	123,364
Other In-kind Expenses	4,726	169	731	5,626	10,185
Program Activities and Training	188,380	80	348	188,808	242,555
Program Supplies	42,142	184	10,016	52,342	59,748
Miscellaneous	117,814	13,081	14,588	145,483	99,463
Depreciation	3,907	(1,184)	605	3,328	2,664
Total Functional Expenses	<u>\$ 4,228,376</u>	<u>\$ 213,696</u>	<u>\$ 997,495</u>	<u>\$ 5,439,567</u>	<u>\$ 5,601,530</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets (See Note 7)	\$ 585,617	\$ (350,689)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(255)	994
Net realized and unrealized (gain)/loss	(55,414)	22,827
Contributed Stock	(2,027)	(30,837)
Depreciation	3,327	2,664
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	(331,099)	(131,804)
Prepaid Expenses	(5,576)	(934)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	15,535	8,508
Accrued Expenses	11,002	24,490
Net Cash Provided (Used) by Operating Activities	<u>221,110</u>	<u>(454,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(13,167)	(13,340)
Purchase of Investments	(325,020)	(624,000)
Proceeds from Sale of Investments	187,481	1,410,399
Net Cash Provided (Used) by Investing Activities	<u>(150,706)</u>	<u>773,059</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	70,404	318,278
CASH AND CASH EQUIVALENTS, beginning of year	<u>836,049</u>	<u>517,771</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 906,453</u>	<u>\$ 836,049</u>
Supplemental Disclosure:		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1: ORGANIZATION

Founded in 2000, Fresh Lifelines for Youth, Inc. (FLY) is an award-winning nonprofit serving youth in the juvenile justice system and those at risk. We educate them about the law, support them to become leaders among their peers, and give them positive mentors and role models. FLY is one of the very few Bay Area agencies that specialize in working with kids who are currently, formerly, or at risk of being involved in the juvenile justice system. In FY18-19, FLY served approximately 2,500 young people ages 11-24 in 61 cities across Santa Clara, San Mateo, and Alameda counties.

Youth of color represent more than 80% 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. Their ideas remain the foundation of FLY and have been strengthened with best practices in youth development and crime prevention. And FLY's services cost far less than incarceration. In FY18-19 in our Leadership Program, 91% of youth did not sustain a new offense during the program year, and 87% increased their academic progress and re-involvement in school. In our Law Program exit evaluations, 99% of youth reported they are less likely to break the law and 95% reported they have more confidence to deal with negative peer pressure.

In addition to working directly with youth, FLY is committed to helping our local juvenile justice systems become more just, humane, and equitable. FLY is highly respected by members of our local juvenile justice systems including judges, probation chiefs, district attorneys, public defenders, and school officials. Our staff and youth are frequently invited to discuss challenges in the juvenile justice systems and to help design and implement new ideas.

Programs

Currently FLY's main programs include:

FLY Law Program

In the FLY Law Program, our staff and carefully recruited, 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.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1: ORGANIZATION (continued)

FLY Law Program - continued

The law curriculum is interesting and engaging to the youth, and is also an excellent vehicle for us to teach critical life skills like anger management, problem solving, conflict resolution, and resisting negative peer pressure. Everything is taught in a non-judgmental manner with no stigma is 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

The Leadership Training Program targets youth who are at moderate to high risk for justice system involvement and supports them in building the skills and attitudes they need to live a crime-free, self-sufficient life. The program kicks off with a three-day wilderness retreat that enables youth to break away from negative influences and stresses in order to begin bonding with FLY staff and peers and developing trust and teamwork skills. Youth then meet bi-monthly to support each other in group settings and to design service learning projects in which they give back to the community. Each leadership youth receives intensive coaching from a FLY case manager to identify and address their greatest barriers to living a healthy, productive life.

Court Appointed Friend and Advocate Mentor Program

FLY's CAFA Mentor Program pairs caring, trained adult volunteers with youth on probation for a year-long mentoring relationship. Before they are matched with a youth, CAFA Mentors complete 26 hours of initial training and orientation and commit to follow-up trainings once every three months. Once matched, Mentors build positive relationships with youth through weekly 1-on-1 meetings and activities, helping them to develop new ambitions, set and achieve goals, and learn to have fun in a positive, sober way. In addition to being friends and role models to youth, FLY CAFA Mentors are specially appointed by a juvenile court judge so that they can advocate for their mentee by attending juvenile court proceedings, submitting court reports, and addressing the court on behalf of the youth. Each mentor/mentee match has a FLY case manager for support and also attends monthly group activities organized by FLY.

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. Our program helps seventh and eighth graders who are referred by school officials in Santa Clara County to 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 and positive social activities and civic engagement opportunities provided through FLY.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 1: ORGANIZATION (concluded)

FLY Reentry Program

Youth seeking to reenter the community after incarceration typically face a host of barriers to a successful transition. Reentry assistance is a critical service that's been proven to help youth move forward in a positive direction and avoid going back into the system. The FLY Reentry Program serves youth in longer term incarceration in Santa Clara and San Mateo counties. The program provides 12 weeks of law classes taught by FLY staff while the youth are in custody. After youth are released, they receive intensive one-on-one support from a FLY case manager to help with their transition back into the community.

Youth Advisory Council

The Youth Advisory Council (YAC) is a collaborative effort between the Santa Clara County Probation Department and Fresh Lifelines for Youth to introduce positive system change through the inclusion of youth voice. The YAC provides youth who formerly participated in juvenile justice services with a unique opportunity to provide input on current system processes, policies, and practices. . Young people who serve on the Council are sworn in as Youth Justice Consultants by our presiding Juvenile Court Judge. Additionally, YAC allows youth the opportunity to use their stories and experiences to inspire hope and encourage change in the lives of youth who are currently involved in the juvenile justice system. YAC also has the objective of enhancing the professional development and leadership skills of its members.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Pronouncement

Effective December 15, 2018, FLY adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as information regarding liquidity, financial performance and cash flows. ASU 2016-14 revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three. ASU 2016-14 also enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions and requires qualitative disclosures on liquidity and the availability of resources to fund operations.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. FLY's net assets previously reported as temporarily and permanently restricted are now reported as net assets with donor restrictions. Likewise, FLY's net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. FLY reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing FLY's various programs and other activities have been allocated on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Some categories of expense are attributable to more than one function and are allocated on a consistent basis. FLY allocates indirect costs between program and supporting services, using estimates of usage and benefit, based principally on personnel hours. Depreciation for leasehold improvements and other fixed assets, utilities and rent are allocated based on square footage and estimated function.

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, 2018, from which the summarized information was derived.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019, 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.

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, 2019, advertising costs charged to expense totaled \$21,964 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, 2019

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, 2019, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,326,180 and \$2,278,441, respectively.

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.

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

	2019		2018
Interest and dividends	\$ 48,126	\$	79,748
Net realized and unrealized gain/(loss)	82,746		(22,827)
Net investment income	\$ 130,872	\$	56,921

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of June 30, 2019 and 2018, consist of the following:

	<u>2019</u>	<u>2018</u>
Alameda County	\$ 35,718	\$ 0
City of Oakland	9,278	19,896
County of San Mateo Probation – YOBG	38,595	30,782
County of San Mateo Probation – JJCPA	27,115	6,790
County of Santa Clara:		
Probation Department	147,950	127,741
Social Services Agency	4,177	4,062
Franklin & Catherine Johnson Foundation	50,000	100,000
George Family Foundation	0	10,000
Santa Clara Office of Education	0	9,660
Sergey Brin Family Foundation	400,000	0
State of California – BSCC	27,350	0
49ers Foundation	100,000	200,000
Miscellaneous Receivables	<u>762</u>	<u>915</u>
Total Grants and Contracts Receivable	\$ <u>840,945</u>	\$ <u>509,846</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, 2019 and 2018, 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, 2019 and 2018, employees directed portions of their benefit stipend to the Plan totaling \$145,006 and \$162,483 respectively.

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 6: OVERHEAD RATE CALCULATION

Expenses by function for the year ended June 30, 2019 are as follows:

Management and General	\$ 213,696	4%
Fundraising	997,495	18%
Program Services	4,228,376	78%
Total	\$ <u>5,439,567</u>	<u>100%</u>

Note 7: CHANGES IN NET ASSETS

In the fiscal year ended June 30, 2019, there was an increase in total net assets of \$584,292 when compared to total net assets at the end of June 30, 2018. However, the total net assets of \$3,694,134 at the end of June 30, 2019 includes revenue that was received or pledged to the Organization in prior years and was restricted by the donors. In FY 18/19, FLY released or expended an additional \$285,972 of Net Assets with Donor Restrictions from prior years intended to support operations in FY 18/19. Per GAAP, this number is not to be recognized in total support and revenue for FY 18/19 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, 2019 and 2018, 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, 2019 or 2018, total as follows:

	<u>2019</u>	<u>2018</u>
County of Santa Clara	17%	19%

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, 2019

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019 and 2018 net assets with donor restrictions consist of the following:

	June 30, 2018	2019 Additions	2019 Releases	June 30, 2019
100 Women Charitable Foundation	\$ 0	\$ 40,000	\$ 40,000	\$ 0
Anonymous	4,747	950	5,697	0
Atkinson Foundation	0	7,500	7,500	0
Ca Wellness Foundation	0	40,000	40,000	0
Chan Zuckerberg Initiative	0	90,000	90,000	0
Emerson Collective	0	350,000	350,000	0
Franklin Johnson Foundation	100,000	0	50,000	50,000
Goodwin Memorial Foundation	0	6,800	6,800	0
Hancock Foundation	0	20,000	20,000	0
Heising-Simons Foundation	50,000	21,000	71,000	0
Highway Foundation	0	37,799	37,799	0
Ishiyama Foundation	0	100,000	100,000	0
Intero Real Estate Foundation	0	50,000	30,000	20,000
Kaiser Foundation	0	30,000	30,000	0
Kenneth Rainin Foundation	0	10,000	10,000	0
Koshland Foundation	0	250,000	250,000	0
Leo Shortino Family Foundation	0	25,000	25,000	0
Nunez Community Foundation	0	19,500	19,500	0
Quest Foundation	0	88,000	88,000	0
SAP Foundation	0	10,000	10,000	0
Sobrato Foundation	0	220,500	220,500	0
Stanford Learning By Giving	0	10,000	10,000	0
Stanley S. Langendorf Foundation	0	20,000	20,000	0
Symon College Fund	0	10,000	10,000	0
The SF 49ers Foundation	200,000	31,000	131,000	100,000
Sergey Brin Family Foundation	0	600,000	200,000	400,000
The George Family Foundation	10,000	0	10,000	0
The Grove Foundation	0	35,000	35,000	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, 2019

Note 9: NET ASSETS WITH DONOR RESTRICTIONS (continued)

	June 30, 2018	2019 Additions	2019 Releases	June 30, 2019
The Long Foundation	\$ 50,000	\$ 0	\$ 50,000	\$ 0
The Lucille Packard Foundation	0	76,625	50,000	26,625
The Zellerbach Foundation	0	50,000	50,000	0
Tipping Point Foundation	21,225	350,000	371,225	0
UPS Foundation	0	5,000	5,000	0
Total Net Assets With Donor Restrictions	\$ 435,972	\$ 2,704,674	\$ 2,544,021	\$ 596,625

FLY was a recipient of multiple year foundation grants recognized in prior fiscal years. This is reflective in the balance of Net Assets with Donor Restrictions of \$596,625 as of June 30, 2019.

As of the fiscal year ended June 30, 2019, a total of \$2,544,021 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, 2019, FLY recorded in-kind contributions for office space of \$154,168 and supplies/other of \$5,626 for total in-kind contributions of \$159,794.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2019 was:

Law	6,036
Mentoring	3,953
Middle School	120
Management/Administrative	1,614
Total Volunteer Hours	
Contributed	<u>11,723</u>

FRESH LIFELINES FOR YOUTH, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 11: LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects FLY's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Cash and Cash Equivalents	\$ 906,453
Investments	2,326,180
Grants and Contracts Receivable	<u>840,945</u>
Total Financial Assets	4,073,578
Less those unavailable for general expenditures within one year due to:	
Receivables scheduled to be collected in more than one year	(200,000)
Receivables restricted by donors for specific uses to be collected and used within one year	(350,000)
Cash restricted by donors for specific uses	<u>(46,625)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,476,953</u></u>

FLY has \$3,476,953 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures including cash available for general expenditures of \$859,828. Receivables of \$640,945 are subject to implied time restrictions but are expected to be collected within one year.

FLY has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 4 - 6 months of normal operating expenses, which is, on average, approximately \$2,340,000 to \$3,610,000. FLY has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 12: SUBSEQUENT EVENTS

The Organization's management has evaluated its subsequent events through November 7, 2019 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, 2019, 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 7, 2019.

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.

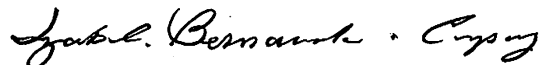
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

San Francisco, California

November 7, 2019