

**FRESH LIFELINES FOR YOUTH, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2020  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

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

**FRESH LIFELINES FOR YOUTH, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019**

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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, 2020, 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, 2020, 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**

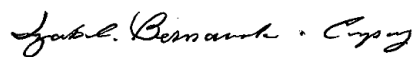
In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of Fresh Lifelines for Youth, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 2019 financial statements, and our report dated November 7, 2019, 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, 2019, 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) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958): Not for Profit Entities*. Our opinion is not modified with respect to this matter.



San Francisco, California  
December 8, 2020

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR JUNE 30, 2019**

	<b>2020</b>	<b>2019</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 2,699,012	\$ 906,453
Investments, at fair value (See Note 3)	2,342,365	2,326,180
Grants and Contracts Receivable (See Note 4)	1,096,938	840,945
Prepaid Expenses	46,060	56,137
Deposits	11,348	11,348
Property and Equipment (net of accumulated depreciation of \$393,321 and \$387,923 respectively)	33,364	20,514
<b>TOTAL ASSETS</b>	<b>\$ 6,229,087</b>	<b>\$ 4,161,577</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 48,829	\$ 48,793
Accrued Expenses	544,759	418,650
Loan Payable - PPP	722,300	0
<b>Total Liabilities</b>	<b>1,315,888</b>	<b>467,443</b>
 <b>Net Assets:</b>		
Net Assets Without Donor Restrictions:		
Undesignated	3,297,771	3,097,509
Net Assets With Donor Restrictions (See Note 9)	1,615,428	596,625
<b>Total Net Assets</b>	<b>4,913,199</b>	<b>3,694,134</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,229,087</b>	<b>\$ 4,161,577</b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Government grants	\$ 2,109,130	\$ 6,000	\$ 2,115,130	\$ 1,617,380
Contributions:				
Foundations	0	3,460,175	3,460,175	2,678,724
Corporations	100,000	0	100,000	76,338
Misc. Income/Donation	1,090	0	1,090	600
In-Kind	249,118	0	249,118	159,794
Individuals	473,420	71,878	545,298	507,686
Special Event Fundraiser	653,678	0	653,678	647,621
Direct Expenses	(68,547)	0	(68,547)	(106,256)
Special Event Fundraiser, net	585,131	0	585,131	541,365
Total Support	3,517,889	3,538,053	7,055,942	5,581,887
Revenue:				
Program Service Fees - Fee for Service Contracts	431,727	0	431,727	312,425
Investment Income (See Note 3)	43,892	0	43,892	48,126
Net realized and unrealized gain/(loss) (See Note 3)	51,718	0	51,718	82,746
Total Revenue	527,337	0	527,337	443,297
Net Assets released from:				
Satisfaction of restrictions	2,519,250	(2,519,250)	0	0
Total Support and Revenue	6,564,476	1,018,803	7,583,279	6,025,184
<b><u>EXPENSES</u></b>				
Program Services	5,145,300	0	5,145,300	4,228,376
Supporting Services				
Management and General	298,591	0	298,591	213,696
Fundraising	920,323	0	920,323	997,495
Total Expenses	6,364,214	0	6,364,214	5,439,567
<b>CHANGES IN NET ASSETS (See Note 7)</b>	200,262	1,018,803	1,219,065	585,617
Net Assets, Beginning of Year	3,097,509	596,625	3,694,134	3,109,842
Depreciation on Fixed Assets Purchased with Grant Funds	0	0	0	(1,325)
<b>NET ASSETS - AT END OF YEAR</b>	\$ 3,297,771	\$ 1,615,428	\$ 4,913,199	\$ 3,694,134

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020 WITH SUMMARIZED**  
**COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2020</u>				<u>2019</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>	<u>Totals</u>
Salaries	\$ 3,140,124	\$ 177,472	\$ 677,004	\$ 3,994,600	\$ 3,462,688
Employee benefits	488,106	30,447	59,224	577,777	452,248
Payroll Taxes	291,441	14,048	41,750	347,239	297,367
Professional Fees	176,194	6,609	42,769	225,572	110,193
Fiscal/Auditor Fees	3,997	33,026	588	37,611	40,907
Stipends and Scholarships	40,544	0	0	40,544	53,244
Occupancy	89,448	1,278	4,843	95,569	101,437
Youth Advisory/Speech Committee	8,398	470	1,234	10,102	9,649
Telephone	55,093	3,079	8,100	66,272	68,405
Conferences and Meetings	25,020	1,407	11,896	38,323	13,417
Travel/Mileage	91,669	822	2,167	94,658	138,359
Office Supplies	17,306	1,022	2,631	20,959	23,722
Printing and Publications	16,130	902	2,406	19,438	21,964
Equipment Rental and Maintenance	67,743	3,685	9,684	81,112	76,441
Insurance	18,759	989	2,120	21,868	19,770
In-kind Professional Fees	40,112	2,372	3,116	45,600	0
In-kind Rent	168,931	7,003	25,772	201,706	154,169
Other In-kind Expenses	1,507	84	222	1,813	5,626
Program Activities and Training	221,779	237	674	222,690	188,808
Program Supplies	57,557	353	8,037	65,947	52,342
Miscellaneous	120,939	13,064	15,413	149,416	145,483
Depreciation	4,503	222	673	5,398	3,328
<b>Total Functional Expenses</b>	<b>\$ 5,145,300</b>	<b>\$ 298,591</b>	<b>\$ 920,323</b>	<b>\$ 6,364,214</b>	<b>\$ 5,439,567</b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**  
**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets (See Note 7)	\$ 1,219,065	\$ 585,617
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(6,499)	(255)
Unrealized (gain)/loss	(26,462)	(55,414)
Contributed Stock	(7,947)	(2,027)
Depreciation	5,398	3,327
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	(255,993)	(331,099)
Prepaid Expenses	10,077	(5,576)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	36	15,535
Accrued Expenses	126,109	11,002
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,063,784</b>	<b>221,110</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(18,248)	(13,167)
Purchase of Investments	0	(325,020)
Proceeds from Sale of Investments	24,723	187,481
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>6,475</b>	<b>(150,706)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings on notes payable	722,300	0
<b>Net Cash Provided by Financing Activities</b>	<b>722,300</b>	<b>0</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1,792,559</b>	<b>70,404</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>906,453</b>	<b>836,049</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 2,699,012</b>	<b>\$ 906,453</b>
<b>Supplemental Disclosure:</b>		
Interest paid	<b>\$ 0</b>	<b>\$ 0</b>

See notes to financial statements



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 1: ORGANIZATION**

Founded in 2000, Fresh Lifelines for Youth (FLY) is an award-winning Bay Area nonprofit working to interrupt the pipeline to prison and support youth on their path to healthy, free, and productive lives. We serve youth in the juvenile justice system and those at risk. We educate them about the law and their rights, support them to become leaders in our communities, and give them positive mentors and role models. We also work with our youth and partners to help the systems that impact young people become more just, humane, and equitable.

In FY19-20, FLY served 2,071 young people ages 11-24 in Santa Clara, San Mateo, and Alameda counties. We are one of the very few Bay Area agencies that specialize in supporting kids who are currently, formerly, or at risk of being involved in the juvenile justice system. Our work is highly respected by members of the system including judges, probation chiefs, district attorneys, public defenders, and school officials.

Youth of color represent approximately 90% 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. This underscores the need for FLY to be a strong advocate for racial equity and positive change within the juvenile justice system and the other systems that frequently fail our youth.

We now have two decades of experience in this work. In that time, we have developed a uniquely successful approach to supporting youth that maximizes their strengths, gives them hope for the future, and creates powerful opportunities for them to work for systems and community change themselves. On average, 90% of FLY youth say that after participating in our programs, they are less likely to break the law and that FLY equipped them with positive adult role models and self-confidence to resist negative peer pressure. And FLY's services cost far less than incarceration.

FLY is headquartered Milpitas, California and has additional offices in Oakland and Redwood City. Visit FLY on the web at [flyprogram.org](http://flyprogram.org).

**Programs**

All programs have remained operational during the COVID-19 pandemic in accordance with local health orders. 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, 2020**

**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 has traditionally kicked 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. (During the pandemic, virtual or socially distanced activities have replaced the retreats.) Youth then meet monthly to support each other in group settings and to design projects in which they advocate for positive change and give back to their communities. Each leadership youth receives intensive coaching from a FLY case manager to identify and address their greatest barriers to living a healthy, productive life.

**FLY's Court Appointed Friend and Advocate (CAFA) 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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 1: ORGANIZATION (continued)**

**FLY Middle School Program – continued**

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.

**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.

**FLY's Career Pathways Navigators**

Career Pathways Navigators (CPNs) partner with FLY Case Managers in other programs to support youth in pursuing their academic and career development goals. The CPN in each county works with youth to provide connections to educational, career, and basic needs resources within that county. They also provide guidance on navigating the challenges FLY youth face within the education system.

**STAY FLY Program**

The STAY FLY Program is a reentry program that develops social emotional learning (SEL) skills and knowledge of the law in transition aged youth (TAY). These young people, ages 18-21, receive support beginning in custody, and continue to be supported by FLY staff as they 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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 1: ORGANIZATION (concluded)**

**FLY's Speech Committee**

FLY's Speech Committee is comprised of FLY alumni ages 17 to 24 who have a desire to use their voices to affect positive change and support FLY after their time in programs has ended. The youth commit to undergoing speech coaching and professional development training, as well as joining in healing circle activities, to learn to tell their story in a strengths-based and powerful way. Youth speak on behalf of themselves, their communities, and FLY in a variety of different spaces.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Pronouncement**

During the fiscal year ended June 30, 2020, FLY adopted FASB ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, Not for Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management has determined that this ASU did not significantly impact FLY's financial statements.

**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, 2020.

**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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

**Net Assets - continued**

*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.

**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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, 2020, 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, 2020, 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, 2020, advertising costs charged to expense totaled \$19,438 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, 2020**

**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, 2020, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,342,365 and \$2,284,572, respectively.

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.

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

	<b>2020</b>	<b>2019</b>
Interest and dividends	\$ 43,892	\$ 48,126
Net realized and unrealized gain/(loss)	<u>51,717</u>	<u>82,746</u>
<b>Net investment income</b>	<b><u>\$ 96,699</u></b>	<b><u>\$ 130,872</u></b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 4: GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable as of June 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Alameda County	\$ 48,503	\$ 35,718
City of Oakland	11,892	9,278
City of San Jose	11,175	0
County of San Mateo Probation – YOBG	68,394	38,595
County of San Mateo Probation - REENTRY	63,689	0
County of San Mateo Probation – JJCPA	65,634	27,115
County of Santa Clara:		
Probation Department	192,735	147,950
Social Services Agency	8,116	4,177
Franklin & Catherine Johnson Foundation	100,000	50,000
Koshland Family Foundation	100,000	0
Santa Clara Office of Education	26,672	0
Anonymous	200,000	400,000
State of California	198,567	27,350
49ers Foundation	1,561	100,000
Miscellaneous Receivables	0	762
<b>Total Grants and Contracts Receivable</b>	<b>\$ <u>1,096,938</u></b>	<b>\$ <u>840,945</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, 2020 and 2019, 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, 2020 and 2019, employees directed portions of their benefit stipend to the Plan totaling \$181,093 and \$145,006 respectively.



**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 6: OVERHEAD RATE CALCULATION**

Expenses by function for the year ended June 30, 2020 are as follows:

Management and General	\$ 298,591	5%
Fundraising	920,323	14%
Program Services	<u>5,145,300</u>	<u>81%</u>
Total	<u>\$ 6,364,214</u>	<u>100%</u>

**Note 7: LOAN PAYABLE – PPP LOAN**

On April 28, 2020, FLY received a loan from Live Oak Banking Company in the aggregate amount of \$722,300, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated April 28, 2020 issued by the Borrower, matures on April 28, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on October 28, 2020. The note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. FLY intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan maybe forgiven if they are used for qualifying expenses as described in the CARES Act.

**Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES**

At various times during the years ended June 30, 2020 and 2019, 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, 2020 or 2019, total as follows:

	<u>2020</u>	<u>2019</u>
County of Santa Clara	14%	17%

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

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES (continued)**

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.

**Note 9: NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2020 and 2019 net assets with donor restrictions consist of the following:

	June 30, 2019	2020 Additions	2020 Releases	June 30, 2020
ACOE	\$ 0	\$ 6,000	\$ 0	\$ 6,000
Atkinson Foundation	0	7,500	7,500	0
Barrios Trust	0	2,500	2,500	0
Chan Zuckerberg Initiative	0	95,000	85,000	10,000
Anonymous	0	300,000	300,000	0
Franklin Johnson Foundation	50,000	150,000	50,000	150,000
Giants Community Foundation	0	5,000	5,000	0
Goodwin Memorial Foundation	0	6,300	6,300	0
Heising-Simons Foundation	0	50,000	0	50,000
Highway Foundation	0	33,667	33,667	0
Ishiyama Foundation	0	150,000	150,000	0
Intero Real Estate Foundation	20,000	0	20,000	0
IWF	0	2,500	2,500	0
John & Marcia Goldman	0	100,000	100,000	0
Kadowaki	0	10,000	7,810	2,190
Kaiser Foundation	0	30,000	30,000	0
Kate Cook	0	15,000	0	15,000
Koshland Foundation	0	350,000	250,000	100,000
Leo Shortino Family Foundation	0	25,000	25,000	0
Misc. Restricted Individual Donatons	0	9,378	9,378	0
Nunez Community Foundation	0	13,000	13,000	0
Orange County Community Foundation	0	207,500	0	207,500
Oshman Family Community Foundation	0	9,000	9,000	0
Palo Alto Community Foundation	0	32,500	15,000	17,500
Phil Kurjan	0	30,000	0	30,000
Quest Foundation	0	100,000	100,000	0
Sharks Foundation	0	5,000	5,000	0
Sobrato Foundation	0	250,000	250,000	0
Stand Together Foundation	0	31,000	31,000	0
Stanley S. Langendorf Foundation	0	15,000	15,000	0
Stewart Family Foundation	0	10,000	1,031	8,969

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 9: NET ASSETS WITH DONOR RESTRICTIONS (continued)**

	June 30, 2019	2020 Additions	2020 Releases	June 30, 2020
SVCF	\$ 0	\$ 20,000	\$ 0	\$ 20,000
The Center	0	372,208	104,692	267,516
The SF 49ers Foundation	100,000	0	98,439	1,561
Anonymous	400,000	120,000	200,000	320,000
The Grove Foundation	0	25,000	25,000	0
The Jay & Rose Phillips Family Foundation	0	100,000	100,000	0
The Lucille Packard Foundation	26,625	0	26,625	0
The Zellerbach Foundation	0	50,000	50,000	0
Tipping Point Foundation	0	800,000	390,807	409,193
<b>Total Net Assets With Donor Restrictions</b>	<b>\$ 596,625</b>	<b>\$ 3,538,053</b>	<b>\$ 2,519,250</b>	<b>\$ 1,615,428</b>

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 \$1,615,428 as of June 30, 2020.

As of the fiscal year ended June 30, 2020, a total of \$2,519,250 was spent on the satisfaction of funding restrictions from both current and prior years.

**Note 10: CHANGES IN NET ASSETS**

In the fiscal year ended June 30, 2020, FLY experienced an increase in net assets of approximately \$1,200,000, bringing the total for the fiscal year to \$4,900,000 in net assets. However, it is important to note that this does not necessarily indicate financial over-performance. Approximately \$1,600,000 of the \$4,900,000 in total net assets at the end of the fiscal year is intended to support operations in future years. U.S. GAAP rules indicate that FLY must recognize total support of awards in the year that they were received or pledged, even if the donor intent is meant to support operations in future years.

**Note 11: IN-KIND CONTRIBUTIONS AND VOLUNTEERS**

During the year ended June 30, 2020, FLY recorded in-kind contributions for office space of \$201,705, advisory services of \$45,600 and supplies/other of \$1,813 for total in-kind contributions of \$249,118.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2020 was:

Law	4,847
Mentoring	4,258
Middle School	104
Management/Administrative	369
<b>Total Volunteer Hours Contributed</b>	<b>9,578</b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Note 12: 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	\$ 2,699,012
Investments	2,342,365
Grants and Contracts Receivable	<u>1,096,938</u>
Total Financial Assets	6,138,315
Less those unavailable for general expenditures within one year due to:	
Receivables restricted by donors for specific uses to be collected and used within one year	(401,561)
Cash restricted by donors for specific uses	<u>(1,213,867)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,522,887</u>

FLY has \$4,522,887 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 \$1,485,145. Receivables of \$1,096,938 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 \$2,494,000 to \$3,742,000. FLY has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 13: SUBSEQUENT EVENTS**

The Organization's management has evaluated its subsequent events through December 8, 2020 the date the financial statements were available to be issued and determined to disclose the following subsequent event:

*COVID-19*

The spread of coronavirus (COVID-19) around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, FLY is unable to determine if it will have a material impact to its operations.

**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, 2020, 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 December 8, 2020.

**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.

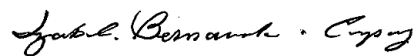
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Handwritten signature of Jacob L. Bernhardt.

San Francisco, California  
December 8, 2020