

**FRESH LIFELINES FOR YOUTH, INC.**

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**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022  
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021**

**FRESH LIFELINES FOR YOUTH, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors

**FRESH LIFELINES FOR YOUTH, INC.**

Milpitas, California

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Fresh Lifelines for Youth, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fresh Lifelines for Youth, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fresh Lifelines for Youth, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fresh Lifelines for Youth, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fresh Lifelines for Youth, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, 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 Fresh Lifelines for Youth, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants

Rancho Cordova, California  
May 11, 2023

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2022**  
**AND JUNE 30, 2021**

	<b><u>2022</u></b>	<b><u>2021</u></b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 2,948,303	\$ 3,913,266
Investments, at fair value	2,542,072	2,756,747
Grants and Contracts Receivable	1,086,305	798,933
Prepaid Expenses	75,457	54,304
Deposits	18,809	18,809
Property and Equipment (net of accumulated depreciation of \$382,011 and \$406,670 respectively)	<u>106,554</u>	<u>67,592</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,777,500</u></b>	<b><u>\$ 7,609,651</u></b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 18,528	\$ 120,765
Accrued Expenses	<u>651,508</u>	<u>636,789</u>
 <b>Total Liabilities</b>	 <u>670,036</u>	 <u>757,554</u>
 <b>Net Assets:</b>		
Without Donor Restrictions	4,505,167	4,527,310
With Donor Restrictions	<u>1,602,297</u>	<u>2,324,787</u>
 <b>Total Net Assets</b>	 <u>6,107,464</u>	 <u>6,852,097</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,777,500</u></b>	<b><u>\$ 7,609,651</u></b>

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<b><u>SUPPORT AND REVENUE</u></b>				
Public Support:				
Government grants	\$ 3,532,158	\$ 15,682	\$ 3,547,840	\$ 2,436,407
PPP Loan Forgiveness	0	0	0	722,300
Contributions:				
Foundations	0	2,447,778	2,447,778	3,256,647
Corporations	83,115	0	83,115	94,738
Misc. Income/Donation	159	0	159	1,186
In-Kind	355,844	0	355,844	266,849
Individuals	325,750	358,147	683,897	1,341,586
Special Event Fundraiser	739,978	0	739,978	587,137
Direct Expenses	(48,775)	0	(48,775)	(35,732)
Special Event Fundraiser, net	691,203	0	691,203	551,405
Total Support	4,988,229	2,821,607	7,809,836	8,671,118
Revenue:				
Program Service Fees - Fee for Service Contracts	281,897	0	281,897	510,737
Investment Income	42,285	0	42,285	36,894
Net realized and unrealized gain/(loss)	(257,231)	0	(257,231)	263,135
Total Revenue	66,951	0	66,951	810,766
Net Assets released from:				
Satisfaction of restrictions	3,544,097	(3,544,097)	0	0
Total Support and Revenue	8,599,277	(722,490)	7,876,787	9,481,884
<b><u>EXPENSES</u></b>				
Program Services	6,305,170	0	6,305,170	6,134,279
Supporting Services				
Management and General	654,368	0	654,368	416,929
Fundraising	1,661,882	0	1,661,882	991,778
Total Expenses	8,621,420	0	8,621,420	7,542,986
CHANGES IN NET ASSETS	(22,143)	(722,490)	(744,633)	1,938,898
Net Assets, Beginning of Year	4,527,310	2,324,787	6,852,097	4,913,199
NET ASSETS - AT END OF YEAR	\$ 4,505,167	\$ 1,602,297	\$ 6,107,464	\$ 6,852,097

See notes to financial statements

**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021**

	<b>2022</b>				<b>2021</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Totals</b>	<b>Totals</b>
Salaries	\$ 3,733,906	\$ 472,170	\$ 1,104,307	\$ 5,310,383	\$ 4,743,594
Employee benefits	543,691	40,411	57,850	641,952	692,749
Payroll Taxes	343,756	25,857	77,313	446,926	384,981
Professional Fees	318,366	48,302	185,116	551,784	273,822
Fiscal/Auditor Fees	3,869	302	53,184	57,355	49,136
Stipends and Scholarships	119,408	611	1,804	121,823	77,035
Occupancy	147,725	2,787	(1,926)	148,586	87,117
Youth Advisory/Speech Committee	0	0	0	0	16,148
Telephone	67,824	5,182	15,120	88,126	75,879
Conferences and Meetings	20,735	8,707	17,000	46,442	43,245
Travel/Mileage	69,680	1,287	1,599	72,566	17,749
Office Supplies	19,337	1,400	5,104	25,841	35,381
Printing and Publications	49,807	4,261	10,912	64,980	113,397
Equipment Rental and Maintenance	75,966	5,872	17,806	99,644	115,472
Insurance	23,572	1,870	5,313	30,755	34,189
In-kind Professional Fees	85,643	6,674	18,908	111,225	45,600
In-kind Rent	188,357	14,677	41,585	244,619	215,198
Other In-kind Expenses	0	0	0	0	6,050
Program Activities and Training	224,401	96	3,520	228,017	221,746
Program Supplies	122,830	6,523	1,758	131,111	62,418
Miscellaneous	135,562	6,542	43,043	185,147	218,731
Depreciation	10,735	837	2,566	14,138	13,349
Total Functional Expenses	<u>\$ 6,305,170</u>	<u>\$ 654,368</u>	<u>\$ 1,661,882</u>	<u>\$ 8,621,420</u>	<u>\$ 7,542,986</u>

See notes to financial statements



**FRESH LIFELINES FOR YOUTH, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**AND JUNE 30, 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ (744,633)	\$ 1,938,898
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Unrealized (gain)/loss	254,780	(238,619)
Contributed Stock	(1,223)	(21,547)
Depreciation	14,138	13,349
Forgiveness of PPP Loan	0	(722,300)
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	(287,372)	298,005
Prepaid Expenses	(21,153)	(8,244)
Deposits	0	(7,461)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(102,237)	71,936
Accrued Expenses	14,719	92,030
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(872,981)</u>	<u>1,416,047</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	(53,100)	(47,577)
Purchase of Investments	(41,333)	(164,961)
Proceeds from Sale of Investments	2,451	10,745
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(91,982)</u>	<u>(201,793)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(964,963)	1,214,254
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,913,266</u>	<u>2,699,012</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 2,948,303</u>	<u>\$ 3,913,266</u>
<b>Supplemental Disclosure:</b>		
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, 2022**

**Note 1: ORGANIZATION**

Founded in 2000, Fresh Lifelines for Youth, Inc. (FLY) is an award-winning nonprofit working to prevent juvenile crime and incarceration. We serve, support, and partner with youth impacted by the justice system in Alameda, San Mateo, and Santa Clara counties, with planned expansion to Contra Cost County. We work with 1,500 to 2,000 Bay Area young people ages 11 to 25 who are in various points of the pipeline to prison for young people. This pipeline is disproportionately filled by youth of color, youth living in poverty, those living with disabilities, kids in the foster care system, LBGQ/gender-nonconforming/trans youth, and youth who have been subjected to neglect, abuse, trauma, or other violence.

FLY teaches youth about their rights and supports them to build critical thinking skills. Together, we're creating the building blocks for their long-term growth and wellbeing through advancing in school, staying out of the system, gaining employment, forming relationships with positive mentors and role models, and more. At its core, our model is based on relationships, love, equity, and justice. It is highly respected by members of our local juvenile justice systems including judges, probation chiefs, district attorneys, public defenders, and school officials, because it works:

- Our young people are drastically reducing their involvement in the justice system, increasing their academic performance, and gaining critical life skills that lead to jobs, community involvement, and leadership.
- We're seeing the systems improve as well. There are significantly fewer kids being locked up in the counties we currently serve—Alameda, San Mateo, and Santa Clara—than when we started. In one county, we saw a 75% reduction in kids sent to juvenile hall over two decades.
- And FLY's young people are discovering and harnessing their power to become catalysts for change. For example, kids who were once struggling on probation are now training probation officers, and kids who were once incarcerated are now on civic task forces to improve public safety. They are becoming an integral part of systems change and reform.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 1: ORGANIZATION (continued)**

**Programs**

The following is a list of FLY's main programs, all of which have continued operation during the pandemic. The descriptions below cover the standard program model; adjustments continue to be made as needed to ensure that programs operate in compliance with local health orders and following guidance from the CDC.

**FLY Law Program**

In the FLY Law Program, our staff and carefully recruited, highly trained volunteers teach a fun, interactive 8- to 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 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 experiencing challenges or barriers that could lead to involvement in the justice system involvement. FLY 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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 1: ORGANIZATION (continued)**

**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 supports 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. It runs for approximately 6-9 months (possible extension up to a year if needed) and consists of four phases: pre-release, transition, try-out, and transfer of care. During this time, the assigned Case Manager will develop a trusting relationship with the youth, provide support and connection, monitor and strengthen support network and youth's skills, and end program services with a support network safely in place.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 1: ORGANIZATION (concluded)**

**STAY FLY**

The STAY FLY program is a reentry program that develops social-emotional learning (SEL) skills and knowledge of the law in transition age youth (TAY). These young people, ages 18-21 (Santa Clara County) or 18-25 (Alameda County and San Mateo County), receive support beginning in custody, and continue to be supported by FLY staff as they transition back into the community. STAY FLY's Law Related Education builds agency and self-advocacy through legal education workshops led by trained FLY facilitators who provide valuable information about the justice system and how it affects their lives. With this understanding, youth find ways to navigate the system while building their ability to make better choices. Youth also meet to support each other in group settings and participate in activities that are fun and engaging while helping them find ways to improve the communities that matter most to them. Each young person also has the opportunity to have individualized case management, which is intensive, one-on-one support to help youth build a much larger support network throughout the community.

**Youth Advisory Council**

The Youth Advisory Councils (YAC) are collaborative effort between the Santa Clara County and Alameda County probation departments and Fresh Lifelines for Youth to introduce positive system change through the inclusion of youth voice. Each 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 a 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, 2022**

**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.

**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, 2022.

**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, 2022**

**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, 2021, from which the summarized information was derived.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**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, 2022, 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, 2022, advertising costs charged to expense totaled \$64,980 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, 2022**

**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, 2022, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,542,072 and \$2,566,504, respectively.

As of June 30, 2021, the fair value (all Level 1 measurements), and cost of mutual funds totaled \$2,756,747 and \$2,284,801, respectively.

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

	<b>2022</b>		<b>2021</b>
Interest and dividends	\$ 42,285	\$	36,894
Net realized and unrealized gain/(loss)	(257,231)		263,135
<b>Net investment income</b>	<b>\$ (214,946)</b>	<b>\$</b>	<b>300,029</b>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 4: GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable as of June 30, 2022 and 2021, consist of the following:

	2022	2021
Alameda County	\$ 53,765	\$ 73,784
Alameda County Office of Education	100,000	54,434
City of Oakland	12,607	7,790
City of San Jose	0	2,235
Contra Costa County	46,500	0
County of San Mateo	143,686	0
County of Santa Clara	180,359	119,164
Franklin & Catherine Johnson Foundation	50,000	50,000
Milpitas Unified School District	0	3,500
Monterey County Probation Department	4,000	17,000
Santa Clara Office of Education	49,860	30,000
Sierra Health Foundation	0	101,714
SOZO Impact	0	4,000
Stanford Center for Racial Justice	2,100	0
State of California	430,721	335,312
Youth Law Center	12,708	0
<b>Total Grants and Contracts Receivable</b>	<b>\$ 1,086,305</b>	<b>\$ 798,933</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, 2022 and 2021, 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, 2022 and 2021, employees directed portions of their benefit stipend to the Plan totaling \$281,114 and \$227,493 respectively.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 6: NET ASSETS WITH DONOR RESTRICTIONS**

At June 30, 2022 and 2021 net assets with donor restrictions consist of the following:

<b>Grantors/Donors</b>	<b>June 30, 2021</b>	<b>Additions</b>	<b>Released from Restrictions</b>	<b>June 30, 2022</b>
ACOE	\$ 0	\$ 8,682	\$ 0	\$ 8,682
Donor Restricted for Justice Prevails Fund	843,060	305,023	112,500	1,035,583
Atkinson Foundation	7,500	15,000	7,500	15,000
Donor Restricted: Misc, based on donor intent	57,490	0	40,300	17,190
Corsair Corporate Donation	25,000	0	25,000	0
Chan Zuckerberg Initiative	0	100,000	50,000	50,000
The David & Lucille Packard Foundation	40,000	30,000	70,000	0
Emerson Collective	0	311,000	302,837	8,163
Franklin and Catherine Johnson Foundation	100,000	0	50,000	50,000
Heising Simons Foundation	100,000	7,500	50,000	57,500
Intero Foundation	0	30,000	0	30,000
The Kaiser Foundation	0	75,000	25,000	50,000
Kate Cook Restricted Donation for Camino Trip	15,000	0	0	15,000
The Koshland Foundation	25,000	0	12,500	12,500
The David & Lucille Packard Foundation	50,000	0	50,000	0
Palo Alto Community Fund	15,000	10,000	15,000	10,000
Donor Advised Fund				
from Pacific Foundation Services	950,000	0	950,000	0
Leo M. Shortino Foundation	35,000	0	35,000	0
SSIG	6,650	7,000	6,650	7,000
Stewart family foundation	4,934	15,000	3,745	16,189
The Center at the Sierra Health Foundation	0	571,078	356,588	214,490
Symon Scholarship	0	5,000	0	5,000
Tipping Point Community	50,000	0	50,000	0
Miscellaneous	153	1,331,324	1,331,477	0
Total	\$ <u>2,324,787</u>	\$ <u>2,821,607</u>	\$ <u>3,544,097</u>	\$ <u>1,602,297</u>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**Note 6: NET ASSETS WITH DONOR RESTRICTIONS (concluded)**

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 \$1,602,297 as of June 30, 2022.

As of the fiscal year ended June 30, 2022, a total of \$3,544,097 was spent on the satisfaction of funding restrictions from both current and prior years.

**Note 7: OVERHEAD RATE CALCULATION**

Expenses by function for the year ended June 30, 2022 are as follows:

Management and General	\$	654,368	8%
Fundraising		1,661,882	19%
Program Services		6,305,170	73%
Total	\$	<u>8,621,420</u>	<u>100%</u>

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

FLY maintains its cash balances at a local financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2022 and 2021, the amount of cash exceeding federally insured limits were approximately \$2,877,000 and \$3,714,000, respectively. While FLY maintains cash in amounts which at times, exceed the federally insured limits, FLY has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash. However, the possibility of loss exists if the financial institution was to fail.

Support and revenue from specific sources exceeding 10% of gross support and revenue during either year ended June 30, 2022 or 2021, total as follows:

	<u>2022</u>	<u>2021</u>
County of Santa Clara	18%	11%

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.

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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.

**Note 9: CHANGES IN NET ASSETS**

In the fiscal year ended June 30, 2022, FLY experienced a decrease in net assets of approximately \$744,000, bringing the total for the fiscal year to approximately \$6,107,000 in net assets. However, it is important to note that this does not necessarily indicate financial under-performance. U.S. GAAP rules indicate that FLY must recognize donor restricted awards in the year that they were received or pledged, even if the donor intent is meant to support operations in future years. FLY recognized approximately \$2,821,000 and \$4,204,000 of donor restricted revenue for future operations, in FY2022 and FY2021 respectively, while expending approximately \$3,544,000 and \$3,494,000, in FY2022 and FY2021 respectively, in the satisfaction of prior years donor restrictions.

**Note 10: IN-KIND CONTRIBUTIONS AND VOLUNTEERS**

During the year ended June 30, 2022, FLY recorded in-kind contributions for office space of \$244,619 and advisory services of \$111,225 for total in-kind contributions of \$355,844. Approximate volunteer contributed time (in hours) for the year ended June 30, 2022 was:

SCC Law Program	745
SCC CAFA Program	2,207
SCC Reentry	29
SMC Law Program	909
SMC Juvenile Hall	867
AC Law Program	1,566
AC CAFA	750
AC LTP	23
Speech Committee	150
<b>Total Volunteer Hours Contributed</b>	<u><u>7,246</u></u>

**FRESH LIFELINES FOR YOUTH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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	\$ 2,948,303
Investments	2,542,072
Grants and Contracts Receivable	1,086,305
Total Financial Assets	<u>6,576,680</u>
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	(50,000)
Cash restricted by donors for specific uses	<u>(1,527,297)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,999,383</u>

FLY has \$4,999,383 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 \$1,421,006. Receivables of \$1,036,305 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 \$2,755,000 to \$4,132,000. 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**

FLY's management has evaluated its subsequent events through May 11, 2023 the date the financial statements were available to be issued and concluded that no additional adjustments to the financial statements or disclosures are required.

## **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, 2022, 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 May 11, 2023.

### **Report on 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) as a basis for designing 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.

### **Report on 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 financial statements. 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.

*Grant Bennett Associates*

GRANT BENNETT ASSOCIATES  
A PROFESSIONAL CORPORATION  
Certified Public Accountants

Rancho Cordova, California  
May 11, 2023



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