

FRESH LIFELINES FOR YOUTH, INC.

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020**

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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, 2021, 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, 2021, 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 May 9, 2022, 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.

Prior Period Financial Statements

The financial statements of Fresh Lifelines for Youth, Inc.'s as of June 30, 2020, were audited by Izabal, Bernaciak & Company, who combined with Grant Bennett Associates as of January 1, 2021, and whose report dated December 8, 2020, expressed an unmodified opinion on those statements.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
May 9, 2022



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Together as One. Grant Bennett Associates is a Member of the Alltitt Global Alliance of independent professional firms.

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
AND JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and Cash Equivalents	\$ 3,913,266	\$ 2,699,012
Investments, at fair value (See Note 3)	2,756,747	2,342,365
Grants and Contracts Receivable (See Note 4)	798,933	1,096,938
Prepaid Expenses	54,304	46,060
Deposits	18,809	11,348
Property and Equipment (net of accumulated depreciation of \$406,670 and \$393,321 respectively)	<u>67,592</u>	<u>33,364</u>
TOTAL ASSETS	<u><u>\$ 7,609,651</u></u>	<u><u>\$ 6,229,087</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable	\$ 120,765	\$ 48,829
Accrued Expenses	636,789	544,759
Loan Payable - PPP (Note 7)	<u>0</u>	<u>722,300</u>
 Total Liabilities	 <u>757,554</u>	 <u>1,315,888</u>
 Net Assets:		
Net Assets Without Donor Restrictions:		
Undesignated	4,527,310	3,297,771
Net Assets With Donor Restrictions (See Note 9)	<u>2,324,787</u>	<u>1,615,428</u>
 Total Net Assets	 <u>6,852,097</u>	 <u>4,913,199</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 7,609,651</u></u>	 <u><u>\$ 6,229,087</u></u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Totals	Totals
<u>SUPPORT AND REVENUE</u>				
Public Support:				
Government grants	\$ 2,429,757	\$ 6,650	\$ 2,436,407	\$ 2,115,130
PPP Loan Forgiveness	722,300	0	722,300	0
Contributions:				
Foundations	0	3,256,647	3,256,647	3,460,175
Corporations	67,738	27,000	94,738	100,000
Misc. Income/Donation	1,186	0	1,186	1,090
In-Kind	266,849	0	266,849	249,118
Individuals	427,728	913,858	1,341,586	545,298
Special Event Fundraiser	587,137	0	587,137	653,678
Direct Expenses	(35,732)	0	(35,732)	(68,547)
Special Event Fundraiser, net	551,405	0	551,405	585,131
Total Support	4,466,963	4,204,155	8,671,118	7,055,942
Revenue:				
Program Service Fees - Fee for Service Contracts	510,737	0	510,737	431,727
Investment Income (See Note 3)	36,894	0	36,894	43,892
Net realized and unrealized gain/(loss) (See Note 3)	263,135	0	263,135	51,718
Total Revenue	810,766	0	810,766	527,337
Net Assets released from:				
Satisfaction of restrictions	3,494,796	(3,494,796)	0	0
Total Support and Revenue	8,772,525	709,359	9,481,884	7,583,279
<u>EXPENSES</u>				
Program Services	6,134,279	0	6,134,279	5,145,300
Supporting Services				
Management and General	416,929	0	416,929	298,591
Fundraising	991,778	0	991,778	920,323
Total Expenses	7,542,986	0	7,542,986	6,364,214
CHANGES IN NET ASSETS (See Note10)	1,229,539	709,359	1,938,898	1,219,065
Net Assets, Beginning of Year	3,297,771	1,615,428	4,913,199	3,694,134
Depreciation on Fixed Assets Purchased with Grant Funds	0	0	0	0
NET ASSETS - AT END OF YEAR	\$ 4,527,310	\$ 2,324,787	\$ 6,852,097	\$ 4,913,199

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020

	2021				2020
	Program Services	Management and General	Fundraising	Totals	Totals
Salaries	\$ 3,757,402	\$ 253,785	\$ 732,407	\$ 4,743,594	\$ 3,994,600
Employee benefits	569,143	46,959	76,647	692,749	577,777
Payroll Taxes	326,455	15,362	43,164	384,981	347,239
Professional Fees	242,890	10,917	20,015	273,822	225,572
Fiscal/Auditor Fees	5,431	42,985	720	49,136	37,611
Stipends and Scholarships	77,035	0	0	77,035	40,544
Occupancy	88,017	(3,252)	2,352	87,117	95,569
Youth Advisory/Speech Committee	13,310	1,074	1,764	16,148	10,102
Telephone	62,979	4,553	8,347	75,879	66,272
Conferences and Meetings	24,223	1,790	17,232	43,245	38,323
Travel/Mileage	17,553	24	172	17,749	94,658
Office Supplies	29,526	2,066	3,789	35,381	20,959
Printing and Publications	94,079	6,800	12,518	113,397	19,438
Equipment Rental and Maintenance	95,416	7,415	12,641	115,472	81,112
Insurance	28,492	2,036	3,661	34,189	21,868
In-kind Professional Fees	37,848	2,736	5,016	45,600	45,600
In-kind Rent	180,055	8,591	26,552	215,198	201,706
Other In-kind Expenses	6,050	0	0	6,050	1,813
Program Activities and Training	221,018	257	471	221,746	222,690
Program Supplies	59,028	201	3,189	62,418	65,947
Miscellaneous	187,255	11,827	19,649	218,731	149,416
Depreciation	11,074	803	1,472	13,349	5,398
Total Functional Expenses	<u>\$ 6,134,279</u>	<u>\$ 416,929</u>	<u>\$ 991,778</u>	<u>\$ 7,542,986</u>	<u>\$ 6,364,214</u>

See notes to financial statements

FRESH LIFELINES FOR YOUTH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
AND JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets (See Note 7)	\$ 1,938,898	\$ 1,219,065
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Dividends Reinvested	(48,890)	(6,499)
Unrealized (gain)/loss	(238,619)	(26,462)
Contributed Stock	(21,547)	(7,947)
Depreciation	13,349	5,398
Forgiveness of PPP Loan	(722,300)	0
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable, net	298,005	(255,993)
Prepaid Expenses	(8,244)	10,077
Deposits	(7,461)	0
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	71,936	36
Accrued Expenses	92,030	126,109
Net Cash Provided (Used) by Operating Activities	<u>1,367,157</u>	<u>1,063,784</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(47,577)	(18,248)
Purchase of Investments	(116,071)	0
Proceeds from Sale of Investments	10,745	24,723
Net Cash Provided (Used) by Investing Activities	<u>(152,903)</u>	<u>6,475</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on notes payable	0	722,300
Net Cash Provided by Financing Activities	<u>0</u>	<u>722,300</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,214,254	1,792,559
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,699,012</u>	<u>906,453</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,913,266</u>	<u>\$ 2,699,012</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, 2021

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, LBQQ/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, 2021

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, 2021

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, 2021

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, 2021

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, 2021.

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, 2021

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, 2020, from which the summarized information was derived.

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

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, 2021, 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, 2021, advertising costs charged to expense totaled \$113,398 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, 2021

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

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.

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

	<u>2021</u>		<u>2020</u>
Interest and dividends	\$ 36,894	\$	43,892
Net realized and unrealized gain/(loss)	<u>263,135</u>		<u>51,718</u>
Net investment income	<u>\$ 300,029</u>	\$	<u>95,610</u>

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

Note 4: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of June 30, 2021 and 2020, consist of the following:

	2021	2020
Alameda County	\$ 73,784	\$ 48,503
Alameda County Office of Education	54,434	0
City of Oakland	7,790	11,892
City of San Jose	2,235	11,175
County of San Mateo Probation – YOBG	0	68,394
County of San Mateo Probation - REENTRY	0	63,689
County of San Mateo Probation – JJCPA	0	65,634
County of Santa Clara:		
Probation Department	101,833	192,735
Social Services Agency	17,331	8,116
Franklin & Catherine Johnson Foundation	50,000	100,000
Milpitas Unified School District	3,500	0
Monterey County Probation Department	17,000	0
Koshland Family Foundation	0	100,000
Santa Clara Office of Education	30,000	26,672
Sierra Health Foundation	101,714	0
SOZO Impact	4,000	0
Anonymous	0	200,000
State of California	335,312	198,567
49ers Foundation	0	1,561
Miscellaneous Receivables	0	0
Total Grants and Contracts Receivable	\$ 798,933	\$ 1,096,938

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, 2021 and 2020, 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, 2021 and 2020, employees directed portions of their benefit stipend to the Plan totaling \$227,493 and \$181,093 respectively.

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

Note 6: OVERHEAD RATE CALCULATION

Expenses by function for the year ended June 30, 2021 are as follows:

Management and General	\$ 416,929	6%
Fundraising	991,778	13%
Program Services	6,134,279	81%
Total	<u>\$ 7,542,986</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.

On May 7, 2021, the Agency's PPP loan was fully forgiven.

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

Note 8: CONTINGENCIES, CONCENTRATIONS AND RELATED PARTIES

At various times during the years ended June 30, 2021 and 2020, 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, 2021 or 2020, total as follows:

	<u>2021</u>	<u>2020</u>
County of Santa Clara	11%	14%

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, 2021

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020 net assets with donor restrictions consist of the following

Grantors/Donors	Beginning June 30, 2020	Additions	Released from Restrictions	Ending June 30, 2021
ACOE	\$ 6,000	\$ -	\$ 6,000	\$ -
Donor Restricted for Justice Prevails Fund	20,000	844,748	21,688	843,060
Adobe Employee Community Fund	-	20,000	20,000	-
Applied Materials Foundation	-	20,000	20,000	-
Atkinson Foundation	-	7,500	-	7,500
The Barrios Trust	-	7,500	7,500	-
Donor Restricted: Misc, based on donor intent	32,190	69,109	43,809	57,490
Charities Aid Foundation	-	19,830	19,830	-
Corsair Corporate Donation	-	25,000	-	25,000
Chan Zucherberg Initiative	10,000	75,000	85,000	-
The David & Lucille Packard Foundation	-	80,000	40,000	40,000
Anonymous Donor Advised Fund via Silicon Valley Community Foundation	-	420,000	420,000	-
Franklin and Catherine Johnson Foundation (3yr grant)	150,000	-	50,000	100,000
Giants Community	-	2,500	2,500	-
Goodwin Family Memorial Trust	-	4,550	4,550	-
Heising Simons Foundation	50,000	100,000	50,000	100,000
Highway Community	-	33,403	33,403	-
Ishiyama Foundation	-	150,000	150,000	-
IWF Legacy Fund	-	2,000	2,000	-
The Jay and Rose Phillips Family Foundation	-	100,000	100,000	-
The Kaiser Foundation	-	40,000	40,000	-
Kate Cook Restricted Donation for Camino Trip	15,000	-	-	15,000
The Koshland Foundation	100,000	125,000	200,000	25,000
Stanley S. Langendorf Foundation	-	15,000	15,000	-
Anonymous Donor Advised Fund via Orange County Communtiy Foundation	207,500	250,000	457,500	-
The David & Lucille Packard Foundation	-	100,000	50,000	50,000
Palo Alto Community Fund	17,500	15,000	17,500	15,000
Quest Foundation	-	100,000	100,000	-
Rippleworks	-	50,000	50,000	-
Rockefeller Philanthropies	-	20,000	20,000	-
San Bruno Community Foundation	-	10,000	10,000	-
Sereno Group	-	2,000	2,000	-
Donor Advised Fund from Pacific Foundation Services	320,000	950,000	320,000	950,000
San Francisco 49ers Foundation	1,561	80,000	81,561	-
Leo M. Shortino Foundation	-	70,000	35,000	35,000
SSIG	-	6,650	-	6,650
stewart family foundation	8,969	-	4,034	4,934
Surge foundation (ACMP)	-	5,000	5,000	-
Susan Crown Exchange	-	10,000	10,000	-
The Center at the Sierra Health Foundation	267,516	4,211	271,727	-
Tipping Point Community	409,193	105,000	464,193	50,000
The TK Foundation	-	100,000	100,000	-
UPS foundation	-	15,000	15,000	-
Weinberg	-	100,000	100,000	-
The Zellerbach Family Foundation	-	50,000	50,000	-
Miscellaneous	-	154	1	153
Total	\$ 1,615,429	\$ 4,204,155	\$ 3,494,796	\$ 2,324,787

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 \$2,324,787 as of June 30, 2021.

As of the fiscal year ended June 30, 2021, a total of \$3,494,796 was spent on the satisfaction of funding restrictions from both current and prior years.

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

Note 10: CHANGES IN NET ASSETS

In the fiscal year ended June 30, 2021, FLY experienced an increase in net assets of approximately \$1,900,000, bringing the total for the fiscal year to \$6,850,000 in net assets. However, it is important to note that this does not necessarily indicate financial over-performance. Approximately \$2,300,000 of the \$6,850,000 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, 2021, FLY recorded in-kind contributions for office space of \$215,199, advisory services of \$45,600 and supplies/other of \$6,050 for total in-kind contributions of \$266,849.

Approximate volunteer contributed time (in hours) for the year ended June 30, 2021 was:

SCC Law Program	1,419
SCC CAFA Program	3,103
SCC Reentry	78
SMC Law Program	1,227
AC Law Program	1,859
AC CAFA	781
Total Volunteer Hours Contributed	<u>8,467</u>

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

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	\$ 3,913,266
Investments	2,756,747
Grants and Contracts Receivable	798,933
Total Financial Assets	<u>7,468,946</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>(2,274,787)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,144,159</u>

FLY has \$5,144,159 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 \$1,638,479. Receivables of \$748,933 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 \$2,514,000 to \$3,771,000. 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 May 9, 2022 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, 2021, 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 9, 2022.

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.

Grant Bennett Associates

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A PROFESSIONAL CORPORATION
Certified Public Accountants

Rancho Cordova, California
May 9, 2022



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