

FIRST PLACE FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2015

(with summarized comparative totals for 2014)



FIRST PLACE FOR YOUTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
First Place for Youth:

Report on the Financial Statements

We have audited the accompanying financial statements of First Place for Youth (a nonprofit California corporation), which comprise the statement of financial position as of June 30, 2015, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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 First Place for Youth as of June 30, 2015, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 on our consideration of First Place for Youth'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 First Place for Youth's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited First Place for Youth's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Piger Mayer, cba.

E. Palo Alto, California
October 20, 2015

FIRST PLACE FOR YOUTH

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(with summarized comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,035,294	\$ 872,843
Receivables:		
Government grants	1,836,065	2,817,628
Current portion of promises to give	1,491,025	1,245,554
Prepaid expenses	72,960	83,944
Total current assets	<u>4,435,344</u>	<u>5,019,969</u>
Promises to give, long-term	386,025	522,990
Property and equipment, net	720,989	860,499
Refundable security deposits	404,321	350,752
Total assets	<u>\$ 5,946,679</u>	<u>\$ 6,754,210</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 975,711	\$ 1,286,012
Youth savings accounts	140,876	130,098
Line of credit	300,000	550,000
Current portion of capital lease obligations	39,492	37,894
Current portion of note payable	109,395	101,339
Total current liabilities	<u>1,565,474</u>	<u>2,105,343</u>
Deferred rent and lease incentive	148,298	177,841
Capital lease obligations, net of current portion	20,232	55,894
Note payable, net of current portion	87,657	197,053
Total liabilities	<u>1,821,661</u>	<u>2,536,131</u>
Net assets:		
Unrestricted	2,508,287	1,730,137
Temporarily restricted	1,616,731	2,487,942
Total net assets	<u>4,125,018</u>	<u>4,218,079</u>
Total liabilities and net assets	<u>\$ 5,946,679</u>	<u>\$ 6,754,210</u>

The accompanying notes are an integral part of these financial statements.

FIRST PLACE FOR YOUTH**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Public support:			
Government contracts	\$ 11,925,017	\$ -	\$ 11,925,017
Foundation, corporate, fund, and individual contributions	2,399,837	1,498,000	3,897,837
Donated rent and services	47,823	-	47,823
Total support	<u>14,372,677</u>	<u>1,498,000</u>	<u>15,870,677</u>
Special event:			
Special event revenues	87,757	-	87,757
Less cost of event	<u>(34,335)</u>	<u>-</u>	<u>(34,335)</u>
Net special event	<u>53,422</u>	<u>-</u>	<u>53,422</u>
Net assets released from donor restrictions	<u>2,369,211</u>	<u>(2,369,211)</u>	<u>-</u>
Total support and revenue	<u>16,795,310</u>	<u>(871,211)</u>	<u>15,924,099</u>
Expenses:			
Program services	13,974,848	-	13,974,848
Supporting services:			
Management and general	1,445,593	-	1,445,593
Fundraising	<u>582,951</u>	<u>-</u>	<u>582,951</u>
Total expenses	<u>16,003,392</u>	<u>-</u>	<u>16,003,392</u>
Nonoperating-other	<u>13,768</u>	<u>-</u>	<u>13,768</u>
Change in net assets	778,150	(871,211)	(93,061)
Net assets, beginning of year	<u>1,730,137</u>	<u>2,487,942</u>	<u>4,218,079</u>
Net assets, end of year	<u>\$ 2,508,287</u>	<u>\$ 1,616,731</u>	<u>\$ 4,125,018</u>

The accompanying notes are an integral part of these financial statements.

FIRST PLACE FOR YOUTH**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Public support:			
Government contracts	\$ 10,398,135	\$ -	\$ 10,398,135
Foundation, corporate, fund, and individual contributions	696,482	4,254,748	4,951,230
Donated rent and services	89,438	-	89,438
Total support	<u>11,184,055</u>	<u>4,254,748</u>	<u>15,438,803</u>
Special event:			
Special event revenues	50,659	-	50,659
Less cost of event	<u>(25,690)</u>	<u>-</u>	<u>(25,690)</u>
Net special event	<u>24,969</u>	<u>-</u>	<u>24,969</u>
Revenue:			
Interest and other	<u>51,695</u>	<u>-</u>	<u>51,695</u>
Total revenue	<u>51,695</u>	<u>-</u>	<u>51,695</u>
Net assets released from donor restrictions	<u>3,682,651</u>	<u>(3,682,651)</u>	<u>-</u>
Total support and revenue	<u>14,943,370</u>	<u>572,097</u>	<u>15,515,467</u>
Expenses:			
Program services	12,693,328	-	12,693,328
Supporting services:			
Management and general	1,267,742	-	1,267,742
Fundraising	676,885	-	676,885
Total expenses	<u>14,637,955</u>	<u>-</u>	<u>14,637,955</u>
Change in net assets	305,415	572,097	877,512
Net assets, beginning of year	<u>1,424,722</u>	<u>1,915,845</u>	<u>3,340,567</u>
Net assets, end of year	<u>\$ 1,730,137</u>	<u>\$ 2,487,942</u>	<u>\$ 4,218,079</u>

The accompanying notes are an integral part of these financial statements.

FIRST PLACE FOR YOUTH
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015
(with summarized comparative totals for 2014)

	My First Place	Independent Living Skills Program	Steps to Success	Total Program	Management and General	Fundraising	2015 Total	2014 Total	
Salaries and related expenses:									
Salaries	\$ 2,362,556	\$ 195,445	\$ 580,283	\$ 864,003	\$ 4,002,287	\$ 749,802	\$ 308,788	\$ 5,060,877	\$ 4,581,265
Payroll taxes	188,459	15,622	46,882	72,443	323,406	60,016	24,562	407,984	369,275
Employee benefits	229,548	20,800	57,204	86,342	393,894	59,351	26,224	479,469	580,737
Total salaries and related expenses	2,780,563	231,867	684,369	1,022,788	4,719,587	869,169	359,574	5,948,330	5,531,277
Rent payments for youth	2,920,899	-	-	-	2,920,899	-	-	2,920,899	2,319,748
Consultants	191,063	166	52,093	728	244,050	33,832	9,460	287,342	374,923
Facilities rent	331,400	73,355	224,935	72,352	702,042	47,029	13,985	763,056	694,623
Organizational expenses	418,751	13,619	105,947	41,051	579,368	172,182	35,184	786,734	362,306
Youth support	265,499	9,649	180,415	58,868	514,431	664	324	515,419	442,536
Depreciation and amortization	101,805	4,506	13,457	19,320	139,088	21,969	6,940	167,997	287,550
Travel	179,906	1,678	15,843	12,039	209,466	40,505	6,127	256,098	257,001
Contracted services	120,083	-	19,260	14,595	153,938	155,741	32,568	342,247	450,566
Move in support	252,992	-	10,184	-	263,176	-	-	263,176	206,744
Computer/office equipment	50,213	(274)	9,731	2,826	62,496	17,291	1,084	80,871	65,713
Host home provider stipends	5,512	-	-	-	5,512	-	-	5,512	40,775
Housing repair and maintenance	329,259	170	130	203	329,762	-	-	329,762	307,496
Youth stipends	967,915	-	26,497	30	994,442	-	30	994,472	568,901
Office supplies	-	-	-	-	-	-	-	-	61,107
Professional fees	31,323	1,582	8,629	6,663	48,197	56,415	3,486	108,098	77,636
Insurance	39,240	1,697	6,873	9,948	57,758	8,797	3,045	69,600	60,900
Fundraising	37,616	170	2,952	722	41,460	3,707	94,515	139,682	25,690
Donated rent and services	1,500	-	-	-	1,500	-	46,323	47,823	89,438
Clinical supervision	11,315	90	-	-	11,405	-	-	11,405	20,270
Miscellaneous	8,413	-	-	-	8,413	-	-	8,413	6,515
Program supplies	45,378	6,501	22,460	5,723	80,062	18,292	4,641	102,995	56,127
Community building events	16,297	13,058	68,345	2,221	99,921	-	-	99,921	82,077
Subtotal before pass-through programs	9,106,942	357,834	1,452,120	1,270,077	12,186,973	1,445,593	617,286	14,249,852	12,389,919
Reconciling items:									
Cost of special event	-	-	-	-	-	-	(34,335)	(34,335)	(25,690)
Pass-through programs	1,607,187	-	180,688	-	1,787,875	-	-	1,787,875	2,273,726
	<u>\$ 10,714,129</u>	<u>\$ 357,834</u>	<u>\$ 1,632,808</u>	<u>\$ 1,270,077</u>	<u>\$ 13,974,848</u>	<u>\$ 1,445,593</u>	<u>\$ 582,951</u>	<u>\$ 16,003,392</u>	<u>\$ 14,637,955</u>

The accompanying notes are an integral part of these financial statements.

FIRST PLACE FOR YOUTH

STATEMENT OF CASH FLOWS

For the year ended June 30, 2015
(with summarized comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (93,061)	\$ 877,512
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	167,996	287,551
Changes in assets and liabilities:		
Government grants receivable	981,563	(1,575,041)
Promises to give receivable	(108,506)	(273,483)
Prepaid expenses	10,983	15,256
Refundable security deposits	(53,569)	82,487
Accounts payable and accrued expenses	(310,304)	274,956
Youth savings accounts	10,779	(119,907)
Deferred rent	(29,542)	(25,899)
Net cash provided by (used in) operating activities	<u>576,339</u>	<u>(456,568)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(28,487)</u>	<u>(179,481)</u>
Net cash used in investing activities	<u>(28,487)</u>	<u>(179,481)</u>
Cash flows from financing activities:		
Payments on note payable	(101,337)	(93,941)
Net (payments) borrowings from line of credit	(250,000)	550,000
Payments on capital leases	<u>(34,064)</u>	<u>(32,642)</u>
Net cash (used in) provided by financing activities	<u>(385,401)</u>	<u>423,417</u>
Net increase (decrease) in cash and cash equivalents	162,451	(212,632)
Cash and cash equivalents, beginning of year	<u>872,843</u>	<u>1,085,475</u>
Cash and cash equivalents, end of year	<u>\$ 1,035,294</u>	<u>\$ 872,843</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 50,060</u>	<u>\$ 46,777</u>

The accompanying notes are an integral part of these financial statements.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

First Place for Youth (the “Organization”) is a California nonprofit public benefit corporation, which was incorporated on July 20, 1999, to prevent poverty and homelessness among youth who “age out” of the foster care system by providing them with the resources and support required to make a successful transition to independent living.

The Organization provides services to youth ages 16 to 24, including young people who are currently in foster care, as well as those preparing to, or who recently have aged out of the foster care system. The Organization works to ensure youth have the opportunity to experience a safe and supported transition through a housing program, intensive employment services, an academic enrichment program, counseling, youth community center, collaboration with other Bay Area agencies, and community education, enabling youth to gain the skills to live independently and succeed on their own. The Organization’s activities are further described as follows:

My First Place, a transitional housing program, provides stability for current and former foster youth through safe, permanent, affordable housing, intensive case management, and advocacy and support services. Youth receive support with move-in costs, rent, food, self-reliance planning, life skills training, health and mental health advocacy, transportation assistance, and employment and education services. My First Place also offers the PATH (Permanent Avenues Toward Home) program, an innovative housing model that builds upon positive, permanent relationships already existing in the lives of former foster youth. PATH pairs youth with a permanent, caring adult of their choosing who provides housing in their home.

First Steps, a transitional support center, in downtown Oakland provides educational and employment support, housing referrals and community resources for current and former foster care youth in a social setting designed to empower them in making the transition to independent living. First Steps has a drop-in training center, providing youth with access to workshops that address health, relationships, communication, budgeting and finances, and one-on-one counseling and advocacy services for a successful transition into independence. Due to construction on the building, the First Steps Center closed in March 2015 and will reopen in Fall 2015 when the project is completed. During the Center’s closure, many of First Step’s activities were conducted at First Place for Youth’s headquarters in Oakland.

Independent Living Skills Program (“ILSP”) and First Foundation is offered to youth in San Francisco and Solano counties. Through ILSP, the Organization provides a full range of services, including education and employment assistance, career development, family finding and permanency services, life skills workshops and community events. First Foundation is an educational support program that begins with high school sophomores who are willing to commit to the program through high school graduation. Throughout high school, the Organization staff members provide one-on-one support designed to help increase on-time high school graduation rates along with workshops on educational and social skills development.

Steps to Success, an education and employment program, provides current and former foster youth with intensive one-on-one counseling and support in completing their high school diploma or GED certificate, enrolling in college, securing financial aid, and tutoring. The program also supports youth with employment assistance, career planning, and in building their workplace skills, including job search and job retention. A newly-created linked learning program focused on the healthcare industry, combines a rigorous academic program with work-based learning and internship experiences to support youth in building a family-sustaining career.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization and Summary of Significant Accounting Policies, continued

Organization, continued

The Organization derives its support and revenues mainly from government agencies, donors, and an annual special event.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Accounting principles generally accepted in the United States of America require that the Organization present information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted

Gifts of cash and other assets by donors were without any time or purpose restrictions.

Unrestricted net assets may be designated by the Board for a certain purpose. There were no Board designated assets at June 30, 2015.

Temporarily Restricted

The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

Gifts of cash and other assets by donors that specify the assets donated be invested to provide a permanent source of income. At June 30, 2015, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers cash in bank, money market accounts and certificates of deposits account with maturities of three months or less to be cash and cash equivalents.

Grants Receivable

Grants receivables consist of amounts due from several government entities under cost-reimbursement or rate agreements. At June 30, 2015, management believes this amount is collectible; except for .09% of receivables that was treated as allowance for doubtful accounts.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization and Summary of Significant Accounting Policies, continued

Promises to Give

Management believes all unconditional promises to give are collectible; therefore, no allowance for doubtful accounts has been provided for these promises to give. Management has not recorded a discount on long-term promises to give due to immateriality at June 30, 2015.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment, which range from 3 to 5 years or the shorter of the remaining lease term or estimated useful lives of the improvements, which varied from 1 to 5 years for different offices.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, government grants receivable, and accounts payable approximate fair value due to the short maturity of these instruments.

Deferred Rent

The Organization records rent expense on a straight-line basis, with a corresponding deferred rent liability recognized in the statement of financial position.

Revenue Recognition

Government Contracts

Revenues from government contracts are recognized when the Organization renders the services stipulated in the contract. Revenue from the Transitional Housing Program + Foster Care (“THP+FC”) is recognized when the Organization completes the eligibility and enrollment process for each year submitted by the County Social Service Agency.

Foundation, Corporate, Fund, and Individual Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received or unconditionally promised. Unconditional promises to give becoming due in the next year are recorded at their net realizable value. Temporarily restricted contributions and income whose restrictions are met in the same year as the revenue is received are recognized as unrestricted revenue.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Donated Rent and Services

In-kind contributions are reflected as contributions on the date of donation at fair value and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b), require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from volunteers associated with the programs and fundraising campaigns which do not meet the criteria for financial statement recognition. The Organization recognizes donated rent at the estimated fair value of the facilities used during the year ended June 30, 2015.

Special Event Revenue

The Organization records revenue from a special event at the time of the event.

Functional Allocation of Expenses

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

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). As a result, the Organization is exempt from paying income taxes, and thus no provision for income taxes has been reflected in these financial statements.

The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlements. As the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the tax position taken or expected to be taken have not had a material impact on the financial statements of the Organization for the year ended June 30, 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization and Summary of Significant Accounting Policies, continued

Prior Year Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

2. Concentration of Credit Risk

Cash and Cash Equivalents

The Organization places its cash in bank and short-term money market instrument with reputable financial institutions, to minimize credit risk, however, balances may periodically exceed insurance Federal Deposit Insurance Corporation ("FDIC"), Securities Investor Protection Corporation ("SIPC") and other similar insurance limits. At June 30, 2015, the amount exceeding such limits was \$673,113.

Promises to Give

The Organization has five donors at June 30, 2015, representing 76% of the total promises to give.

Support and Revenue

The Organization is dependent on grants from the counties of Alameda, Contra Costa, Solano, Los Angeles, and San Francisco. If the level of these grants and support varies, there may be a resulting effect upon the level and types of activities and program services offered by the Organization. For the year ended June 30, 2015, approximately 75% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 15% of funding received from these counties was provided to other nonprofit service subcontractor providers. As of June 30, 2015, the government grants receivable from these counties was \$1,836,065.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2015, approximately 27% of the support from foundations, corporations, funds, and individuals was from two funding sources.

3. Promises to Give

Promises to give are due as follows at June 30, 2015:

Receivable in less than one year	\$ 1,491,025
Receivable in one to five years	<u>386,025</u>
Total promises to give	<u><u>\$ 1,877,050</u></u>

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

4. Property and Equipment, Net

Computer and office equipment	\$ 459,303
Furniture and fixtures	148,379
Leasehold improvements	<u>1,856,384</u>
Subtotal	2,464,066
Less accumulated depreciation and amortization	<u>(1,743,077)</u>
Property and equipment, net	<u><u>\$ 720,989</u></u>

Depreciation and amortization expense for the year ended June 30, 2015 was \$167,996.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$158,537 and \$98,158, respectively, at June 30, 2015.

5. Line of Credit

The Organization has a line of credit for \$2,000,000 with a maturity date of August 5, 2016. The line of credit of \$2,000,000 is unsecured, bearing an initial interest of 5.5%. There is a balance of \$300,000 outstanding on the line of credit as of June 30, 2015. The interest rate has a cap at 9%.

The Organization's line of credit agreement with the bank contained a financial covenant. The Organization was in compliance with the covenant as of June 30, 2015.

6. Note Payable

In February 2012, the Organization obtained a note payable from a financial institution due in monthly principal and interest installments of \$10,045 bearing an interest rate of 7.5% and secured by certain leasehold improvements. The note is due in February of 2017. The principal balance of the note as of June 30, 2015 was \$197,052.

Future maturities of the note are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 109,395
2017	<u>87,657</u>
Total	<u><u>\$ 197,052</u></u>

7. Contingencies

The Organization is involved in a legal action incident to the ordinary course of business. In the opinion of management, the eventual disposition of this matter will not have a material adverse effect on financial position or results of operations.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2015:

Program	\$ 1,164,049
Program and for future years	<u>452,682</u>
Total	<u><u>\$ 1,616,731</u></u>

Temporarily restricted net assets that were released from donor restriction by incurring expenses satisfying the purposes specified by donors are as follows for the year ended June 30, 2015:

Program	\$ 1,543,488
Program and for future years	<u>825,723</u>
Total	<u><u>\$ 2,369,211</u></u>

9. Donated Rent and Services

The Organization received the in-kind rent and services for San Francisco office space of \$26,500 for the year ended June 30, 2015.

In-kind office spaces for APC and Madison Loft	\$ 26,500
In-kind services and donations	<u>21,323</u>
Total	<u><u>\$ 47,823</u></u>

10. Commitments

Operating Leases

The Organization leases its offices and community centers in Oakland, Fairfield, Concord, and Los Angeles, California under operating lease agreements that expire at various dates through February 2019. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$759,272 for the year ended June 30, 2015.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

10. Commitments, continued

Capital Leases, continued

The future minimum lease payments under these operating leases are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 854,121
2017	640,146
2018	494,898
2019	313,678
Thereafter	<u>203,990</u>
Total	<u>\$ 2,506,833</u>

Capital Leases

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included as part of the property and equipment.

The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2015, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2016	\$ 40,848
2017	<u>20,424</u>
Total minimum lease payments	61,272
Less amount representing interest	<u>(1,548)</u>
Present value of net minimum lease payments	59,724
Less current portion	<u>39,492</u>
Capital lease obligation, net of current portion	<u>\$ 20,232</u>

The interest rate on capitalized leases are 3.25% and are imputed based on the lower of the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2015

10. Commitments, continued

Leases for Youth Housing

The Organization is a party to various leases for youth housing throughout the counties of Alameda, San Francisco, Contra Costa, Solano, and Los Angeles that generally have an original term of one (1) year or on a month-to-month basis. At June 30, 2015, the Organization maintains a capacity of approximately 253 leases for youth housing. Total rent payments for youth under these leases was approximately \$2.9 million for the year ended June 30, 2015. The future estimated minimum lease payments total approximately \$3.5 million as of June 30, 2015.

11. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 20, 2015 the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2015 that require recognition or disclosure in such financial statements.

SUPPLEMENTARY INFORMATION

FIRST PLACE FOR YOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Pass-through Program from - City of Oakland Homeless Prevention and Rapid Re-Housing Program ("HPRP")	14.881	83702 C.M.S	\$ 191,987
Pass-through Program from - City of Oakland Transitional Housing Emergency Shelter Program	14.231	83995 C.M.S	157,608
Pass-through Program from - City of Oakland Community Action Partnership ("OCAP")	93.569	83701	25,065
Pass-through Program from - City of Los Angeles Supportive Housing Program ("L.A. HUD")	14.267	CA0502L9D001306B	29,668
Pass-through Program from - City of Oakland Supportive Housing Program	14.235	78637 C.M.S 786337 C.M.S	169,439
Pass-through Program from - City of Oakland Community Development Block Grant	14.218	G191110	<u>40,618</u>
Total U.S. Department of Housing and Urban Development			<u>614,385</u>
U.S. Department of Health and Human Services:			
Pass-through Program from - City and County of San Francisco Independent Living Skills Program	93.674	DPSS13000031	445,264
Pass-through Program from - City and County of San Francisco Independent Living Skills Program	93.674	03424-15	147,471
Pass-through Program from - County of Alameda County Transitional Housing Program Foster Care	93.658	Alameda County	890,486
Pass-through Program from - County of Solano County Transitional Housing Program Foster Care	93.658	Solano County	785,967
Pass-through Program from - County of Contra Costa County Transitional Housing Program Foster Care	93.658	Contra Costa County	572,186
Pass-through Program from - County of San Francisco County Transitional Housing Program Foster Care	93.658	San Francisco County	698,317
Pass-through Program from - County of Los Angeles County Transitional Housing Program Foster Care	93.658	Los Angeles County	<u>2,204,271</u>
Total U.S. Department of Health and Human Services			<u>5,743,962</u>
Total Federal Expenditures			<u>\$ 6,358,347</u>

FIRST PLACE FOR YOUTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

Of the federal expenditures presented in the schedule, the Organization did not provided federal awards to subrecipients.

**INDEPENDENT AUDITORS' 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***

To the Board of Directors
First Place for Youth

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 First Place for Youth (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered First Place for Youth'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First Place for Youth's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Organization'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 the 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of First Place for Youth in a separate letter dated October 20, 2015.

Burr Rieger Mayer, cma.

E. Palo Alto, California
October 20, 2015



BURR PILGER MAYER

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *OMB CIRCULAR A-133*

To the Board of Directors
First Place for Youth

Report on Compliance for Each Major Federal Program

We have audited First Place for Youth's (the "Organization's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Burr Pifer Mayer, cba.

E. Palo Alto, California
October 20, 2015

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

Section I: Summary of Audit Results

Financial Statements

1. The independent auditors' report expresses an unmodified opinion on the financial statements of First Place for Youth (the "Organization").
2. Internal control over financial reporting:
 - Material weaknesses identified:
No
 - Significant deficiencies identified that are not considered to be material weaknesses:
None reported
3. No instances of noncompliance material to the financial statements of the Organization were noted.

Federal Awards

4. Internal control over major programs:
 - Material weaknesses identified:
No
 - Significant deficiencies identified that are not considered to be material weaknesses:
None reported
5. The Auditor's Report on compliance for major programs expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part 2 of this schedule.
7. The program tested as major was as follows:

Foster Care Title IV-E	CFDA # 93.658
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8. The threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Organization qualified as a low risk auditee for the year ended June 30, 2015.

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2015

Section II: Financial Statement Findings

No matters were reported.

Section III: Federal Award Findings and Questioned Costs

No matters were reported.

Section IV: Status of Prior Year Findings

Not applicable.