



REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended June 30, 2012
(with summarized comparative totals for 2011)

FIRST PLACE FOR YOUTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
First Place for Youth:

We have audited the accompanying statement of financial position for First Place for Youth (a nonprofit California corporation) (the Organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2011 financial statements and, in our report dated October 14, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of the Organization'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* and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



San Francisco, California
October 12, 2012

FIRST PLACE FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(with summarized comparative totals for 2011)

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,014,672	\$ 1,633,436
Receivables:		
Government grants	1,326,886	802,983
Promises to give	1,551,529	1,076,349
Prepaid expenses	43,133	180,758
Total current assets	3,936,220	3,693,526
Promises to give, long-term	622,693	608,750
Property and equipment, net	1,013,488	486,482
Deposits	206,353	180,280
Total assets	\$ 5,778,754	\$ 4,969,038
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 870,313	\$ 617,872
Refundable deposits	28,487	25,352
Line of credit	300,000	-
Current portion of capital lease obligations	16,655	16,688
Current portion of note payable	87,084	-
Total current liabilities	1,302,539	659,912
Deferred rent	155,891	62,865
Capital lease obligations, net of current portion	52,921	78,643
Note payable, net of current portion	392,231	-
Total liabilities	1,903,582	801,420
Net assets:		
Unrestricted	1,376,905	2,197,828
Temporarily restricted	2,498,267	1,969,790
Total net assets	3,875,172	4,167,618
Total liabilities and net assets	\$ 5,778,754	\$ 4,969,038

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

FIRST PLACE FOR YOUTH
STATEMENT OF ACTIVITIES
for the year ended June 30, 2012
(with summarized comparative totals for 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Support and revenue:				
Public support:				
Government contracts	\$ 7,480,050	\$ -	\$ 7,480,050	\$ 6,739,489
Foundation, corporate, fund, and individual contributions	376,130	3,255,092	3,631,222	3,820,248
Donated materials and services	<u>235,977</u>	<u>-</u>	<u>235,977</u>	<u>36,499</u>
Total support	<u>8,092,157</u>	<u>3,255,092</u>	<u>11,347,249</u>	<u>10,596,236</u>
Special event:				
Special event revenues	153,314	-	153,314	214,017
Less cost of event	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,393)</u>
Net special event	<u>153,314</u>	<u>-</u>	<u>153,314</u>	<u>95,624</u>
Revenue:				
Program rent fees	104,149	-	104,149	141,501
Interest and other	<u>72,331</u>	<u>-</u>	<u>72,331</u>	<u>12,743</u>
Total revenue	<u>176,480</u>	<u>-</u>	<u>176,480</u>	<u>154,244</u>
Net assets released from donor restrictions	<u>2,726,615</u>	<u>(2,726,615)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>11,148,566</u>	<u>528,477</u>	<u>11,677,043</u>	<u>10,846,104</u>
Expenses:				
Program services	10,121,352	-	10,121,352	8,792,237
Supporting services:				
Management and general	1,118,384	-	1,118,384	912,322
Fundraising	<u>729,753</u>	<u>-</u>	<u>729,753</u>	<u>618,392</u>
Total expenses	<u>11,969,489</u>	<u>-</u>	<u>11,969,489</u>	<u>10,322,951</u>
Change in net assets	(820,923)	528,477	(292,446)	523,153
Net assets, beginning of year	<u>2,197,828</u>	<u>1,969,790</u>	<u>4,167,618</u>	<u>3,644,465</u>
Net assets, end of year	<u>\$ 1,376,905</u>	<u>\$ 2,498,267</u>	<u>\$ 3,875,172</u>	<u>\$ 4,167,618</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, 2012
(with summarized comparative totals for 2011)

	My First Place	First Steps	First Foundation	Independent Living Skills Program	Steps to Success	Total Program	Management and General	Fundraising	2012 Total	2011 Total
Salaries and related expenses:										
Salaries	\$ 1,887,866	\$ 172,128	\$ 74,410	\$ 122,704	\$ 704,267	\$ 2,961,375	\$ 608,399	\$ 410,909	\$ 3,980,683	\$ 3,405,572
Payroll taxes	151,765	13,739	6,127	9,846	55,453	236,930	49,991	31,266	318,187	277,857
Employee benefits	262,716	27,055	10,205	17,175	95,746	412,897	80,410	41,441	534,748	386,834
Total salaries and related expenses	2,302,347	212,922	90,742	149,725	855,466	3,611,202	738,800	483,616	4,833,618	4,070,263
Rent payments for youth	1,904,578	-	-	-	-	1,904,578	-	-	1,904,578	1,618,873
Facilities rent	232,862	83,421	32,703	25,196	64,055	438,237	42,725	40,079	521,041	408,340
Consultants	171,785	30,042	32,788	45,591	67,577	347,783	34,888	30,932	413,603	524,110
Organizational expenses	182,139	13,304	4,690	22,847	32,454	255,434	112,224	30,557	398,215	310,684
Youth support	266,099	7,375	5,191	50,619	42,685	371,969	-	-	371,969	304,108
Program evaluation consultants	109,045	21,809	21,809	-	89,660	242,323	-	-	242,323	242,933
Depreciation	119,082	13,711	5,332	8,379	33,262	179,766	36,710	29,707	246,183	235,175
Donated materials and services	104,391	9,848	3,939	-	19,696	137,874	74,467	23,636	235,977	36,499
Travel	147,169	2,030	10,794	16,155	16,165	192,313	31,866	8,451	232,630	188,262
Housing repair and maintenance	159,343	-	-	-	-	159,343	-	-	159,343	73,822
Move in support	139,499	-	-	-	-	139,499	-	-	139,499	134,291
Computer/office equipment	30,381	5,381	2,009	17,895	4,973	60,639	4,723	24,958	90,320	129,163
Host home provider stipends	89,000	-	-	-	-	89,000	-	-	89,000	101,250
Professional fees	25,872	2,979	1,159	1,821	7,227	39,058	17,434	6,454	62,946	53,923
Office supplies	23,329	4,481	871	1,417	4,190	34,288	18,200	7,369	59,857	55,090
Contracted services	40,098	-	7,000	-	9,194	56,292	-	-	56,292	134,775
Insurance	33,802	870	335	-	4,234	39,241	6,347	3,867	49,455	48,396
Community building events	5,412	16,685	1,004	17,509	166	40,776	-	-	40,776	13,379
Fundraising	-	-	-	-	-	-	-	40,035	40,035	40,598
Clinical supervision	36,604	-	220	110	-	36,934	-	-	36,934	34,650
Youth stipends	-	-	-	1,260	34,759	36,019	-	-	36,019	67,431
Program supplies	10,293	7,578	2,859	9,702	405	30,837	-	-	30,837	15,570
Outreach/education	-	154	200	922	12,912	14,188	-	-	14,188	13,363
Miscellaneous	13,048	-	-	-	-	13,048	-	92	13,140	19,182
Subtotal before pass-through programs	6,146,178	432,590	223,645	369,148	1,299,080	8,470,641	1,118,384	729,753	10,318,778	8,874,130
Pass-through programs	1,650,711	-	-	-	-	1,650,711	-	-	1,650,711	1,448,821
	<u>\$ 7,796,889</u>	<u>\$ 432,590</u>	<u>\$ 223,645</u>	<u>\$ 369,148</u>	<u>\$ 1,299,080</u>	<u>\$ 10,121,352</u>	<u>\$ 1,118,384</u>	<u>\$ 729,753</u>	<u>\$ 11,969,489</u>	<u>\$ 10,322,951</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, 2012
(with summarized comparative totals for 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (292,446)	\$ 523,153
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	246,183	235,175
Changes in assets and liabilities:		
Government grants receivable	(523,903)	360,814
Promises to give receivable	(489,123)	(968,627)
Prepaid expenses	137,625	39,644
Deposits	(26,073)	(47,601)
Accounts payable and accrued expenses	252,441	221,435
Refundable deposits	3,135	(11,950)
Deferred rent	93,026	(26,995)
Net cash (used in) provided by operating activities	(599,135)	325,048
Cash flows from investing activity:		
Purchases of property and equipment	(773,189)	(11,766)
Cash flows from financing activities:		
Proceeds from borrowings on note payable	500,000	-
Payments on note payable	(20,685)	-
Net borrowings from line of credit	300,000	-
Payments on capital leases	(25,755)	(20,191)
Net cash provided by (used in) financing activities	753,560	(20,191)
Net (decrease) increase in cash and cash equivalents	(618,764)	293,091
Cash and cash equivalents, beginning of year	1,633,436	1,340,345
Cash and cash equivalents, end of year	\$ 1,014,672	\$ 1,633,436
Supplemental disclosure of cash flow information:		
Interest paid	\$ 19,332	\$ -
Supplemental disclosures of noncash operating, investing, and financing activities:		
Property and equipment assets acquired through capital lease obligations	\$ -	\$ 86,368
Debt reduced through capital lease obligation	\$ -	\$ 24,528

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

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

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 from 16 to 24 years, who are preparing to age out of foster care or who have recently aged out of care. 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 24 month supported 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.

Independent Living Skills Program (ILSP) and First Foundation is offered to youth in Alameda 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.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

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. The Organization also receives program rent fees from participating youth based on a graduated sliding scale affordable to the youth.

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 without any time or purpose restrictions.

Unrestricted net assets may be designated by the Board for a certain purpose. At June 30, 2012, the Board had designated \$600,000 for operating reserves.

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. At June 30, 2012, the Organization had temporarily restricted net assets of \$2,498,267.

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, 2012, 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.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

Grants Receivable

Grants receivables consist of amounts due from several government entities under cost-reimbursement agreements. At June 30, 2012, management believes this amount is collectible; therefore, no allowance for doubtful accounts has been provided.

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, 2012.

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.

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. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received, plus additional 0.5% for market factors. 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

1. **Organization and Summary of Significant Accounting Policies**, continued

Revenue Recognition, continued

Donated Materials 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.

Special Event Revenue

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

Program Rental Fees

Program rental fees from participating youth are realized when an arrangement with the participating youth exists; services have been provided; the fee is determinable; and collection has been made (due to the history of many participating youth's inability to pay rental fees).

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, 2012.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies, continued

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.

Prior Year Summarized Comparative Financial 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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, 2012, the amount exceeding such limits was \$547,173.

Promises to Give

The Organization has three donors at June 30, 2012, representing 69% 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, 2012, approximately 87% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 25% of funding received from these counties was passed through to other nonprofit service providers. As of June 30, 2012, the government grants receivable from these counties was \$1,326,886.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2012, approximately 28% of the support from foundations, corporations, funds, and individuals was from one funding source.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

3. Promises to Give

Promises to give are due as follows at June 30, 2012:

Receivable in less than one year	\$ 1,551,529
Receivable in one to five years	<u>622,693</u>
Total promises to give	<u><u>\$ 2,174,222</u></u>

4. Property and Equipment, Net

Computer and office equipment	\$ 370,551
Furniture and fixtures	144,228
Leasehold improvements	<u>1,579,719</u>
Subtotal	2,094,498
Less accumulated depreciation and amortization	<u>(1,081,010)</u>
Property and equipment, net	<u><u>\$ 1,013,488</u></u>

Depreciation and amortization expense for the year ended June 30, 2012 was \$246,183.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$105,547 and \$38,131, respectively, at June 30, 2012.

5. Line of Credit

The Organization has a line of credit for \$800,000 with a maturity date of November 5, 2012. The line of credit consists of two credit facilities. The first facility is collateralized by an assignment of a \$600,000 cash deposit account. The interest rate on the first facility of \$600,000 is 2.7 percentage points over the prime rate. The second facility of \$200,000 is unsecured, bearing an interest of 1.75 percentage points over the prime rate. The balance on the first facility of the line of credit as of June 30, 2012 was \$300,000. The line of credit was increased to \$1,000,000 and extended subsequent to year end (see Note 11).

The Organization's line of credit agreement with the bank contained a certain financial covenant. The Organization was in compliance with the covenant as of June 30, 2012.

6. Note Payable

In February 2012, the Organization obtained a note payable from a financial institution due in monthly principal and interest installments of \$10,019 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, 2012 was \$479,315.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

6. Note Payable, continued

Future maturities of the note are as follows:

	Amount
Year ending June 30:	
2013	\$ 87,084
2014	93,942
2015	101,339
2016	109,239
2017	87,711
Total	\$ 479,315

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2012:

Program	\$ 1,105,568
For use in future years	1,392,699
Total	\$ 2,498,267

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, 2012:

Program	\$ 1,777,795
For use in future years	948,820
Total	\$ 2,726,615

8. Donated Materials and Services

The Organization received the following in-kind materials and services for the year ended June 30, 2012:

Computer equipment	\$ 196,964
Professional services	39,013
	\$ 235,977

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

9. 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 October 2016. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$521,041 for the year ended June 30, 2012.

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

	Amount
Year ending June 30:	
2013	\$ 465,424
2014	409,006
2015	367,200
2016	307,285
2017	97,358
Total	\$ 1,646,273

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, 2012 are as follows:

	Amount
Year ending June 30:	
2013	\$ 18,928
2014	18,292
2015	17,019
2016	17,580
2017	2,986
Total minimum lease payments	74,805
Less amount representing interest	(5,229)
Present value of net minimum lease payments	69,576
Less current portion	(16,655)
Capital lease obligation, net of current portion	\$ 52,921

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

9. Commitments, continued

Capital Leases, continued

The interest rate on capitalized leases are between 3.25% to 7.50% 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.

Leases for Youth Housing

The Organization is a party to various leases for youth housing throughout the counties of Alameda, 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, 2012, the Organization maintains a capacity of approximately 156 leases for youth housing. Total rent payments for youth under these leases was \$1,904,578 for the year ended June 30, 2012. The future minimum lease payments total approximately \$2.2 million as of June 30, 2012.

10. Liquidity

The decline in unrestricted net assets of approximately \$800,000 for the year ended June 30, 2012 was primarily attributable to funding the expansion of programs into the Los Angeles Region and the timing of scheduled foundation grant payments. The Organization utilized unrestricted cash and also utilized the line of credit to support operations during the year. Additionally, during the year, the Organization moved its headquarters to a new office space and incurred costs for leasehold improvements which were financed by a new term note payable. In the short term, for the fiscal year ending June 30, 2013, the Organization has secured approximately \$6.7 million of government funding in addition to anticipated cash flows from Foundations to cover operating expenses. Also, the line of credit was increased from \$800,000 to \$1,000,000 with an expiration date of November 5, 2013 (see Note 11). In the long term, management intends to rebuild reserves as the Organization's donor base continues to expand.

11. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 12, 2012, the date which these financial statements were available to be issued. Other than the item disclosed below, management concluded that no material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in such financial statements.

Subsequent to June 30, 2012, the Organization has renewed its line of credit with a maturity date of November 5, 2013. The limit of the line of credit was increased from \$800,000 to \$1,000,000.

FIRST PLACE FOR YOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

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—Contra Costa County ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	09-HPRP-6158	\$ 113,864
Pass-through Program from—City of Oakland ARRA - Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	S09-MY-06-0013	36,567
Pass-through Program from—City of Oakland Moving to Work Demonstration Program	14.881	unknown	91,082
Pass-through Program from—City of Oakland Supportive Housing Program	14.235	G418010 G310110	170,047 6,300
Pass-through Program from—City of Oakland Emergency Solutions Grant Program	14.231	G418910	147,348
Pass-through Program from—City of Oakland Community Development Block Grant—Entitlement Grants	14.218	G191110 G418910	83,000 27,771
Total U.S. Department of Housing and Urban Development			675,979
U.S. Department of Health and Human Services: Pass-through Program from—City and County of Los Angeles Chafee Foster Care Independence Program	93.674	2010ILP03 2011ILP03	61,601 184,804
Pass-through Program from—City of Oakland Community Services Block Grant	93.569	12F-4402	18,834
Total U.S. Department of Health and Human Services			265,239
Total Federal Expenditures			\$ 941,218

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

FIRST PLACE FOR YOUTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2012. 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 provided federal awards to subrecipients as follows:

<u>CFDA #</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.257	Pass-through Program from—City of Oakland Homelessness Prevention and Rapid Re-Housing Program (HPRP)	\$ 18,766

**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 the financial statements of First Place for Youth (the Organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. 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.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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*.

We noted a certain matter that we reported to management of the Organization in a separate letter dated October 12, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ben Palan Meyer, Dmc.

San Francisco, California
October 12, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
First Place for Youth

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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, 2012.

Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brian Palan Meyer, Dore.

San Francisco, California
October 12, 2012

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2012

Section I: Summary of Audit Results

Financial Statements

1. The independent auditors' report expresses an unqualified 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:

Chafee Foster Care Independence Program CFDA # 93.674
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, 2012.

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2012

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.