

FIRST PLACE FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2013

(with summarized comparative totals for 2012)



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, 2013, 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, 2013, 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 September 27, 2013 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.

Burr Pifer Mayer, cpa.

E. Palo Alto, California
September 27, 2013

FIRST PLACE FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(with summarized comparative totals for 2012)

| | 2013 | 2012 |
|---|--------------|--------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,085,475 | \$ 1,014,672 |
| Receivables: | | |
| Government grants | 1,242,587 | 1,326,886 |
| Promises to give | 957,561 | 1,551,529 |
| Prepaid expenses | 99,200 | 43,133 |
| Total current assets | 3,384,823 | 3,936,220 |
| Promises to give, long-term | 537,500 | 622,693 |
| Property and equipment, net | 967,609 | 1,013,488 |
| Deposits | 230,845 | 206,353 |
| Total assets | \$ 5,120,777 | \$ 5,778,754 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,022,538 | \$ 870,313 |
| Refundable deposits | 47,611 | 28,487 |
| Line of credit | - | 300,000 |
| Current portion of capital lease obligations | 36,683 | 16,655 |
| Current portion of note payable | 94,044 | 87,084 |
| Total current liabilities | 1,200,876 | 1,302,539 |
| Deferred rent and lease incentive | 192,258 | 155,891 |
| Capital lease obligations, net of current portion | 88,787 | 52,921 |
| Note payable, net of current portion | 298,289 | 392,231 |
| Total liabilities | 1,780,210 | 1,903,582 |
| Net assets: | | |
| Unrestricted | 1,424,722 | 1,376,905 |
| Temporarily restricted | 1,915,845 | 2,498,267 |
| Total net assets | 3,340,567 | 3,875,172 |
| Total liabilities and net assets | \$ 5,120,777 | \$ 5,778,754 |

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

FIRST PLACE FOR YOUTH
STATEMENT OF ACTIVITIES
for the year ended June 30, 2013
(with summarized comparative totals for 2012)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2013 Total</u> | <u>2012 Total</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Support and revenue: | | | | |
| Public support: | | | | |
| Government contracts | \$ 9,060,552 | \$ - | \$ 9,060,552 | \$ 7,480,050 |
| Foundation, corporate, fund, and individual contributions | 1,102,495 | 2,204,400 | 3,306,895 | 3,631,222 |
| Donated rent and services | 655,875 | - | 655,875 | 235,977 |
| Total support | <u>10,818,922</u> | <u>2,204,400</u> | <u>13,023,322</u> | <u>11,347,249</u> |
| Special event: | | | | |
| Special event revenues | 225,539 | - | 225,539 | 153,314 |
| Less cost of event | <u>(188,540)</u> | <u>-</u> | <u>(188,540)</u> | <u>-</u> |
| Net special event | <u>36,999</u> | <u>-</u> | <u>36,999</u> | <u>153,314</u> |
| Revenue: | | | | |
| Program rent fees | 70,909 | - | 70,909 | 104,149 |
| Interest and other | <u>21,763</u> | <u>-</u> | <u>21,763</u> | <u>72,331</u> |
| Total revenue | <u>92,672</u> | <u>-</u> | <u>92,672</u> | <u>176,480</u> |
| Net assets released from donor restrictions | <u>2,786,822</u> | <u>(2,786,822)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>13,735,415</u> | <u>(582,422)</u> | <u>13,152,993</u> | <u>11,677,043</u> |
| Expenses: | | | | |
| Program services | 11,859,197 | - | 11,859,197 | 10,121,352 |
| Supporting services: | | | | |
| Management and general | 1,251,947 | - | 1,251,947 | 1,118,384 |
| Fundraising | <u>576,454</u> | <u>-</u> | <u>576,454</u> | <u>729,753</u> |
| Total expenses | <u>13,687,598</u> | <u>-</u> | <u>13,687,598</u> | <u>11,969,489</u> |
| Change in net assets | 47,817 | (582,422) | (534,605) | (292,446) |
| Net assets, beginning of year | <u>1,376,905</u> | <u>2,498,267</u> | <u>3,875,172</u> | <u>4,167,618</u> |
| Net assets, end of year | <u>\$ 1,424,722</u> | <u>\$ 1,915,845</u> | <u>\$ 3,340,567</u> | <u>\$ 3,875,172</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, 2013
(with summarized comparative totals for 2012)

| | My First Place | First Steps | Independent Living Skills Program | Steps to Success | Total Program | Management and General | Fundraising | 2013 Total | 2012 Total |
|---------------------------------------|---------------------|-------------------|---|---------------------|----------------------|------------------------------|-------------------|----------------------|----------------------|
| Salaries and related expenses: | | | | | | | | | |
| Salaries | \$ 1,903,179 | \$ 86,752 | \$ 460,032 | \$ 909,664 | \$ 3,359,627 | \$ 658,295 | \$ 307,754 | \$ 4,325,676 | \$ 3,980,683 |
| Payroll taxes | 155,323 | 7,034 | 36,941 | 75,203 | 274,501 | 52,444 | 24,991 | 351,936 | 318,187 |
| Employee benefits | 235,463 | 11,617 | 58,178 | 126,116 | 431,374 | 84,170 | 33,509 | 549,053 | 534,748 |
| Total salaries and related expenses | 2,293,965 | 105,403 | 555,151 | 1,110,983 | 4,065,502 | 794,909 | 366,254 | 5,226,665 | 4,833,618 |
| Rent payments for youth | 2,044,707 | - | - | - | 2,044,707 | - | - | 2,044,707 | 1,904,578 |
| Consultants | 174,531 | 21,736 | 103,797 | 41,876 | 341,940 | 45,711 | 42,489 | 430,140 | 521,041 |
| Facilities rent | 259,967 | 106,436 | 39,328 | 76,107 | 481,838 | 46,682 | 22,377 | 550,897 | 413,603 |
| Organizational expenses | 190,299 | 7,812 | 39,501 | 38,273 | 275,885 | 180,265 | 32,780 | 488,930 | 398,215 |
| Youth support | 286,328 | 9,655 | 176,061 | 31,351 | 503,395 | - | - | 503,395 | 371,969 |
| Program evaluation consultants | - | - | - | - | - | - | - | - | 242,323 |
| Depreciation and amortization | 115,805 | 6,941 | 21,900 | 27,969 | 172,615 | 40,261 | 31,694 | 244,570 | 246,183 |
| Travel | 126,845 | 5,922 | 21,300 | 19,894 | 173,961 | 34,149 | 4,367 | 212,477 | 235,977 |
| Contracted services | 50,196 | 1,050 | - | 39,672 | 90,918 | 15,021 | - | 105,939 | 232,630 |
| Move in support | 171,600 | - | - | - | 171,600 | - | - | 171,600 | 159,343 |
| Computer/office equipment | 71,471 | 3,585 | 35,932 | 12,749 | 123,737 | 42,530 | 18,698 | 184,965 | 139,499 |
| Host home provider stipends | 65,000 | - | - | - | 65,000 | - | - | 65,000 | 90,320 |
| Housing repair and maintenance | 207,426 | - | - | - | 207,426 | - | - | 207,426 | 89,000 |
| Youth stipends | 1,487 | 2,058 | 20,620 | 23,402 | 47,567 | - | - | 47,567 | 62,946 |
| Office supplies | 26,738 | 1,877 | 15,367 | 1,455 | 45,437 | 11,082 | 3,338 | 59,857 | 59,857 |
| Professional fees | 24,300 | 1,809 | 5,310 | 6,194 | 37,613 | 19,251 | 5,070 | 61,934 | 56,292 |
| Insurance | 32,771 | 900 | 2,466 | 10,617 | 46,754 | 11,907 | 2,858 | 61,519 | 49,455 |
| Fundraising | - | - | - | - | - | - | 232,190 | 232,190 | 40,776 |
| Donated rent and services | 655,875 | - | - | - | 655,875 | - | - | 655,875 | 40,035 |
| Clinical supervision | 31,875 | - | 1,100 | - | 32,975 | - | - | 32,975 | 36,934 |
| Miscellaneous | 6,286 | 91 | - | - | 6,377 | 10,179 | - | 16,556 | 36,019 |
| Program supplies | 18,680 | 7,463 | 41,937 | 11,688 | 79,768 | - | 2,879 | 82,647 | 30,837 |
| Community building events | 15,135 | 11,631 | 82,291 | 1,719 | 110,776 | - | - | 110,776 | 14,188 |
| Outreach/education | - | - | - | - | - | - | - | - | 13,140 |
| Subtotal before pass-through programs | 6,871,287 | 294,369 | 1,162,061 | 1,453,949 | 9,781,666 | 1,251,947 | 764,994 | 11,798,607 | 10,318,778 |
| Reconciling items: | | | | | | | | | |
| Cost of special event | - | - | - | - | - | - | (188,540) | (188,540) | - |
| Pass-through programs | 1,960,901 | - | 116,630 | - | 2,077,531 | - | - | 2,077,531 | 1,650,711 |
| | <u>\$ 8,832,188</u> | <u>\$ 294,369</u> | <u>\$ 1,278,691</u> | <u>\$ 1,453,949</u> | <u>\$ 11,859,197</u> | <u>\$ 1,251,947</u> | <u>\$ 576,454</u> | <u>\$ 13,687,598</u> | <u>\$ 11,969,489</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, 2013
(with summarized comparative totals for 2012)

| | 2013 | 2012 |
|---|--------------|--------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (534,605) | \$ (292,446) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 244,570 | 246,183 |
| Changes in assets and liabilities: | | |
| Government grants receivable | 84,299 | (523,903) |
| Promises to give receivable | 679,162 | (489,123) |
| Prepaid expenses | (56,067) | 137,625 |
| Deposits | 19,123 | (26,073) |
| Accounts payable and accrued expenses | 204,683 | 252,441 |
| Refundable deposits | (24,491) | 3,135 |
| Deferred rent | (16,222) | 93,026 |
| Net cash provided by (used in) operating activities | 600,452 | (599,135) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (108,610) | (773,189) |
| Net cash used in investing activities | (108,610) | (773,189) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings on note payable | - | 500,000 |
| Payments on note payable | (86,982) | (20,685) |
| Net (payments) borrowings from line of credit | (300,000) | 300,000 |
| Payments on capital leases | (34,057) | (25,755) |
| Net cash (used in) provided by financing activities | (421,039) | 753,560 |
| Net increase (decrease) in cash and cash equivalents | 70,803 | (618,764) |
| Cash and cash equivalents, beginning of year | 1,014,672 | 1,633,436 |
| Cash and cash equivalents, end of year | \$ 1,085,475 | \$ 1,014,672 |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 57,702 | \$ 19,332 |
| Supplemental disclosures of noncash operating, investing, and financing activities: | | |
| Property, plant, and equipment acquired by capital lease, net | \$ 90,081 | \$ - |

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

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 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.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Organization, continued

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.

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, 2013, 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.

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, 2013, the Organization had no permanently restricted net assets.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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 agreements. At June 30, 2013, 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, 2013.

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.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Revenue Recognition, continued

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.

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, 2013.

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.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

1. Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued

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, 2013.

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, 2012, 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, 2013, the amount exceeding such limits was \$715,458.

Promises to Give

The Organization has three donors at June 30, 2013, representing 66% of the total promises to give.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

2. Concentration of Credit Risk, continued

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, 2013, approximately 78% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 30% of funding received from these counties was passed through to other nonprofit service providers. As of June 30, 2013, the government grants receivable from these counties was \$1,242,587.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2013, approximately 15% of the support from foundations, corporations, funds, and individuals was from one funding source.

3. Promises to Give

Promises to give are due as follows at June 30, 2013:

| | | |
|----------------------------------|--------------|--|
| Receivable in less than one year | \$ 957,561 | |
| Receivable in one to five years | 537,500 | |
| Total promises to give | \$ 1,495,061 | |

4. Property and Equipment, Net

| | | |
|--|-------------|--|
| Computer and office equipment | \$ 431,282 | |
| Furniture and fixtures | 144,228 | |
| Leasehold improvements | 1,679,629 | |
| Subtotal | 2,255,139 | |
| Less accumulated depreciation and amortization | (1,287,530) | |
| Property and equipment, net | \$ 967,609 | |

Depreciation and amortization expense for the year ended June 30, 2013 was \$244,570.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$157,577 and \$32,106, respectively, at June 30, 2013.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

5. Line of Credit

The Organization has a line of credit for \$1,000,000 with a maturity date of November 5, 2013. The line of credit consists of two credit facilities. The first facility of \$400,000 is unsecured, bearing an interest of 5.5% over the prime rate. The second facility of \$600,000 is collateralized by assignment of \$600,000 cash deposit account. The interest rate on the second facility of \$600,000 is 2.3% over the prime rate. There was no balance on the first and second facility of the line of credit as of June 30, 2013. The line of credit was renewed 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 financial covenant. The Organization was in compliance with the covenant as of June 30, 2013.

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, 2013 was \$392,333.

Future maturities of the note are as follows:

| | Amount |
|----------------------|------------|
| Year ending June 30: | |
| 2014 | \$ 94,044 |
| 2015 | 101,339 |
| 2016 | 109,239 |
| 2017 | 87,711 |
| Total | \$ 392,333 |

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

| | |
|-------------------------|--------------|
| Program | \$ 843,797 |
| For use in future years | 1,072,048 |
| Total | \$ 1,915,845 |

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

7. Temporarily Restricted Net Assets, continued

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, 2013:

| | |
|-------------------------|----------------------------|
| Program | \$ 1,427,272 |
| For use in future years | <u>1,359,550</u> |
| Total | <u><u>\$ 2,786,822</u></u> |

8. Donated Rent and Services

The Organization received the following in-kind rent and services for the year ended June 30, 2013:

| | |
|----------------------------|--------------------------|
| Professional services | \$ 480,000 |
| San Francisco office space | <u>175,875</u> |
| | <u><u>\$ 655,875</u></u> |

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 \$726,778 for the year ended June 30, 2013.

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

| | <u>Amount</u> |
|----------------------|----------------------------|
| Year ending June 30: | |
| 2014 | \$ 607,106 |
| 2015 | 601,478 |
| 2016 | 537,315 |
| 2017 | 288,769 |
| Thereafter | <u>195,192</u> |
| Total | <u><u>\$ 2,229,860</u></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.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

9. **Commitments**, continued

Capital Leases, continued

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, 2013 are as follows:

| | Amount |
|--|-----------|
| Year ending June 30: | |
| 2014 | \$ 36,684 |
| 2015 | 37,894 |
| 2016 | 39,144 |
| 2017 | 20,053 |
| Total minimum lease payments | 133,775 |
| Less amount representing interest | (8,305) |
| Present value of net minimum lease payments | 125,470 |
| Less current portion | 36,683 |
| Capital lease obligation, net of current portion | \$ 88,787 |

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.

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, 2013, the Organization maintains a capacity of approximately 157 leases for youth housing. Total rent payments for youth under these leases was \$2,044,707 for the year ended June 30, 2013. The future estimated minimum lease payments total approximately \$2.4 million as of June 30, 2013.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

10. Liquidity

The decline in temporarily restricted net assets of approximately \$582,000 for the year ended June 30, 2013 was primarily attributable to the costs of maintaining unused staff and housing capacity in anticipation of the launch of the new THP plus Foster Care program in California, 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. In the short term, for the fiscal year ending June 30, 2014, the Organization has secured approximately \$7.6 million of government funding in addition to anticipated cash flows from Foundations to cover operating expenses. Additionally, starting in May, 2013, the Organization began serving youth under the THP plus Foster Care program, utilizing existing staff and housing capacity. Also, the line of credit of \$1,000,000 was renewed and additional liquidity was provided by the release of \$600,000 in related collateral (see Note 11). In the long term, management intends to rebuild reserves as the Organization's donor base continues to expand and serve more youth under THP plus Foster Care, which generally carries a higher reimbursement rate than the Organization's traditional government funding sources.

11. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through September 27, 2013 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, 2013 that required recognition or disclosure in such financial statements.

Subsequent to June 30, 2013, the Organization has renewed its line of credit with a maturity date of August 5, 2014. This renewal combined the two credit facilities to one unsecured credit facility, with a maximum borrowing amount of \$1,000,000. The interest rate will be 5.5% plus the prime rate with a cap at 9%. The renewed line of credit also released the \$600,000 collateral cash deposit discussed in Note 5 and the renewed line of credit is now unsecured.

FIRST PLACE FOR YOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2013

| 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 Homelessness Prevention and Rapid Re-Housing Program (HPRP) | 14.257 | 09-HPRP-6158 | \$ 9,823 |
| Pass-through Program from - City of Oakland Moving to Work Demonstration Program | 14.881 | unknown | 157,359 |
| Pass-through Program from - City of Oakland Supportive Housing Program | 14.235 | G169020 G818010 | 170,047 8,737 |
| Pass-through Program from - City of Oakland Emergency Solutions Grant Program | 14.231 | G418910 | 167,724 |
| Pass-through Program from - City of Oakland Community Development Block Grant - Entitlement Grants | 14.218 | G418910 G191110 | 7,396 99,600 |
| Total U.S. Department of Housing and Urban Development | | | 620,686 |
| 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 | 320,388 |
| Pass-through Program from - Los Angeles Homeless Services Authority | 93.674 | 2012ILP03 | 230,637 |
| Pass-through Program from - City of Oakland Community Services Block Grant | 93.569 | 83701 84149 | 17,167 14,797 |
| Total U.S. Department of Health and Human Services | | | 582,989 |
| Total Federal Expenditures | | | \$ 1,203,675 |

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

FIRST PLACE FOR YOUTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2013

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, 2013. 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) | \$ 1,318,300 |
| 93.674 | Pass-through Program from - City and County of Los Angeles Chafee Foster Care Independence Program | \$ 642,771 |

**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, 2013, 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 September 27, 2013.

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 September 27, 2013.

Burr Rieger Mayer, cba.

E. Palo Alto, California
September 27, 2013

**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, 2013. 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, 2013.

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
September 27, 2013

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2013

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:

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, 2013.

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2013

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.