

FIRST PLACE FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2014

(with summarized comparative totals for 2013)



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, 2014, 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of First Place for Youth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering First Place for Youth's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited First Place for Youth's, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Pitzer Mayer, cba.

E. Palo Alto, California
October 7, 2014

FIRST PLACE FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(with summarized comparative totals for 2013)

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 872,843	\$ 1,085,475
Receivables:		
Government grants	2,817,628	1,242,587
Current portion of promises to give	1,245,554	957,561
Prepaid expenses	83,944	99,200
Total current assets	5,019,969	3,384,823
Promises to give, long-term	522,990	537,500
Property and equipment, net	860,499	967,609
Deposits	350,752	230,845
Total assets	\$ 6,754,210	\$ 5,120,777
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,286,012	\$ 1,022,538
Refundable deposits	130,098	47,611
Line of credit	550,000	-
Current portion of capital lease obligations	37,894	36,683
Current portion of note payable	101,339	94,044
Total current liabilities	2,105,343	1,200,876
Deferred rent and lease incentive	177,841	192,258
Capital lease obligations, net of current portion	55,894	88,787
Note payable, net of current portion	197,053	298,289
Total liabilities	2,536,131	1,780,210
Net assets:		
Unrestricted	1,730,137	1,424,722
Temporarily restricted	2,487,942	1,915,845
Total net assets	4,218,079	3,340,567
Total liabilities and net assets	\$ 6,754,210	\$ 5,120,777

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

FIRST PLACE FOR YOUTH
STATEMENT OF ACTIVITIES
for the year ended June 30, 2014
(with summarized comparative totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Support and revenue:				
Public support:				
Government contracts	\$ 10,398,135	\$ -	\$ 10,398,135	\$ 9,060,552
Foundation, corporate, fund, and individual contributions	696,482	4,254,748	4,951,230	3,306,895
Donated rent and services	89,438	-	89,438	655,875
Total support	<u>11,184,055</u>	<u>4,254,748</u>	<u>15,438,803</u>	<u>13,023,322</u>
Special event:				
Special event revenues	50,659	-	50,659	225,539
Less cost of event	<u>(25,690)</u>	<u>-</u>	<u>(25,690)</u>	<u>(188,540)</u>
Net special event	<u>24,969</u>	<u>-</u>	<u>24,969</u>	<u>36,999</u>
Revenue:				
Program rent fees	-	-	-	70,909
Interest and other	<u>51,695</u>	<u>-</u>	<u>51,695</u>	<u>21,763</u>
Total revenue	<u>51,695</u>	<u>-</u>	<u>51,695</u>	<u>92,672</u>
Net assets released from donor restrictions	<u>3,682,651</u>	<u>(3,682,651)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>14,943,370</u>	<u>572,097</u>	<u>15,515,467</u>	<u>13,152,993</u>
Expenses:				
Program services	12,693,328	-	12,693,328	11,859,197
Supporting services:				
Management and general	1,267,742	-	1,267,742	1,251,947
Fundraising	<u>676,885</u>	<u>-</u>	<u>676,885</u>	<u>576,454</u>
Total expenses	<u>14,637,955</u>	<u>-</u>	<u>14,637,955</u>	<u>13,687,598</u>
Change in net assets	305,415	572,097	877,512	(534,605)
Net assets, beginning of year	<u>1,424,722</u>	<u>1,915,845</u>	<u>3,340,567</u>	<u>3,875,172</u>
Net assets, end of year	<u>\$ 1,730,137</u>	<u>\$ 2,487,942</u>	<u>\$ 4,218,079</u>	<u>\$ 3,340,567</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, 2014
(with summarized comparative totals for 2013)

	My First Place	First Steps	Independent Living Skills Program	Steps to Success	Total Program	Management and General	Fundraising	2014 Total	2013 Total
Salaries and related expenses:									
Salaries	\$ 2,206,995	\$ 147,049	\$ 766,065	\$ 557,781	\$ 3,677,890	\$ 538,731	\$ 364,644	\$ 4,581,265	\$ 4,325,676
Payroll taxes	178,882	13,281	64,077	44,766	301,006	41,525	26,744	369,275	351,936
Employee benefits	269,013	25,492	108,787	69,133	472,425	63,916	44,396	580,737	549,053
Total salaries and related expenses	2,654,890	185,822	938,929	671,680	4,451,321	644,172	435,784	5,531,277	5,226,665
Rent payments for youth	2,319,748	-	-	-	2,319,748	-	-	2,319,748	2,044,707
Consultants	130,301	4,056	16,484	90,757	241,598	91,501	41,824	374,923	430,140
Facilities rent	376,580	37,878	61,436	153,776	629,670	39,505	25,448	694,623	550,897
Organizational expenses	99,482	2,459	8,019	25,858	135,818	138,004	88,484	362,306	488,930
Youth support	154,002	11,910	78,348	198,276	442,536	-	-	442,536	503,395
Depreciation and amortization	155,208	8,454	34,063	17,012	214,737	45,861	26,952	287,550	244,570
Travel	161,748	1,394	14,366	21,988	199,496	53,231	4,274	257,001	212,477
Contracted services	168,976	2,952	30,574	28,250	230,752	190,611	29,203	450,566	105,939
Move in support	206,324	-	148	272	206,744	-	-	206,744	171,600
Computer/office equipment	37,368	1,583	1,958	3,244	44,153	15,101	6,459	65,713	184,965
Host home provider stipends	40,775	-	-	-	40,775	-	-	40,775	65,000
Housing repair and maintenance	258,392	4,132	43	28,707	291,274	15,228	994	307,496	207,426
Youth stipends	568,901	-	-	-	568,901	-	-	568,901	47,567
Office supplies	13,130	559	447	27,300	41,436	15,027	4,644	61,107	59,857
Professional fees	49,289	1,777	7,161	3,576	61,803	10,167	5,666	77,636	61,934
Insurance	32,306	1,706	8,979	3,367	46,358	9,173	5,369	60,900	61,519
Fundraising	-	-	-	-	-	-	25,690	25,690	232,190
Donated rent and services	-	-	87,938	-	87,938	-	1,500	89,438	655,875
Clinical supervision	11,900	390	-	7,980	20,270	-	-	20,270	32,975
Miscellaneous	168	2,335	-	3,851	6,354	161	-	6,515	16,556
Program supplies	24,085	7,903	11,454	12,433	55,875	-	252	56,127	82,647
Community building events	12,301	13,095	1,139	55,510	82,045	-	32	82,077	110,776
Subtotal before pass-through programs	7,475,874	288,405	1,301,486	1,353,837	10,419,602	1,267,742	702,575	12,389,919	11,798,607
Reconciling items:									
Cost of special event	-	-	-	-	-	-	(25,690)	(25,690)	(188,540)
Pass-through programs	2,123,400	-	150,326	-	2,273,726	-	-	2,273,726	2,077,531
	<u>\$ 9,599,274</u>	<u>\$ 288,405</u>	<u>\$ 1,451,812</u>	<u>\$ 1,353,837</u>	<u>\$ 12,693,328</u>	<u>\$ 1,267,742</u>	<u>\$ 676,885</u>	<u>\$ 14,637,955</u>	<u>\$ 13,687,598</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, 2014
(with summarized comparative totals for 2013)

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 877,512	\$ (534,605)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	287,551	244,570
Changes in assets and liabilities:		
Government grants receivable	(1,575,041)	84,299
Promises to give receivable	(273,483)	679,162
Prepaid expenses	15,256	(56,067)
Deposits	82,487	19,123
Accounts payable and accrued expenses	274,956	204,683
Refundable deposits	(119,907)	(24,491)
Deferred rent	(25,899)	(16,222)
Net cash (used in) provided by operating activities	(456,568)	600,452
Cash flows from investing activities:		
Purchases of property and equipment	(179,481)	(108,610)
Net cash used in investing activities	(179,481)	(108,610)
Cash flows from financing activities:		
Payments on note payable	(93,941)	(86,982)
Net borrowings (payments) from line of credit	550,000	(300,000)
Payments on capital leases	(32,642)	(34,057)
Net cash provided by financing activities	423,417	753,560
Net (decrease) increase in cash and cash equivalents	(212,632)	70,803
Cash and cash equivalents, beginning of year	1,085,475	1,014,672
Cash and cash equivalents, end of year	\$ 872,843	\$ 1,085,475
Supplemental disclosure of cash flow information:		
Interest paid	\$ 46,777	\$ 57,702
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, 2014

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

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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.

Basis of Accounting

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

Financial Statement Presentation

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

Unrestricted

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

Unrestricted net assets may be designated by the Board for a certain purpose. There were no Board designated assets at June 30, 2014.

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, 2014, the Organization had no permanently restricted net assets.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 or rate agreements. At June 30, 2014, 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, 2014.

Property and Equipment

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

Fair Value of Financial Instruments

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

Deferred Rent

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

Revenue Recognition

Government Contracts

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014.

Special Event Revenue

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

Functional Allocation of Expenses

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

Income Taxes

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014.

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, 2013, from which the summarized information was derived.

2. Concentration of Credit Risk

Cash and Cash Equivalents

The Organization places its cash in bank and short-term money market instrument with reputable financial institutions, to minimize credit risk, however, balances may periodically exceed insurance Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) and other similar insurance limits. At June 30, 2014, the amount exceeding such limits was \$470,239.

Promises to Give

The Organization has three donors at June 30, 2014, representing 77% of the total promises to give.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014, approximately 60% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 36% of funding received from these counties was provided to other nonprofit service subcontractor providers. As of June 30, 2014, the government grants receivable from these counties was \$2,817,628.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2014, approximately 61% of the support from foundations, corporations, funds, and individuals was from four funding sources.

3. Promises to Give

Promises to give are due as follows at June 30, 2014:

Receivable in less than one year	\$ 1,245,554
Receivable in one to five years	522,990
	\$ 1,768,544
Total promises to give	\$ 1,768,544

4. Property and Equipment, Net

Computer and office equipment	\$ 459,303
Furniture and fixtures	148,378
Leasehold improvements	1,827,892
	2,435,573
Subtotal	2,435,573
Less accumulated depreciation and amortization	(1,575,074)
	\$ 860,499
Property and equipment, net	\$ 860,499

Depreciation and amortization expense for the year ended June 30, 2014 was \$287,551.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$158,537 and \$60,110, respectively, at June 30, 2014.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. Line of Credit

The Organization has a line of credit for \$1,000,000 with a maturity date of August 5, 2014. The line of credit consists of \$1,000,000 is unsecured, bearing an interest of 5.5%. There is a balance of \$550,000 outstanding on the line of credit as of June 30, 2014. The line of credit was renewed and extended subsequent to year end (see Note 10).

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, 2014.

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, 2014 was \$298,392.

Future maturities of the note are as follows:

	Amount
Year ending June 30:	
2015	\$ 101,339
2016	109,293
2017	87,760
Total	\$ 298,392

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Program	\$ 1,088,369
For use in future years	576,040
Program and for future years	823,533
Total	\$ 2,487,942

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014:

Program	\$ 2,677,284
For use in future years	911,967
Program and for future years	<u>93,400</u>
Total	<u><u>\$ 3,682,651</u></u>

8. Donated Rent and Services

The Organization received the in-kind rent and services for San Francisco office space of \$89,438 for the year ended June 30, 2014.

San Francisco office space	<u><u>\$ 89,438</u></u>
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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 February 2019. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$694,623 for the year ended June 30, 2014.

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

	Amount
Year ending June 30:	
2015	\$ 784,103
2016	724,121
2017	480,246
2018	330,201
Thereafter	<u>160,597</u>
Total	<u><u>\$ 2,479,268</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.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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, 2014, are as follows:

	Amount
Year ending June 30:	
2015	\$ 37,894
2016	39,144
2017	20,916
Total minimum lease payments	97,954
Less amount representing interest	(4,166)
Present value of net minimum lease payments	93,788
Less current portion	37,894
Capital lease obligation, net of current portion	\$ 55,894

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, San Francisco, Contra Costa, Solano, and Los Angeles that generally have an original term of one (1) year or on a month-to-month basis. At June 30, 2014, the Organization maintains a capacity of approximately 183 leases for youth housing. Total rent payments for youth under these leases was \$2.3 million for the year ended June 30, 2014. The future estimated minimum lease payments total approximately \$2.8 million as of June 30, 2014.

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

10. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 7, 2014 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, 2014 that require recognition or disclosure in such financial statements.

Subsequent to June 30, 2014, the Organization renewed its line of credit with a maturity date of August 5, 2014. This renewal includes a maximum borrowing amount of \$1,000,000. The interest rate will be 5.5% plus the prime rate with a cap at 9%.

FIRST PLACE FOR YOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Pass-through Program from - City of Oakland Homeless Prevention and Rapid Re-Housing Program (HPRP)	14.881	83702 C.M.S	\$ 151,271
Pass-through Program from - City of Oakland Transitional Housing Emergency Shelter Program	14.231	83995 C.M.S	157,607
Pass-through Program from - City of Oakland Supportive Housing Program	14.235	78637 C.M.S 786337 C.M.S	186,098
Pass-through Program from - City of Oakland Community Development Block Grant	14.218	G191110	40,618
Total U.S. Department of Housing and Urban Development			<u>535,594</u>
U.S. Department of Health and Human Services:			
Pass-through Program from - City and County of San Francisco Independent Living Skills Program	93.674	DPSS13000031	131,348
Pass-through Program from - City and County of San Francisco Independent Living Skills Program	93.674	DPSS14000149	357,439
Pass-through Program from - City and County of Solano County Independent Living Skills Program	93.674	03424-14	281,962
Pass-through Program from - Los Angeles Homeless Services Authority	93.674	2013ILP03	121,286
Pass-through Program from - City of Oakland Community Action Partnership (OCAP)	93.569	84818	39,154
Pass-through Program from - County of Alameda County Transitional Housing Program Foster Care	93.658	Alameda County	1,044,649
Pass-through Program from - County of Solano County Transitional Housing Program Foster Care	93.658	Solano County	345,378
Pass-through Program from - County of Contra Costa County Transitional Housing Program Foster Care	93.658	Contra Costa County	223,956
Pass-through Program from - County of San Francisco County Transitional Housing Program Foster Care	93.658	San Francisco County	544,583
Pass-through Program from - County of Los Angeles County Transitional Housing Program Foster Care	93.658	Los Angeles County	<u>542,488</u>
Total U.S. Department of Health and Human Services			<u>3,632,243</u>
Total Federal Expenditures			<u>\$ 4,167,837</u>

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, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

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

3. Subrecipients

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
First Place for Youth

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of First Place for Youth (the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered First Place for Youth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of First Place for Youth's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of First Place for Youth in a separate letter dated October 7, 2014.

Barr Riger Mayer, cka.

E. Palo Alto, California
October 7, 2014

**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, 2014. 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, 2014.

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 Piger Mayer, cka.

E. Palo Alto, California
October 7, 2014

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2014

Section I: Summary of Audit Results

Financial Statements

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

Federal Awards

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

Foster Care Title IV-E CFDA # 93.658
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, 2014.

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2014

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.