

FIRST PLACE FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2016

(with summarized comparative totals for 2015)



FIRST PLACE FOR YOUTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
First Place for Youth
Oakland, California

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, 2016, 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, 2016, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 18, 2016 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Rieger Mayer, cma.

E. Palo Alto, California
October 18, 2016-

FIRST PLACE FOR YOUTH
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(with summarized comparative totals for 2015)

ASSETS	2016	2015 <i>Restated</i>
Current assets:		
Cash and cash equivalents	\$ 2,107,098	\$ 1,035,294
Receivables:		
Government grants	2,416,027	1,836,065
Current portion of promises to give	2,858,447	1,491,025
Prepaid expenses	109,307	72,960
Total current assets	7,490,879	4,435,344
Promises to give, long-term	2,134,521	386,025
Property and equipment, net	574,003	720,989
Refundable security deposits	433,404	404,321
Total assets	\$ 10,632,807	\$ 5,946,679
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 934,395	\$ 975,711
Youth savings accounts	123,783	140,876
Line of credit	-	300,000
Current portion of capital lease obligations	19,714	39,492
Current portion of note payable	87,759	109,395
Total current liabilities	1,165,651	1,565,474
Deferred rent and lease incentive	93,480	148,298
Capital lease obligations, net of current portion	14,444	20,232
Note payable, net of current portion	-	87,657
Total liabilities	1,273,575	1,821,661
Net assets:		
Unrestricted	2,748,260	2,378,787
Temporarily restricted	6,610,972	1,746,231
Total net assets	9,359,232	4,125,018
Total liabilities and net assets	\$ 10,632,807	\$ 5,946,679

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

FIRST PLACE FOR YOUTH

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016
(with summarized comparative totals for 2015)

	<u>2016</u>	<u>2015</u> <i>Restated</i>
Unrestricted net assets:		
Support and revenue:		
Public support:		
Government contracts	\$ 13,076,884	\$ 11,925,019
Foundation, corporate, fund, and individual contributions	3,636,658	2,819,064
Donated rent and services	85,024	47,823
Total support	<u>16,798,566</u>	<u>14,791,906</u>
Special event:		
Special event revenues	62,927	87,757
Less cost of event	<u>(40,577)</u>	<u>(34,335)</u>
Net special event	<u>22,350</u>	<u>53,422</u>
Revenue:		
Interest and other	<u>286</u>	<u>-</u>
Net assets released from donor restrictions	<u>1,125,954</u>	<u>1,820,482</u>
Total support and revenue	<u>17,947,156</u>	<u>16,665,810</u>
Expenses:		
Program services	14,921,621	13,974,848
Supporting services:		
Management and general	1,964,352	1,445,593
Fundraising	<u>691,710</u>	<u>582,951</u>
Total expenses	<u>17,577,683</u>	<u>16,003,392</u>
Nonoperating other	<u>-</u>	<u>13,768</u>
Change in unrestricted net assets	<u>369,473</u>	<u>648,650</u>
Temporarily restricted net assets:		
Foundation, corporate, fund, and individual contributions	5,990,695	1,078,771
Net assets released from donor restrictions	<u>(1,125,954)</u>	<u>(1,820,482)</u>
Change in temporarily restricted net assets	<u>4,864,741</u>	<u>(741,711)</u>
Change in net assets	5,234,214	(93,061)
Net assets - beginning of year	<u>4,125,018</u>	<u>4,218,079</u>
Net assets - end of year	<u>\$ 9,359,232</u>	<u>\$ 4,125,018</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, 2016
(with summarized comparative totals for 2015)

	My First Place Steps to Success	Independent Living Skills Program	Youth Transition Partnership	Total Program	Management and General	Fundraising	2016 Total	2015 Total
Salaries and related expenses:								
Salaries	\$ 3,619,829	\$ 574,165	\$ 97,957	\$ 4,291,951	\$ 990,667	\$ 350,585	\$ 5,633,203	\$ 5,060,877
Payroll taxes	291,134	46,645	9,767	347,546	77,778	28,100	453,424	407,984
Employee benefits	361,517	55,826	12,633	429,976	97,488	33,981	561,445	479,469
Total salaries and related expenses	4,272,480	676,636	120,357	5,069,473	1,165,933	412,666	6,648,072	5,948,330
Clinical supervision	5,041	-	-	5,041	-	-	5,041	11,405
Community building events	40,227	88,091	-	128,318	-	-	128,318	99,921
Consultants	294,253	33,472	6,850	334,575	84,069	127,054	545,698	287,342
Facilities rent	494,878	235,210	10,542	740,630	53,237	12,664	806,531	763,056
Youth support	353,596	187,044	328	540,968	-	-	540,968	515,419
Youth stipends	1,055,552	-	-	1,055,552	-	-	1,055,552	994,472
Move in support	274,265	1,643	-	275,908	-	-	275,908	263,176
Program supplies	18,428	11,993	897	31,318	-	-	31,318	102,995
Housing repair and maintenance	355,226	275	-	355,501	-	-	355,501	329,762
Rent payments for youth	3,323,255	-	-	3,323,255	-	-	3,323,255	2,920,899
Organizational expenses	554,799	82,901	22,917	660,617	390,200	63,963	1,114,780	786,734
Travel	181,054	12,055	6,354	199,463	67,699	1,474	268,636	256,098
Contracted services	-	-	-	-	-	-	-	342,247
Computer/office equipment	149,439	17,712	3,768	170,919	76,138	12,405	259,462	80,871
Host home provider stipends	-	-	-	-	-	-	-	5,512
Office supplies	69,961	2,452	224	72,637	27,314	2,740	102,691	-
Professional fees	52,597	6,879	5,844	65,320	16,157	3,256	84,733	108,098
Insurance	36,653	5,660	4,073	46,386	7,327	2,599	56,312	69,600
Fundraising	-	-	-	-	2,560	86,325	88,885	139,682
Donated rent and services	35,400	-	-	35,400	49,624	-	85,024	47,823
Depreciation and amortization	125,755	15,386	-	141,141	23,777	7,141	172,059	167,997
Miscellaneous	13,782	5,882	4	19,668	317	-	19,985	8,413
Subtotal before pass-through programs	11,706,641	1,383,291	182,158	13,272,090	1,964,352	732,287	15,968,729	14,249,852
Reconciling items:								
Cost of special event	-	-	-	-	-	(40,577)	(40,577)	(34,335)
Pass-through programs	1,496,815	152,716	-	1,649,531	-	-	1,649,531	1,787,875
	<u>\$ 13,203,456</u>	<u>\$ 1,536,007</u>	<u>\$ 182,158</u>	<u>\$ 14,921,621</u>	<u>\$ 1,964,352</u>	<u>\$ 691,710</u>	<u>\$ 17,577,683</u>	<u>\$ 16,003,392</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, 2016
(with summarized comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 5,234,214	\$ (93,061)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	172,059	167,996
Changes in assets and liabilities:		
Government grants receivable	(579,962)	981,563
Promises to give receivable	(3,115,874)	(108,506)
Prepaid expenses	(36,347)	10,983
Refundable security deposits	(29,083)	(53,569)
Accounts payable and accrued expenses	(41,360)	(310,304)
Youth savings accounts	(17,093)	10,779
Deferred rent and lease incentive	(54,818)	(29,542)
Net cash provided by operating activities	1,531,736	576,339
Cash flows from investing activities:		
Purchases of property and equipment	(9,624)	(28,487)
Net cash used in investing activities	(9,624)	(28,487)
Cash flows from financing activities:		
Payments on note payable	(109,293)	(101,337)
Net (payments) borrowings from line of credit	(300,000)	(250,000)
Payments on capital leases	(41,015)	(34,064)
Net cash used in financing activities	(450,308)	(385,401)
Net increase in cash and cash equivalents	1,071,804	162,451
Cash and cash equivalents, beginning of year	1,035,294	872,843
Cash and cash equivalents, end of year	\$ 2,107,098	\$ 1,035,294
Supplemental disclosure of cash flow information:		
Equipment acquired through capital lease	\$ 15,449	\$ -
Interest paid	\$ 26,344	\$ 50,060

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

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

My First Place, a transitional housing program, provides stability for current and former foster youth through safe, permanent, affordable housing, intensive case management, and advocacy and support services. Youth receive support with move-in costs, rent, food, self-reliance planning, life skills training, health and mental health advocacy, transportation assistance, and employment and education services. Steps to Success, is an essential part of My First Place Program 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. Steps to Success also supports youth with employment assistance, career planning, and in building their workplace skills, including job search and job retention. The linked learning approach focuses on combining academic programs with work-based learning and internship experiences to support youth in building a family-sustaining career.

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.

Youth Transitions Partnership provides intensive case management, coaching and skill building to disconnected and vulnerable youth with the goal of preventing homelessness. Services include community based case management, skill building classes, and round-the-clock coaching to support youth engagement and success in education, employment and in their living situation. Intervention strategies include specific skill building in the areas of emotional regulation, interpersonal effectiveness, and distress tolerance, as well as case coordination across the continuum of available services.

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

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, 2016.

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, 2016, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

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

Grants Receivable

Grants receivables consist of amounts due from several government entities under cost-reimbursement or rate agreements. At June 30, 2016, management believes this amount is collectible; except for .06% of receivables that was treated as allowance for doubtful accounts.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

Promises to Give

Unconditional promises to give are recognized as support and assets in the period received. Management believes all unconditional promises to give are collectible; therefore, no allowance for doubtful accounts has been provided for these promises to give. Unconditional promises to give are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give are expected to be collected in the future years are recorded at the present value of their estimated future cash flows. Management has recorded a discount on long-term promises to give at June 30, 2016. The applicable ranges were 0.59% to 0.80%.

Property and Equipment

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

Fair Value of Financial Instruments

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

Deferred Rent

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

Revenue Recognition

Government Contracts

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

Foundation, Corporate, Fund, and Individual Contributions

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

Revenue Recognition, continued

Donated Rent and Services

In-kind contributions are reflected as contributions on the date of donation at fair value and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b), require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from volunteers associated with the programs and fundraising campaigns which do not meet the criteria for financial statement recognition. The Organization recognizes donated rent at the estimated fair value of the facilities used during the year ended June 30, 2016.

Special Event Revenue

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

Functional Allocation of Expenses

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

Income Taxes

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

The Organization's policy for evaluating uncertain tax positions is a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlements. As the Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes, the tax position taken or expected to be taken have not had a material impact on the financial statements of the Organization for the year ended June 30, 2016.

Use of Estimates

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1. Organization and Summary of Significant Accounting Policies, continued

Prior Year Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Additionally, certain amounts have been restated as further discussed in Note 11.

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, 2016, the amount exceeding such limits was \$1,735,872.

Promises to Give

The Organization has one donor at June 30, 2016, representing 81% of the total promises to give.

Support and Revenue

The Organization is dependent on grants from the counties of Alameda, Contra Costa, Solano, Los Angeles, San Francisco and Santa Clara. 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, 2016, approximately 86% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 13% of funding received from these counties was provided to other nonprofit service subcontractor providers. As of June 30, 2016, the government grants receivable from these counties was \$2,416,027.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2016, approximately 54% 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, 2016:

Receivable in less than one year	\$ 2,858,447
Receivable in one to five years	<u>2,134,521</u>
Total promises to give	<u><u>\$ 4,992,968</u></u>

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

4. Property and Equipment, Net

Computer and office equipment	\$ 491,738
Furniture and fixtures	148,379
Leasehold improvements	<u>1,856,384</u>
Subtotal	2,496,501
Less accumulated depreciation and amortization	<u>(1,922,498)</u>
Property and equipment, net	<u><u>\$ 574,003</u></u>

Depreciation and amortization expense for the year ended June 30, 2016 was \$172,059.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$175,517 and \$140,452, respectively, at June 30, 2016.

5. Line of Credit

The Organization has a line of credit for \$2,000,000 with a maturity date of August 5, 2017. The line of credit of \$2,000,000 is unsecured, bearing an initial interest of 5.5%. There is no balance of outstanding on the line of credit as of June 30, 2016. The interest rate has a cap at 9%.

The Organization's line of credit agreement with the bank contained a financial covenant. The Organization was in compliance with the covenant as of June 30, 2016.

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, 2016 was \$87,759.

Future maturities of the note are as follows:

	<u>Amount</u>
Year ending June 30: 2017	<u>\$ 87,759</u>
Total	<u><u>\$ 87,759</u></u>

7. Contingencies

The Organization is involved in legal actions from time to time, to the ordinary course of business. As of June 30, 2016 the Organization does not believe there is any material loss contingencies that would have a material impact on the financial position of the Organization.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Program	\$ 1,514,301
Program and for future years	<u>5,096,671</u>
Total	<u><u>\$ 6,610,972</u></u>

Temporarily restricted net assets that were released from donor restriction by incurring expenses satisfying the purposes specified by donors are as follows for the year ended June 30, 2016:

Program	\$ 885,072
Program and for future years	<u>240,882</u>
Total	<u><u>\$ 1,125,954</u></u>

9. Donated Rent and Services

The Organization received in-kind office rent space and professional services of \$85,024 for the year ended June 30, 2016.

In-kind office spaces for: □	
Madison Loft, Ashland Family, Mercy Housing	\$ 35,400
In-kind services and donations	<u>49,624</u>
Total	<u><u>\$ 85,024</u></u>

10. Commitments

Operating Leases

The Organization leases its offices and community centers in Oakland, Fairfield, Concord, San Francisco, Santa Clara and Los Angeles, California under operating lease agreements that expire at various dates through January 2022. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$806,531 for the year ended June 30, 2016.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. Commitments, continued

Operating Leases, continued

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

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 938,947
2018	1,132,546
2019	960,046
2020	794,975
2021	751,586
Thereafter	<u>372,915</u>
Total	<u>\$ 4,951,015</u>

Capital Leases

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

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

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2016, are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 19,714
2018	3,627
2019	4,007
2020	4,426
Thereafter	<u>6,935</u>
Total minimum lease payments	38,709
Less amount representing interest	<u>(4,551)</u>
Present value of net minimum lease payments	34,158
Less current portion	<u>19,714</u>
Capital lease obligation, net of current portion	<u>\$ 14,444</u>

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

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

10. Commitments, continued

Leases for Youth Housing

The Organization is a party to various leases for youth housing throughout the counties of Alameda, San Francisco, Contra Costa, Solano, Santa Clara and Los Angeles that generally have an original term of one (1) year or on a month-to-month basis. At June 30, 2016, the Organization maintains a capacity of 404 leases for youth housing. Total rent payments for youth under these leases was \$3,323,255 for the year ended June 30, 2016.

11. Prior Period Reclassification

During the year ended June 30, 2016, it was determined that certain revenues were reported as unrestricted and should have been reported as temporarily restricted in the prior year. The correction resulted in a prior period reclassification of the following balances for the year ended June 30, 2015 as follows:

	As of June 30, 2015		
	Balances Previously Reported	Adjustment	Balances Corrected and Restated
<u>Net assets:</u>			
Unrestricted	\$ 2,508,287	\$ (129,500)	\$ 2,378,787
Temporarily restricted	\$ 1,616,731	\$ 129,500	\$ 1,746,231
<u>Support and revenue:</u>			
Foundation, corporate, fund, and individual contributions:			
Unrestricted	\$ 2,948,564	\$ (129,500)	\$ 2,819,064
Temporarily restricted	\$ 949,271	\$ 129,500	\$ 1,078,771
<u>Change in net assets:</u>			
Unrestricted	\$ 778,150	\$ (129,500)	\$ 648,650
Temporarily restricted	\$ (871,211)	\$ 129,500	\$ (741,711)

12. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 18, 2016 the date which these financial statements were available to be issued. The Organization entered a new lease agreement effective July 7, 2016 for a location in Oakland. The lease term is 63 months, commencing November 1, 2016 with a total base rent of \$15,724 per month.

Management concluded that no additional material subsequent events have occurred since June 30, 2016 that require recognition or disclosure in such financial statements.

SUPPLEMENTARY INFORMATION

FIRST PLACE FOR YOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development □				
Pass-through Program from - City of Oakland Community Development Block Grant (CDBG)	14.218	94-6000384	\$ 40,618	\$ -
Pass-through Program from - City of Oakland Oakland HUD/SHP	14.235	U.S. Department of Human Services; Community Housing Services Division	177,834	-
Pass-through Program from - City of Oakland Permanent Access to Housing (PATH)	14.231	U.S. Department of Housing and Urban Development	157,608	-
Pass-through Program from - City of Oakland Oakland Path Re-Housing Initiative (OPRI)	14.881	U.S. Department of Housing and Urban Development	209,000	-
Total U.S. Department of Housing and Urban Development			585,060	-
U.S. Department of Health and Human Services				
Children's Bureau				
Pass-through Alameda County Social Service Agency Youth Transitions Partnership (YTP)	93.67	90CA1839-01-00	178,583	-
Pass-through Program from - City and County of San Francisco CCSF □ San Francisco Independent Living Skills Program	93.674	U.S. Department of Health and Human Services	496,997	55,452
Pass-through Program from - City and County of Solano □ Solano Independent Living Skills Program (SC ILSP)	93.674	U.S. Department of Health and Human Services	147,471	-
Total U.S. Department of Health and Human Services			823,051	55,452
U.S. Homeless Emergency Assistance and Rapid Transition to Housing CoC □				
Pass-through Homeless Service Authority City and County of L.A. L.A. HUD CoC TAY	14.267	U.S. Homeless Emergency Assistance and Rapid Transition to Housing CoC	142,050	-
Total U.S. Homeless Emergency Assistance and Rapid Transition to Housig CoC			142,050	-
CA Department of Social Services □				
Pass-through County of Alameda Department of Children and Family Services Alameda Transitional Housing Placement-Plus Foster Care (AC THP+FC)	93.658	CA Department of Social Services	910,805	-
Pass-through County of San Francisco Department of Children □ and Family Services San Francisco Transitional Housing Program Foster Care (SF THP-FC)	93.658	CA Department of Social Services	660,853	-
Pass-through County of Contra Costa Department of Children and Family Services Contra Costa Transitional Housing Program Foster Care (CC THP-FC)	93.658	CA Department of Social Services	516,019	-

FIRST PLACE FOR YOUTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

June 30, 2016

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Expenditures to Subrecipients
CA Department of Social Services, continued				
Pass-through County of Solano Department of Children and Family Services Solano Transitional Housing Program Foster Care (SC THP-FC)	93.658	CA Department of Social Services	522,995	-
Pass-through County of Santa Clara Department of Children and Family Services Santa Clara Transitional Housing Program Foster Care (SCC THP-FC)	93.658	CA Department of Social Services	303,429	-
Pass-through County of L.A. Department of Children and Family Services Los Angeles Transitional Housing Program Foster Care (L.A. THP-FC SPA 3)	93.658	CA Department of Social Services	16,514	-
Pass-through County of L.A. Department of Children and Family Services Los Angeles Transitional Housing Program Foster Care (L.A. THP-FC SPA 4)	93.658	CA Department of Social Services	1,583,929	-
Pass-through County of L.A. Department of Children and Family Services Los Angeles Transitional Housing Program Foster Care (L.A. THP-FC SPA 6)	93.658	CA Department of Social Services	938,886	-
Pass-through County of L.A. Department of Children and Family Services Los Angeles Transitional Housing Program Foster Care (L.A. THP-FC SPA 8) CA Department of Social Services	93.658	CA Department of Social Services	9,798	-
			<u>5,463,228</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 7,013,389</u>	<u>\$ 55,452</u>

FIRST PLACE FOR YOUTH

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**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
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of First Place for Youth (the "Organization"), which comprise the statement of financial position as of June 30, 2016, 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 18, 2016.

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 18, 2016.

Burr Rieger Mayer, cma.

E. Palo Alto, California
October 18, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

To the Board of Directors
First Place for Youth
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the Organization's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of First Place for Youth's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Burr Piger Mayer, cka.

E. Palo Alto, California
October 18, 2016

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016

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 unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)?
No
7. The program tested as major was as follows:

Foster Care Title IV-E	CFDA # 93.658
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8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Organization qualified as a low risk auditee for the year ended June 30, 2016.

FIRST PLACE FOR YOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2016

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.