

**FIRST PLACE FOR YOUTH**

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**FINANCIAL STATEMENTS**

June 30, 2019

(with summarized comparative totals for 2018)



# 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, 2019, 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, 2019, 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.

To the Board of Directors of  
First Place for Youth

**Other Matters**

***Report on Summarized Comparative Information***

We have previously audited First Place for Youth's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BPM 22P*

Menlo Park, California  
January 30, 2020

**FIRST PLACE FOR YOUTH**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2019  
(with summarized comparative totals for 2018)

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,870,994	\$ 4,854,863
Receivables:		
Government grants, net	3,494,418	2,566,664
Current portion of promises to give	2,132,500	1,238,500
Prepaid expenses	247,157	249,117
Total current assets	10,745,069	8,909,144
Promises to give, long-term, net of discount	1,234,635	713,039
Property and equipment, net	457,540	426,817
Refundable security deposits	585,702	530,827
Total assets	\$ 13,022,946	\$ 10,579,827
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,041,185	\$ 1,399,784
Youth savings accounts	226,956	196,155
Current portion of deferred rent and lease incentive	65,924	-
Current portion of capital lease obligations	29,255	26,434
Total current liabilities	2,363,320	1,622,373
Deferred rent and lease incentive	213,359	317,093
Capital lease obligations, net of current portion	29,972	58,882
Total liabilities	2,606,651	1,998,348
Net assets:		
Without donor restrictions	4,199,196	4,182,638
With donor restrictions	6,217,099	4,398,841
Total net assets	10,416,295	8,581,479
Total liabilities and net assets	\$ 13,022,946	\$ 10,579,827

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

# FIRST PLACE FOR YOUTH

## STATEMENT OF ACTIVITIES

For the year ended June 30, 2019  
(with summarized comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Support and revenue without donor restrictions:		
Government contracts	\$ 18,103,740	\$ 16,775,434
Foundation, corporate, fund, and individual contributions	3,064,604	4,164,078
Donated rent and services	472,975	126,175
Interest and other	32,985	42,674
Net assets released from donor restrictions	<u>3,220,919</u>	<u>2,608,439</u>
Total support and revenue	<u>24,895,223</u>	<u>23,716,800</u>
Expenses:		
Program services	21,493,034	19,898,988
Supporting services:		
Management and general	2,599,239	2,520,647
Fundraising	<u>786,392</u>	<u>1,008,279</u>
Total expenses	<u>24,878,665</u>	<u>23,427,914</u>
Change in net assets without donor restrictions	<u>16,558</u>	<u>288,886</u>
Support and revenue with donor restrictions:		
Foundation, corporate, fund, and individual contributions	5,039,177	2,959,314
Net assets released from donor restrictions	<u>(3,220,919)</u>	<u>(2,608,439)</u>
Change in net assets with donor restrictions	<u>1,818,258</u>	<u>350,875</u>
Change in net assets	1,834,816	639,761
Net assets, beginning of year	<u>8,581,479</u>	<u>7,941,718</u>
Net assets, end of year	<u><u>\$ 10,416,295</u></u>	<u><u>\$ 8,581,479</u></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, 2019  
(with summarized comparative totals for 2018)

	My First Place Steps to Success	Independent Living Skills Program	Youth Transition Partnership	Affiliate Network	Total Program	Management and General	Fundraising	2019 Total	2018 Total
Salaries and related expenses:									
Salaries	\$ 4,807,011	\$ 585,265	\$ 341,418	\$ 401,417	\$ 6,135,111	\$ 1,172,576	\$ 439,517	\$ 7,747,204	\$ 7,759,197
Employee benefits	593,030	93,626	43,808	35,757	766,221	115,927	52,647	934,795	931,764
Payroll taxes	394,699	45,993	26,667	29,419	496,778	91,003	35,917	623,698	624,106
Total salaries and related expenses	5,794,740	724,884	411,893	466,593	7,398,110	1,379,506	528,081	9,305,697	9,315,067
Rent payments for youth	4,866,520	-	-	-	4,866,520	-	-	4,866,520	4,301,085
Youth stipends	1,542,517	17,253	-	5,735	1,565,505	-	3,240	1,568,745	1,505,224
Facilities rent	588,033	260,071	51,030	16,332	915,466	201,190	83,573	1,200,229	1,331,662
Organizational expenses	525,457	112,118	21,181	15,451	674,207	254,261	55,615	984,083	995,650
Youth support	606,974	135,768	27,083	13,708	783,533	12,847	-	796,380	657,029
Housing repair and maintenance	719,287	-	-	-	719,287	-	-	719,287	608,405
Contracted services	147,560	484	-	-	148,044	415,360	-	563,404	472,170
Donated rent and services	472,975	-	-	-	472,975	-	-	472,975	126,175
Consultants	155,040	24,972	15,638	67,185	262,835	103,182	26,003	392,020	470,969
Travel	218,107	10,739	14,749	59,996	303,591	51,069	7,210	361,870	393,279
Move in support	330,439	51	-	617	331,107	-	-	331,107	312,773
Community building events	81,946	158,705	566	997	242,214	156	-	242,370	168,967
Depreciation and amortization	93,172	17,379	5,092	3,540	119,183	11,238	4,810	135,231	162,819
Professional fees	70,966	7,558	3,927	2,472	84,923	33,982	3,566	122,471	181,895
Computer/office equipment	61,412	6,257	679	5,146	73,494	28,523	2,108	104,125	135,478
Office supplies	61,893	10,819	1,241	1,347	75,300	18,259	4,303	97,862	93,332
Insurance	56,966	8,424	3,696	2,693	71,779	8,632	3,837	84,248	74,909
Miscellaneous	2,924	25	-	-	2,949	80,127	-	83,076	7,481
Outreach	1,129	438	-	1,370	2,937	670	64,046	67,653	74,430
Program supplies	31,950	9,653	531	2,340	44,474	237	-	44,711	37,507
Clinical supervision	51	-	-	-	51	-	-	51	150
Subtotal before pass-through programs	16,430,058	1,505,598	557,306	665,522	19,158,484	2,599,239	786,392	22,544,115	21,426,456
Reconciling items:									
Pass-through programs	2,170,267	164,283	-	-	2,334,550	-	-	2,334,550	2,001,458
	<u>\$ 18,600,325</u>	<u>\$ 1,669,881</u>	<u>\$ 557,306</u>	<u>\$ 665,522</u>	<u>\$ 21,493,034</u>	<u>\$ 2,599,239</u>	<u>\$ 786,392</u>	<u>\$ 24,878,665</u>	<u>\$ 23,427,914</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, 2019  
(with summarized comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,834,816	\$ 639,761
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	135,231	162,819
Bad debt recovery	(10,437)	(36,689)
Change in discount on long-term promises to give	(5,904)	(41,015)
Changes in assets and liabilities:		
Government grants receivables	(917,317)	107,592
Promises to give receivables	(1,409,692)	1,183,530
Prepaid expenses	1,960	(62,849)
Refundable security deposits	(54,875)	(58,238)
Accounts payable and accrued expenses	641,401	458,093
Youth savings accounts	30,801	20,674
Deferred rent and lease incentive	(200,425)	(37,395)
Net cash provided by operating activities	<u>45,559</u>	<u>2,336,283</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(3,339)</u>	<u>(10,788)</u>
Net cash used in investing activities	<u>(3,339)</u>	<u>(10,788)</u>
Cash flows from financing activities:		
Payments on capital leases	<u>(26,089)</u>	<u>(25,937)</u>
Net cash used in financing activities	<u>(26,089)</u>	<u>(25,937)</u>
Net increase in cash and cash equivalents	16,131	2,299,558
Cash and cash equivalents, beginning of year	<u>4,854,863</u>	<u>2,555,305</u>
Cash and cash equivalents, end of year	<u>\$ 4,870,994</u>	<u>\$ 4,854,863</u>
Noncash investing activities:		
Leasehold improvements paid by the landlord	<u>\$ 162,615</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 11,566</u>	<u>\$ 7,737</u>

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



**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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**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 the education and employment program of My First Place providing 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 program is operated in six counties in California: Alameda, Contra Costa, Los Angeles, San Francisco, Santa Clara and Solano and one location in Mississippi.

**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’s 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 (“YTP”)** 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. YTP is operated in Alameda County.

The goal of the **My First Place Affiliate Network** is to create a group of providers across the country who use My First Place to deliver strong outcomes for transition age youth and advocate for improved policies and supports for these youth in their local communities and at the federal level. First Place provides affiliates in the Network with deep technical assistance and support in the areas of program, fundraising and policy to implement the My First Place model successfully.

Continued

**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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**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 and 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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

**Net Assets Without Donor Restrictions** - Those are net assets and activities which represent the portion of expendable funds that are available to support First Place For Youth's operations, which may include gifts of cash and other assets by donors without any time or purpose restrictions. Net assets without donor restrictions may be designated by the Board for a certain purpose. As of June 30, 2019, there were no Board designated assets.

**Net Assets With Donor Restrictions** - Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, the Organization considers cash in bank, money market accounts, and certificates of deposit accounts 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, 2019, management believes this amount is collectible, except for \$2,874 that was treated as allowance for doubtful accounts.

***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. Promises to give, long-term are expected to be due in fiscal year 2021. Management has recorded a discount on long-term promises to give at June 30, 2019. The applicable discount rate ranges were from 1.75% to 1.92% at June 30, 2019, resulting in a discount of \$47,865.

Continued

**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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

***Promises to Give***, continued

Promises to give are due as follows at June 30, 2019:

Receivable in less than one year	\$ 2,132,500
Receivable in one to five years	<u>1,282,500</u>
	3,415,000
Less: discount	<u>(47,865)</u>
Total promises to give	<u><u>\$ 3,367,135</u></u>

***Property and Equipment***

All acquisitions of property and equipment in excess of \$3,000 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 2 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 eligible youth.

**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, 2019

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**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, 2019.

***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. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits; facility costs; depreciation and amortization; insurance; and certain travel and indirect operating expenses. These expenses are allocated on the basis of estimated time and effort by employees.

***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 follows the guidance for uncertain tax positions. 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, 2019.

***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, 2019

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

***Changes in Accounting Principle***

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets is now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added (Note 3).

***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, 2018, 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.

***Promises to Give***

The Organization has two donors at June 30, 2019, representing 73% 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, 2019, approximately 79% 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, 2019, the net government grants receivable from these counties was \$3,494,418.

Continued

**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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**2. Concentration of Credit Risk**, continued

***Support and Revenue***, continued

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2019, approximately 46% of the support from foundations, corporations, funds, and individuals was from two funding sources.

**3. Liquidity and Availability**

The Organization's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 4,870,994
Government grants, net	3,494,418
Current portion of promises to give	<u>2,132,500</u>
Total financial assets	10,497,912
Less operating reserves	<u>(2,114,192)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,383,720</u></u>

The Organization has \$8,383,720 of financial assets available for general expenditures within one year of the statement of financial position date to meet cash needs for general expenditure. The Organization receives certain contributions and promises to give restricted by donors, and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations, to be available to meet cash needs for general expenditures. The Organization has an operating reserve that had a balance of \$2,114,192 at June 30, 2019, with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**4. Property and Equipment, Net**

Computer and office equipment	\$ 503,812
Furniture and fixtures	182,454
Leasehold improvements	<u>2,046,338</u>
Subtotal	2,732,604
Less accumulated depreciation and amortization	<u>(2,275,064)</u>
Property and equipment, net	<u><u>\$ 457,540</u></u>

Continued

**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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**4. Property and Equipment, Net, continued**

Depreciation and amortization expense for the year ended June 30, 2019 was \$135,231.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated depreciation under capital leases was \$132,476 and \$76,169, respectively, at June 30, 2019.

**5. Line of Credit**

The Organization has a line of credit for \$4 million with a maturity date of November 5, 2019. The maturity date for this line of credit was extended in October 2019 to November 5, 2020. The line is unsecured, bearing an initial interest of 6.5%. There is no balance of outstanding on the line of credit as of June 30, 2019.

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, 2019.

**6. Contingencies**

The Organization is involved in legal actions from time to time, to the ordinary course of business. As of June 30, 2019, the Organization does not believe there is any material loss contingencies that would have a material impact on the financial position of the Organization.

**7. Net Assets With Donor Restriction**

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Subject to passage of time	<u>\$ 4,363,782</u>
Subject to expenditure for specified purpose:	
My First Place/Steps to Success	1,211,312
Affiliate Network	633,132
Independent Living Skills	<u>8,873</u>
	<u>1,853,317</u>
Total	<u><u>\$ 6,217,099</u></u>

Continued

**FIRST PLACE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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**7. Net Assets With Donor Restriction, continued**

Net assets with donor restrictions that were released from restriction by incurring expenses satisfying the purposes specified by donors are as follows for the year ended June 30, 2019:

Expiration of time restrictions	\$ 2,018,373
Satisfaction of purpose restrictions:	
My First Place/Steps to Success	975,448
Affiliate Network	227,098
	1,202,546
Total	\$ 3,220,919

**8. Donated Rent and Services**

The Organization received in-kind office rent space and professional services of \$472,975 for the year ended June 30, 2019 which is comprised of the following:

In-kind office spaces for:	
Madison Loft, Ashland Family, Mercy Housing, BTW Housing Partners, Leimert, and Horizon	\$ 438,475
In-kind services	34,500
Total	\$ 472,975

**9. Commitments**

***Operating Leases***

The Organization leases its offices and community centers in six different locations in California: Oakland, Fairfield, Concord, San Francisco, San Jose, Santa Clara and Los Angeles and one location in Mississippi under operating lease agreements that expire at various dates through February 2029. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$1,200,229 for the year ended June 30, 2019.

Continued



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9. **Commitments**, continued

*Operating Leases*, continued

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

	Office Space	Youth Housing
Year ending June 30:		
2020	\$ 1,439,971	\$ 214,920
2021	1,480,944	214,920
2022	1,152,406	214,920
2023	322,064	214,920
2024	313,169	214,920
Thereafter	687,738	1,289,520
Total	\$ 5,396,292	\$ 2,364,120

*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, 2019, are as follows:

	Amount
Year ending June 30:	
2020	\$ 29,255
2021	27,557
2022	5,044
Total minimum lease payments	61,856
Less amount representing interest	(2,629)
Present value of net minimum lease payments	59,227
Less current portion	(29,255)
Capital lease obligation, net of current portion	\$ 29,972

The interest rates on capitalized leases range from 3.26% to 10% 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

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**9. 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, 2019, the Organization maintains a capacity of 272 leases for youth housing. Total rent payments for youth under these leases was \$4,866,520 for the year ended June 30, 2019.

**10. Employee Benefit Plan**

The Organization has a defined contribution retirement plan under Section 401(k), and/or Roth(k), of the Internal Revenue Code (the “401(k) and Roth(k) Plan”), covering substantially all employees of the Organization. The Organization contributes 3% of employees’ salary to the 401(k) Plan and/or Roth(k) for those employees who have completed one year of service. Contributions to the plan for the years ended June 30, 2019 was \$132,138.

**11. Subsequent Events**

The Organization evaluated subsequent events for recognition and disclosure through January 30, 2020, the date which these financial statements were available to be issued. Management concluded that, other than the event described below, no material subsequent events have occurred since June 30, 2019 that require recognition or disclosure in such financial statements.

The Organization entered into a sublease agreement, as the sublandlord, for one of their Oakland locations effective December 17, 2019. The lease term is 36 months, commencing January 15, 2020 with a total base rent of \$18,725 per month.