

FIRST PLACE FOR YOUTH

FINANCIAL STATEMENTS

June 30, 2018

(with summarized comparative totals for 2017)



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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BPM LJP

E. Palo Alto, California
October 4, 2018

FIRST PLACE FOR YOUTH

STATEMENT OF FINANCIAL POSITION

As of June 30, 2018

(with summarized comparative totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,854,863	\$ 2,555,305
Receivables:		
Government grants, net	2,566,664	2,637,567
Current portion of promises to give	1,238,500	3,045,000
Prepaid expenses	<u>249,117</u>	<u>186,268</u>
Total current assets	8,909,144	8,424,140
Promises to give, long-term, net of discount	713,039	49,054
Property and equipment, net	426,817	578,848
Refundable security deposits	<u>530,827</u>	<u>472,589</u>
Total assets	<u>\$ 10,579,827</u>	<u>\$ 9,524,631</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,399,784	\$ 941,691
Youth savings accounts	196,155	175,481
Current portion of capital lease obligations	<u>26,434</u>	<u>25,408</u>
Total current liabilities	1,622,373	1,142,580
Deferred rent and lease incentive	317,093	354,488
Capital lease obligations, net of current portion	<u>58,882</u>	<u>85,845</u>
Total liabilities	<u>1,998,348</u>	<u>1,582,913</u>
Net assets:		
Unrestricted	4,182,638	3,893,752
Temporarily restricted	<u>4,398,841</u>	<u>4,047,966</u>
Total net assets	<u>8,581,479</u>	<u>7,941,718</u>
Total liabilities and net assets	<u>\$ 10,579,827</u>	<u>\$ 9,524,631</u>

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

FIRST PLACE FOR YOUTH

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
Unrestricted net assets:		
Support and revenue:		
Public support:		
Government contracts	\$ 16,775,434	\$ 15,117,686
Foundation, corporate, fund, and individual contributions	4,164,078	3,340,233
Donated rent and services	<u>126,175</u>	<u>104,893</u>
Total support	<u>21,065,687</u>	<u>18,562,812</u>
Special event:		
Special event revenues	-	48,798
Less cost of event	<u>-</u>	<u>(23,261)</u>
Net special event	<u>-</u>	<u>25,537</u>
Revenue:		
Interest and other	<u>42,674</u>	<u>2,773</u>
Net assets released from donor restrictions	<u>2,608,439</u>	<u>3,345,018</u>
Total support and revenue	<u>23,716,800</u>	<u>21,936,140</u>
Expenses:		
Program services	19,898,988	17,501,685
Supporting services:		
Management and general	2,520,647	2,288,657
Fundraising	<u>1,008,279</u>	<u>1,000,306</u>
Total expenses	<u>23,427,914</u>	<u>20,790,648</u>
Change in unrestricted net assets	<u>288,886</u>	<u>1,145,492</u>
Temporarily restricted net assets:		
Foundation, corporate, fund, and individual contributions	2,959,314	782,012
Net assets released from donor restrictions	<u>(2,608,439)</u>	<u>(3,345,018)</u>
Change in temporarily restricted net assets	<u>350,875</u>	<u>(2,563,006)</u>
Change in net assets	639,761	(1,417,514)
Net assets - beginning of year	<u>7,941,718</u>	<u>9,359,232</u>
Net assets - end of year	<u>\$ 8,581,479</u>	<u>\$ 7,941,718</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, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	My First Place Steps to Success	Independent Living Skills Program	Youth Transition Partnership	Affiliate Network	Total Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries and related expenses:									
Salaries	\$ 4,840,699	\$ 557,391	\$ 255,097	\$ 250,209	\$ 5,903,396	\$ 1,242,279	\$ 613,522	\$ 7,759,197	\$ 6,774,489
Payroll taxes	386,430	44,304	21,370	21,289	473,393	102,710	48,003	624,106	557,608
Employee benefits	604,478	71,848	31,181	19,833	727,340	135,144	69,280	931,764	749,839
Total salaries and related expenses	5,831,607	673,543	307,648	291,331	7,104,129	1,480,133	730,805	9,315,067	8,081,936
Clinical supervision	150	-	-	-	150	-	-	150	629
Community building events	72,056	96,311	522	78	168,967	-	-	168,967	196,106
Consultants	136,884	36,431	16,350	60,147	249,812	183,877	37,280	470,969	421,259
Facilities rent	785,813	220,472	45,671	16,645	1,068,601	187,313	75,748	1,331,662	1,189,871
Youth support	484,949	141,135	25,543	5,402	657,029	-	-	657,029	449,299
Youth stipends	1,485,002	15,222	53	3,217	1,503,494	-	1,730	1,505,224	1,430,051
Move in support	310,887	1,229	-	657	312,773	-	-	312,773	406,321
Program supplies	22,676	14,572	259	-	37,507	-	-	37,507	30,583
Housing repair and maintenance	608,405	-	-	-	608,405	-	-	608,405	617,252
Rent payments for youth	4,301,085	-	-	-	4,301,085	-	-	4,301,085	3,710,365
Organizational expenses	536,962	133,841	26,017	15,024	711,844	228,893	54,913	995,650	878,310
Travel	218,677	7,843	9,408	85,611	321,539	64,193	7,547	393,279	313,695
Contracted services	228,460	35,100	-	-	263,560	208,610	-	472,170	315,785
Computer/office equipment	97,170	22,512	826	3,352	123,860	11,390	228	135,478	198,257
Office supplies	54,759	13,479	1,626	1,419	71,283	15,874	6,175	93,332	58,815
Professional fees	59,163	9,601	2,258	580	71,602	102,112	8,181	181,895	143,674
Insurance	47,023	8,346	1,926	1,208	58,503	10,653	5,753	74,909	110,701
Fundraising	-	-	-	-	-	3,588	70,842	74,430	76,528
Donated rent and services	126,175	-	-	-	126,175	-	-	126,175	104,893
Depreciation and amortization	114,654	16,428	3,568	1,139	135,789	17,955	9,075	162,819	201,760
Bad debts	-	-	-	-	-	-	-	-	156,944
Miscellaneous	1,014	141	268	-	1,423	6,056	2	7,481	30,963
Subtotal before pass-through programs	15,523,571	1,446,206	441,943	485,810	17,897,530	2,520,647	1,008,279	21,426,456	19,123,997
Reconciling items:									
Cost of special event	-	-	-	-	-	-	-	-	(23,261)
Pass-through programs	1,832,129	169,329	-	-	2,001,458	-	-	2,001,458	1,689,912
	<u>\$ 17,355,700</u>	<u>\$ 1,615,535</u>	<u>\$ 441,943</u>	<u>\$ 485,810</u>	<u>\$ 19,898,988</u>	<u>\$ 2,520,647</u>	<u>\$ 1,008,279</u>	<u>\$ 23,427,914</u>	<u>\$ 20,790,648</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, 2018
(with summarized comparative totals for the year ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 639,761	\$ (1,417,514)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	162,819	201,760
Bad debt expense (recovery)	(36,689)	50,000
Change in discount on long-term promises to give	(41,015)	24,533
Changes in assets and liabilities:		
Government grants receivables	107,592	(271,540)
Promises to give receivables	1,183,530	1,874,381
Prepaid expenses	(62,849)	(76,961)
Refundable security deposits	(58,238)	(39,185)
Accounts payable and accrued expenses	458,093	7,296
Youth savings accounts	20,674	51,698
Deferred rent and lease incentive	(37,395)	261,008
Net cash provided by operating activities	2,336,283	665,476
Cash flows from investing activities:		
Purchases of property and equipment	(10,788)	(206,605)
Net cash used in investing activities	(10,788)	(206,605)
Cash flows from financing activities:		
Payments on note payable	-	(87,759)
(Payments) borrowings on capital leases	(25,937)	77,095
Net cash used in financing activities	(25,937)	(10,664)
Net increase in cash and cash equivalents	2,299,558	448,207
Cash and cash equivalents, beginning of year	2,555,305	2,107,098
Cash and cash equivalents, end of year	\$ 4,854,863	\$ 2,555,305
Supplemental disclosure of cash flow information:		
Equipment acquired through capital lease	\$ -	\$ 119,157
Interest paid	\$ 7,737	\$ 16,920

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

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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. This 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 are 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 (“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, 2018

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, 2018.

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, 2018, 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 deposit accounts with maturities of three months or less to be cash and cash equivalents.

Government Grants Receivable

Government grants receivables consist of amounts due from several government entities under cost-reimbursement or rate agreements. Management reviews the collectability of the grants receivable on an ongoing basis and has determined an allowance for doubtful accounts of \$13,311 is required as of June 30, 2018.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018. The applicable discount rate ranges were 0.29% to 2.67% at June 30, 2018, resulting in a discount of \$41,961. Promises to give, long-term are expected to be due in fiscal years 2019 to 2021.

Promises to give are due as follows at June 30, 2018:

Receivable in less than one year	\$ 1,238,500
Receivable in one to five years	<u>713,039</u>
Total promises to give	<u><u>\$ 1,951,539</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 upon provision of service to eligible youth.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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, 2018.

Special Event Revenue

The Organization records revenue from a special event at the time of the event. There were no special events in the year ended June 30, 2018.

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 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 has not had a material impact on the financial statements of the Organization for the year ended June 30, 2018.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. Organization and Summary of Significant Accounting Policies, continued

Use of Estimates

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

Prior Year Summarized Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total. 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. At June 30, 2018, the amount exceeding such limits was \$4,488,396.

Promises to Give

The Organization has two donors at June 30, 2018, representing 63% of the total promises to give.

Support and Revenue

The Organization is dependent on grants from the counties of Alameda, Contra Costa, Los Angeles, San Francisco, Santa Clara and Solano. 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, 2018, approximately 74% of the Organization's government grant revenue was from transitional housing program grants from these counties. Approximately 12% of funding received from these counties was provided to other nonprofit service subcontractor providers. As of June 30, 2018, the government grants receivable from these counties was \$2,579,975 net of a \$13,311 allowances for doubtful accounts.

The Organization is dependent on support from foundations, corporations, funds, and individuals. For the year ended June 30, 2018, approximately 61% of the support from foundations, corporations, funds, and individuals was from five funding sources.

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

3. Property and Equipment, Net

As of June 30, 2018, property and equipment comprised of the following:

Computer and office equipment	\$ 506,605
Furniture and fixtures	182,454
Leasehold improvements	<u>1,863,734</u>
Subtotal	2,552,793
Less accumulated depreciation and amortization	<u>(2,125,976)</u>
Property and equipment, net	<u>\$ 426,817</u>

Depreciation and amortization expense for the year ended June 30, 2018 was \$162,819.

The Organization leases certain equipment under agreements that are classified as capital leases. The cost of equipment and accumulated amortization under capital leases was \$132,476 and \$49,674, respectively, at June 30, 2018. These amounts are included as computer and office equipment in property and equipment in the statement of financial position.

4. Line of Credit

The Organization has a line of credit for \$3 million with a maturity date of August 5, 2018. The line of credit was increased to \$4 million in July 2018 and the maturity date extended to November 5, 2019. The line is unsecured and bears an initial interest rate of 6.75%. There is no balance outstanding on the line of credit as of June 30, 2018. The interest rate has a cap at 9%.

The Organization's line of credit agreement with the bank contains a financial covenant. The Organization was in compliance with the covenant as of June 30, 2018.

5. Contingencies

The Organization is involved in legal actions from time to time, due to the ordinary course of business. As of June 30, 2018, the Organization does not believe there are any material loss contingencies that would have a material impact on the financial position of the Organization.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Program	\$ 1,558,011
Program and for future years	<u>2,840,830</u>
Total	<u>\$ 4,398,841</u>

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

6. 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, 2018:

Program	\$	523,694
Program and for future years		<u>2,084,745</u>
Total		<u><u>\$ 2,608,439</u></u>

7. Donated Rent and Services

The Organization received in-kind office rent space and professional services of \$126,175 for the year ended June 30, 2018:

In-kind office spaces for:		
Madison Loft, Ashland Family, Mercy Housing, BTW		
Housing Partners, and Leimert	\$	78,175
In-kind services and donations		<u>48,000</u>
Total		<u><u>\$ 126,175</u></u>

8. Commitments

Operating Leases

The Organization leases its offices in Oakland, Fairfield, Concord, San Francisco, San Jose, Los Angeles, Compton, California, and Jackson, Mississippi under operating lease agreements that expire on various dates through October 2024. The leases provide for increases in future minimum annual rental payments. The rental expense under these lease agreements was \$1,331,662 for the year ended June 30, 2018.

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, 2018, the Organization maintains 255 leases for youth housing with a capacity to serve 404 youth. Total rent payments for youth under these leases was \$4,301,085 for the year ended June 30, 2018.

Of the 255 youth housing leases, 10 have been secured on a 13-year basis, ending in July 2030. The monthly payment for these leases is adjusted annually based on maximum allowable under the Section 8 program administered by the Housing Authority of the County of Los Angeles. Because of the variability of the payments, the future minimum lease payments have been based on the rate established in Year One and are as follows:

Continued

FIRST PLACE FOR YOUTH
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

8. Commitments, continued

The future minimum lease payments at June 30, 2018 under these operating leases are as follows:

	Office Space	Youth Housing
Year ending June 30:		
2019	\$ 1,255,916	\$ 199,560
2020	1,097,004	199,560
2021	1,062,760	199,560
2022	600,149	199,560
2023	101,015	199,560
Thereafter	137,607	1,398,583
Total	\$ 4,254,451	\$ 2,396,383

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, 2018, are as follows:

	Amount
Year ending June 30:	
2019	\$ 29,255
2020	29,255
2021	27,557
2022	5,045
Total minimum lease payments	91,112
Less amount representing interest	(5,796)
Present value of net minimum lease payments	85,316
Less current portion	(26,434)
Capital lease obligation, net of current portion	\$ 58,882

The interest rate on capitalized leases is 3.25% and is 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

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9. Employee Benefit Plans

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 up to 3.5% 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 year ended June 30, 2018 totaled \$128,459.

The Organization established a nonqualified IRC Section 457(b) employee retirement plan covering certain employees holding executive positions with the Organization (the “457(b) Plan”). The 457(b) Plan stipulates that elective contributions may only be made by approval from the Board of Directors.

10. Subsequent Events

The Organization evaluated subsequent events for recognition and disclosure through October 4, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2018 that require recognition or disclosure in such financial statements except for the following:

The Organization renewed its line of credit with the bank (see Note 4).