

Beyond Emancipation
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2016

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON THE AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	13
SUPPLEMENTAL INFORMATION	
SCHEDULE OF COUNTY OF ALAMEDA AWARDS	16

INDEPENDENT AUDITORS' REPORT

Board of Directors
Beyond Emancipation

We have audited the accompanying financial statements of Beyond Emancipation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016, and the related statement 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

The management of Beyond Emancipation 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 auditor considers 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 Beyond Emancipation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of Beyond Emancipation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Beyond Emancipation's internal control over financial reporting and compliance.

Report of Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of County of Alameda Awards on page 16 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.

DZH Phillips LLP

Oakland, California
November 21, 2016

Beyond Emancipation

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 941,431
Contracts receivable	558,619
Grants and contributions receivable	216,356
Prepaid expenses and other assets	<u>75,985</u>

Total current assets 1,792,391

Grants and contributions receivable beyond one year	110,000
Property and equipment, net	4,609
Deposits	<u>12,529</u>

TOTAL ASSETS \$ 1,919,529

LIABILITIES

Current Liabilities:

Accounts payable and accrued expenses	\$ 112,670
Accrued payroll liabilities	42,798
Accrued vacation liability	43,200
Deferred revenue	16,500
Custodial funds	<u>7,300</u>

Total current liabilities 222,468

COMMITMENTS -

NET ASSETS

Unrestricted net assets	
Available for operations	112,490
Board designated	<u>640,000</u>

Total unrestricted	752,490
Temporarily restricted	<u>944,571</u>

Total net assets 1,697,061

TOTAL LIABILITIES AND NET ASSETS \$ 1,919,529

The accompanying notes are an integral part of this statement.

Beyond Emancipation

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contract revenue	\$ 2,295,769	\$ -	\$ 2,295,769
Grants and contributions	292,901	593,832	886,733
In-kind contributions	16,565		16,565
Transit pass and gift card revenue	67,776	-	67,776
Other income	46,507	-	46,507
Net assets released from restrictions	408,371	(408,371)	-
TOTAL SUPPORT AND REVENUE	3,127,889	185,461	3,313,350
EXPENSES			
Program services			
Transitions services	450,228	-	450,228
Education and career	724,563	-	724,563
Housing services	1,064,881	-	1,064,881
Independent living program	81,478	-	81,478
Total program services	2,321,150	-	2,321,150
Supporting services			
Management and general	459,504	-	459,504
Fundraising	294,600	-	294,600
TOTAL EXPENSES	3,075,254	-	3,075,254
Change in Net Assets	52,635	185,461	238,096
Net Assets at beginning of year	699,855	759,110	1,458,965
NET ASSETS AT END OF YEAR	\$ 752,490	\$ 944,571	\$ 1,697,061

The accompanying notes are an integral part of this statement.

Beyond Emancipation

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2016

	Program services					Supporting services			Common facility cost	Total	
	Transitions services	Education and Career	Housing services	Independent living	Program evaluation	Total program services	Management and general	Fundraising			Coaching
Salaries	\$ 233,996	\$ 354,414	\$ 406,211	\$ 36,031	\$ 63,344	\$ 1,093,996	\$ 282,203	\$ 156,533	\$ 96,055	\$ -	\$ 1,628,787
Payroll taxes	20,180	30,499	34,624	3,052	4,760	93,115	24,239	13,335	7,316	-	138,005
Employee benefits	32,700	52,334	52,261	5,090	9,139	151,524	41,319	23,317	14,273	-	230,433
Workers compensation	4,056	6,128	6,958	618	1,083	18,843	4,902	2,697	1,665	-	28,107
Occupancy	-	24,524	291,899	-	-	316,423	150	800	-	78,031	395,404
Professional fees	6,926	95,807	28,452	1,493	15,500	148,178	45,092	33,327	25,465	31,141	283,203
Direct assistance to clients	81,039	33,199	52,714	15,287	-	182,239	-	4,616	-	-	186,855
Office supplies, copying and postage	1,994	6,398	4,618	2,034	-	15,044	2,336	3,672	3,015	13,393	37,460
Telephone	494	2,839	13,402	-	26	16,761	203	179	-	14,254	31,397
Expendable equipment	299	2,318	1,896	5,028	5,913	15,454	2,809	1,070	-	7,914	27,247
Travel	1,392	4,200	11,769	77	3,190	20,628	174	599	110	293	21,804
Gifts in-kind - client assistance								16,565			16,565
Insurance	-	-	-	-	-	-	3,248	-	-	9,479	12,727
Equipment rental and maintenance		2,500	70			2,570				7,271	9,841
Dues and subscriptions	-	1,050	10	-	-	1,060	990	2,433	1,002	4,128	9,613
Conferences and meetings	364	689	447	679	311	2,490	2,075	985	950	1,747	8,247
Miscellaneous	33	237	134	-	-	404	392	545	268	1,656	3,265
Bank charges and other fees	29	12	1,543	-	-	1,584	638	576	-	424	3,222
Depreciation	-	-	-	-	-	-	-	2,146	-	926	3,072
Facility cost allocation	22,520	36,253	53,283	4,080	6,101	122,237	24,111	15,439	8,870	(170,657)	-
Program evaluation allocation	21,208	34,140	50,177	3,842	(109,367)	-	-	-	-	-	-
Coaching allocation	22,998	37,022	54,413	4,167	-	118,600	24,623	15,766	(158,989)	-	-
Total Expenses	\$ 450,228	\$ 724,563	\$ 1,064,881	\$ 81,478	\$ -	\$ 2,321,150	\$ 459,504	\$ 294,600	\$ -	\$ -	\$ 3,075,254

The accompanying notes are an integral part of this statement.

Beyond Emancipation
STATEMENT OF CASH FLOWS

Year ended June 30, 2016

Cash flows provided by operating activities:	
Change in net assets	\$ 238,096
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	3,072
(Increase) decrease in operating assets:	
Receivables	(219,866)
Prepaid expenses and other assets	(19,292)
Deposits	(1,020)
Increase in operating liabilities:	
Accounts payable and accrued expenses	83,515
Deferred revenue	16,500
Accrued vacation liability	2,748
Accrued payroll liability	17,988
Custodial funds	4,450
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Net cash provided by operating activities	126,191
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Net increase in cash and cash equivalents	126,191
Cash and cash equivalents - beginning of the year	815,240
	<hr/>
Cash and cash equivalents - end of the year	<u><u>\$ 941,431</u></u>

The accompanying notes are an integral part of this statement.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – Description of Operations and Summary of Significant Accounting Policies

Beyond Emancipation (B:E) is a nonprofit corporation located in Oakland, California. B:E provides a transformational environment for transition-aged youth who have experience in foster care and/or probation placements so that they can live more healthy, productive and connected lives. B:E serves Alameda County youth ages 16-24 each year. Without assistance, as they transition into adulthood, these young people face extremely high rates of poverty, unemployment, homelessness, and incarceration.

All of B:E's services are rooted in a coaching model: Creative, Connected, Resourceful and Whole (CCRW). CCRW is built on the premise that youth need to identify, access and cultivate their own strengths, voice and values, if they are to achieve enduring success in school, the workplace and housing. By doing so, youth are able to uncover competing beliefs and challenge the behaviors that may interfere with their ability to identify and realize their aspirations. Through CCRW young people move from being program supported to internally motivated and develop the inner resiliency, sense of competence and external support networks key to long term success.

B:E's core programs include:

Transitions Services: B:E provides case management and coaching services to the youth in need of extra support in reaching their goals. B:E also partners with Alameda County Social Services Agency to bring innovation to the aftercare planning process for in care youth as they prepare to transition out of the child welfare system.

Education and Career: B:E supports youth to connect with local employers, improve their resumes and cover letters, and to explore career pathways and vocational training opportunities. B:E also offers supported employment through internships and fellowships in partnership with Alameda County and local businesses. B:E supports youth to complete high school, secure their diploma or obtain a GED and actively supports youth on multiple post-secondary pathways including 2 and 4-year degree programs, and vocational and career and technical education. B:E's *b2b* program is a 2-year comprehensive college support and retention program offered in partnership with Laney Community College.

Housing Services: B:E specializes in a community housing model tailored to youth who benefit from onsite services and participation in a peer community; and a host housing model that promotes permanency between youth and their host family. B:E's THP+ programs provide housing and supportive services for up to 24 months for emancipated youth ages 18-23, including pregnant and parenting moms and their children. Beyond Emancipation also provides THP+FC transitional housing for non-minor dependents ages 18-21 and their children, who are still in care.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – Description of Operations and Summary of Significant Accounting Policies (continued)

Independent Living Program: The program is designed to work with youth ages 14-21, who are still in foster care, to help them build the skills and supports needed to ensure a successful transition from the foster care system to adulthood. Program components include 1:1 and group activities that emphasize secondary school completion, college readiness, career exploration, financial literacy, health and wellness, identity formation and building community.

A summary of the significant policies applied in the preparation of the accompanying financial statements follows:

Method of Accounting

The financial statements of B:E have been prepared using the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recorded when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, B:E considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contracts Receivable

Contracts receivable include various third party payment arrangements that are stated at the amount management expects to collect. B:E provides for losses on contracts receivables using allowance method. At June 30, 2016, no allowance has been provided since management expects to collect contracts receivable in its entirety.

Grants and Contributions Receivable

Grants and contributions receivable include unconditional commitments from various foundations and individuals that are recorded at the net realizable value of the amount expected to be collected by management, less an allowance for doubtful pledges. Grants and contributions receivable beyond one year are discounted to present value of expected future cash flow using a risk-based discount rate. The accompanying financial statements do not provide for an allowance for uncollectible promises to give or discount to net realizable value at June 30, 2016, as management believes that it will collect all promises to give and that the value reflected on the financial statements approximates net realizable value.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – Description of Operations and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value, if donated. Depreciation is provided over the estimated useful lives of respective assets, normally 3 to 5 years using the straight-line method of depreciation. B:E records acquisitions with a cost basis of \$2,500 or more as property and equipment.

Income Tax Status

B:E is exempt from Federal and State income tax under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code and similar code section of the California Revenue and Taxation Code, is subject to income tax. Each year management considers whether any material tax positions B:E has taken are more likely than not to be sustained upon examination by the applicable taxing authority. Management believes that any positions B:E has taken are supported by substantial authority and, hence, do not need to be measured or disclosed in these financial statements.

Basis of Presentation

Net assets, revenues, expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the B:E and changes therein are classified and reported as followed:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations. The Board of Directors has designated a portion of the unrestricted net assets for operating reserves. The amounts designated are not available for the organization's operations without Board of Director's approval.

Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met either by actions of B:E and/or the passage of time.

Permanently restricted net assets represent net assets subject to donor-imposed stipulations neither expire by passage of time nor can otherwise be removed by actions B:E. There were no permanently restricted net assets at June 30, 2016.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – Description of Operations and Summary of Significant Accounting Policies (continued)

Contract Revenue

B:E recognizes contract revenue from arrangements with various third parties in the period when the service has been provided.

Grants and Contributions

Grant and contributions are recognized when a donor makes a promise to give to B:E that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily net assets. When a 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.

In-Kind Contributions

B:E records contributed services and material at their estimated fair value on the date of receipt. Contributed services are recognized if the services received required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not received through donation. Contributions of tangible assets are recognized at fair market value received. The amount reflection in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

Allocation of Expenses

Salaries and employee benefits are allocated to programs and supporting activities based on employees' actual time spent in each activity. Management determined that the program evaluation service has benefitted only program activities, coaching and shared facility costs benefitted all activities, and therefore, costs were allocated to relevant activities based on direct costs of such.

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. These estimates and assumptions affect the reported amounts and disclosures. Significant accounting estimates reflected in B:E's financial statements include the valuation and collectability of all receivables and the functional allocation of expenses. Actual results could differ from those estimates.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note B – Concentrations of Credit Risk

Financial instruments that potentially subject B:E to concentrations of credit risk consist principally of cash and cash equivalents, contracts receivable and contract revenue. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor). B:E has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

At June 30, 2016, 61% and 66% of contracts receivable and contract revenue, respectively, were from Alameda County Social Services.

Note C – Grants and Contributions Receivable

Grants and contributions receivable consist of the following:

Receivable in less than one year	\$ 216,356
Receivable in one to five years	<u>110,000</u>
	<u><u>\$ 326,356</u></u>

Note D – Property and Equipment

Property and equipment consists of:

Furniture and equipment	\$ 11,801
Software	<u>25,950</u>
Total property and equipment	\$ 37,751
Accumulated depreciation	<u>(33,142)</u>
Property and equipment, net	<u><u>\$ 4,609</u></u>

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note E – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

Capacity building	\$ 428,721
Time restricted	220,000
Transitions services	174,323
B2B	86,450
Performance evaluation	20,830
Educational advocacy	13,415
Coaching	832
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	\$ 944,571
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Note F – Related Party Transactions

B:E paid a company, whose sole owner is personally affiliated with B:E's Executive Director, \$74,708 for services provided during the year ended June 30, 2016 of which \$1,089 was payable at June 30, 2016. The company provided culinary training to the youth served by B:E.

Note G – Retirement Benefits

B:E has established 403(b) defined contribution plan. At the discretion of Board of Directors, a certain percentage of matching contribution is provided every year up to 3% of employee compensation. B:E's contribution to the plan for the year ended June 30, 2016 was \$32,447.

Note H – Operating Leases

B:E leases office space under a long-term operating lease agreement which expires on December 31, 2016. Future minimum payments under this arrangement are \$11,400 for year ending June 30, 2017. In addition, B:E leases various facilities and certain equipment under month to month agreements.

Rent expense for the year ended June 30, 2016 was \$192,761.

Note I - Subsequent events

Management has evaluated subsequent events through November 21, 2016, the date on which the financial statements were available to be issued.

INDEPENDENT AUDITOR'S 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*

Board of Directors
Beyond Emancipation

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 Beyond Emancipation (a nonprofit organization), 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, and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Beyond Emancipation'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 Beyond Emancipation's internal control. Accordingly, we do not express an opinion on the effectiveness of Beyond Emancipation'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Beyond Emancipation

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beyond Emancipation's financial statements are free from 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.

DZH Phillips LLP

Oakland, California
November 21, 2016

SUPPLEMENTAL INFORMATION

Beyond Emancipation

SCHEDULE OF COUNTY OF ALAMEDA AWARDS

Year ended June 30, 2016

	Aftercare	THP+Staffed Housing	ILP
Program Name:			
Contract Number:	12896	12853	13109
Exhibit Number:	none	none	none
Contract Period:	7/1/15-6/30/16	7/1/15-6/30/16	05/01/16-6/30/17
 Contract Amount:	 <u>\$ 1,031,432</u>	 <u>\$ 514,374</u>	 <u>\$ 816,202</u>
 Expenses:			
Personnel Costs	\$ 732,601	\$ 273,880	\$ 43,302
Professional Fees	25,649	20,970	888
Subcontracts	-	-	15,287
Direct Client Expenses	18,549	-	-
Program Expenses	98,658	63,193	7,526
CCRW (coaching)	22,723	10,074	-
Rent/Lease	-	96,165	-
Interest Expense	-		
Indirect Expense	133,229	64,385	12,061
Total Expenses	<u>\$ 1,031,409</u>	<u>\$ 528,667</u>	<u>\$ 79,064</u>
 Amount reimbursed by Alameda County	 <u>\$ 1,031,409</u>	 <u>\$ 399,175</u>	 <u>\$ 79,064</u>
 Revenue excess/(deficit)	 -	 (129,492)	 -