

**FINANCIAL STATEMENTS**

**SASHA BRUCE YOUTHWORK, INC.**

**FOR THE YEARS ENDED  
JUNE 30, 2020 AND 2019**

**SASHA BRUCE YOUTHWORK, INC.**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Sasha Bruce Youthwork, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of Sasha Bruce Youthwork, Inc. (SBY), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditor's 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBY as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance 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 October 29, 2020 on our consideration of SBY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBY's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 29, 2020

**SASHA BRUCE YOUTHWORX, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020 AND 2019**

<b>ASSETS</b>		<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,798,784	\$ 1,736,751
Accounts, grants and contributions receivable		1,493,734	1,180,383
Prepaid expenses		24,371	30,840
Other current assets		<u>29,205</u>	<u>26,148</u>
Total current assets		<u>4,346,094</u>	<u>2,974,122</u>
<b>INVESTMENTS</b>			
		<u>2,187,114</u>	<u>2,056,678</u>
<b>PROPERTY AND EQUIPMENT</b>			
Land		477,170	477,170
Buildings		1,247,683	1,247,683
Building improvements		3,634,104	3,613,110
Equipment		183,102	163,294
Vehicles		<u>11,824</u>	<u>11,824</u>
		5,553,883	5,513,081
Less: Accumulated depreciation		<u>(3,901,086)</u>	<u>(3,764,886)</u>
Net property and equipment		<u>1,652,797</u>	<u>1,748,195</u>
<b>OTHER ASSETS</b>			
Deferred compensation		<u>74,178</u>	<u>73,168</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>8,260,183</u></b>	<b>\$ <u>6,852,163</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	108,481	\$ 108,223
Accrued expenses		481,230	417,362
Deferred revenue		905,486	690,124
Current portion of mortgages payable		26,990	25,563
Refundable advance		<u>325,410</u>	<u>-</u>
Total current liabilities		<u>1,847,597</u>	<u>1,241,272</u>
<b>OTHER LIABILITIES</b>			
Mortgages payable, net of current portion		125,748	152,739
Deferred compensation		<u>74,178</u>	<u>73,168</u>
Total other liabilities		<u>199,926</u>	<u>225,907</u>
Total liabilities		<u>2,047,523</u>	<u>1,467,179</u>
<b>NET ASSETS</b>			
Net assets without donor restrictions		5,829,124	5,020,140
Net assets with donor restrictions		<u>383,536</u>	<u>364,844</u>
Total net assets		<u>6,212,660</u>	<u>5,384,984</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>8,260,183</u></b>	<b>\$ <u>6,852,163</u></b>

See accompanying notes to financial statements.

## SASHA BRUCE YOUTHWORX, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING SUPPORT AND REVENUE</b>		
<b>REVENUE WITHOUT DONOR RESTRICTIONS</b>		
Grants and contracts	\$ 9,638,165	\$ 7,961,409
Contributions	867,324	496,101
United Way	9,233	15,773
Interest and dividends	2,092	5,769
Contributed services	156,625	118,330
Annual gala	187,891	415,337
Other revenue	2,714	10,677
Net assets released from donor restrictions	<u>91,808</u>	<u>225,253</u>
Total operating support and revenue	<u>10,955,852</u>	<u>9,248,649</u>
<b>OPERATING EXPENSES</b>		
Program Services:		
Safe Homes	5,312,913	4,793,655
Life Skills Development	2,898,670	2,141,194
Workforce Development and Education Opportunities	<u>-</u>	<u>5,637</u>
Total program services	<u>8,211,583</u>	<u>6,940,486</u>
Supporting Services:		
Management and General	1,662,784	1,621,529
Fundraising	<u>457,189</u>	<u>364,346</u>
Total supporting services	<u>2,119,973</u>	<u>1,985,875</u>
Total expenses	<u>10,331,556</u>	<u>8,926,361</u>
Change in net assets from operating activities	624,296	322,288
<b>NON OPERATING ACTIVITY</b>		
Investment income, net	<u>184,688</u>	<u>169,321</u>
Change in net assets without donor restrictions	<u>808,984</u>	<u>491,609</u>
<b>REVENUE WITH DONOR RESTRICTIONS</b>		
Contributions	110,500	226,250
Special events	-	3,500
Net assets released from donor restrictions	<u>(91,808)</u>	<u>(225,253)</u>
Changes in net assets with donor restrictions	<u>18,692</u>	<u>4,497</u>
<b>TOTAL CHANGES IN NET ASSETS</b>	<b><u>\$ 827,676</u></b>	<b><u>\$ 496,106</u></b>

## SASHA BRUCE YOUTHWORK, INC.

STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Net assets at beginning of year	\$ 5,020,140	\$ 4,528,531
Changes in net assets without donor restrictions	<u>808,984</u>	<u>491,609</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 5,829,124</u></b>	<b><u>\$ 5,020,140</u></b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Net assets at beginning of year	\$ 364,844	\$ 360,347
Changes in net assets with donor restrictions	<u>18,692</u>	<u>4,497</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 383,536</u></b>	<b><u>\$ 364,844</u></b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,212,660</u></b>	<b><u>\$ 5,384,984</u></b>

## SASHA BRUCE YOUTHWORX, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services		Total Supporting Services	Total Expenses
	Safe Homes	Life Skills Development	Total Program Services	Management and General	Fundraising		
Salaries	\$ 3,183,121	\$ 1,686,841	\$ 4,869,962	\$ 768,288	\$ 237,202	\$ 1,005,490	\$ 5,875,452
Fringe benefits	640,265	348,162	988,427	48,321	47,431	95,752	1,084,179
Occupancy and other related costs	550,641	334,843	885,484	43,877	300	44,177	929,661
Client and auxiliary services	186,259	156,272	342,531	8,265	-	8,265	350,796
Consultants and professional fees	382,591	132,968	515,559	290,958	111,669	402,627	918,186
Contributed services	-	-	-	156,625	-	156,625	156,625
Office supplies and expenses	33,804	19,297	53,101	72,254	13,025	85,279	138,380
Depreciation	72,504	38,422	110,926	19,775	5,499	25,274	136,200
Transportation and travel	69,096	29,375	98,471	27,091	10	27,101	125,572
Equipment rental and maintenance	115,647	107,354	223,001	68,852	20,161	89,013	312,014
Telephone	66,809	43,585	110,394	12,397	49	12,446	122,840
Miscellaneous expense	5,426	1,551	6,977	58,766	5,003	63,769	70,746
Insurance	6,750	-	6,750	86,006	-	86,006	92,756
Annual gala	-	-	-	-	16,840	16,840	16,840
Interest expense	-	-	-	1,309	-	1,309	1,309
<b>TOTAL</b>	<b>\$ 5,312,913</b>	<b>\$ 2,898,670</b>	<b>\$ 8,211,583</b>	<b>\$ 1,662,784</b>	<b>\$ 457,189</b>	<b>\$ 2,119,973</b>	<b>\$ 10,331,556</b>

See accompanying notes to financial statements.



## SASHA BRUCE YOUTHWORX, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services				Total Expenses
	Safe Homes	Life Skills Development	Workforce Development and Education Opportunities	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$2,950,286	\$ 1,245,859	\$ -	\$ 4,196,145	\$ 655,943	\$ 136,264	\$ 792,207	\$4,988,352
Fringe benefits	601,281	293,960	-	895,241	146,832	23,165	169,997	1,065,238
Occupancy and other related costs	387,992	58,606	-	446,598	30,370	-	30,370	476,968
Client and auxiliary services	187,361	195,826	400	383,587	1,369	-	1,369	384,956
Consultants and professional fees	329,189	186,234	4,894	520,317	303,719	64,792	368,511	888,828
Contributed services	-	-	-	-	118,330	-	118,330	118,330
Office supplies and expenses	28,919	16,894	126	45,939	80,164	6,538	86,702	132,641
Depreciation	80,451	33,973	-	114,424	19,897	3,772	23,669	138,093
Transportation and travel	87,008	31,855	-	118,863	22,598	-	22,598	141,461
Equipment rental and maintenance	73,287	44,407	56	117,750	93,531	3,375	96,906	214,656
Telephone	60,252	29,915	161	90,328	11,462	-	11,462	101,790
Miscellaneous expense	5,379	3,665	-	9,044	58,323	-	58,323	67,367
Insurance	2,250	-	-	2,250	77,532	-	77,532	79,782
Annual gala	-	-	-	-	-	126,440	126,440	126,440
Interest expense	-	-	-	-	1,459	-	1,459	1,459
<b>TOTAL</b>	<b>\$4,793,655</b>	<b>\$ 2,141,194</b>	<b>\$ 5,637</b>	<b>\$ 6,940,486</b>	<b>\$ 1,621,529</b>	<b>\$ 364,346</b>	<b>\$1,985,875</b>	<b>\$ 8,926,361</b>

See accompanying notes to financial statements.

## SASHA BRUCE YOUTHWORX, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 827,676	\$ 496,106
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	136,200	138,093
Unrealized gain	(116,650)	(118,896)
Realized gain	(50,751)	(32,801)
Gain on disposal of fixed assets	-	(2,054)
Write-off of receivables	-	11,000
(Increase) decrease in:		
Accounts, grants and contributions receivable	(313,351)	(329,087)
Prepaid expenses	6,469	(11,062)
Other current assets	(3,057)	(21,662)
Deferred compensation	(1,010)	(4,566)
Increase in:		
Accounts payable	258	34,298
Accrued expenses	63,868	86,711
Deferred revenue	215,362	424,620
Deferred compensation	1,010	4,566
Refundable advance	<u>325,410</u>	<u>-</u>
Net cash provided by operating activities	<u>1,091,434</u>	<u>675,266</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(40,802)	(13,994)
Proceeds from recovery of fixed assets	-	4,554
Purchase of investments	(978,137)	(784,113)
Sale of investments	<u>1,015,102</u>	<u>765,528</u>
Net cash used by investing activities	<u>(3,837)</u>	<u>(28,025)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgages payable	<u>(25,564)</u>	<u>(25,414)</u>
Net cash used by financing activities	<u>(25,564)</u>	<u>(25,414)</u>
Net increase in cash and cash equivalents	1,062,033	621,827
Cash and cash equivalents at beginning of year	<u>1,736,751</u>	<u>1,114,924</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,798,784</u></b>	<b><u>\$ 1,736,751</u></b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	<b><u>\$ 1,309</u></b>	<b><u>\$ 1,459</u></b>
Donated Securities	<b><u>\$ 65,586</u></b>	<b><u>\$ 8,001</u></b>

See accompanying notes to financial statements.

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Founded in 1974, the mission of Sasha Bruce Youthwork, Inc. (SBY) is to improve the lives of runaway, homeless and disconnected youth and their families in the Washington, D.C. area. The overarching goal of the organization is to provide youth with the tools they need to curb high risk behaviors, stabilize their living situations, succeed at school, strengthen family relationships and develop the skills they need to be self-sufficient.

SBY provides cost-effective services through three primary initiatives: safe homes, life skills and educational and workforce opportunities. During its 45-year history, SBY has reunited over 13,000 homeless youth with strengthened families. Today, SBY serves approximately 1,500 youth and 5,000 family members annually in the District of Columbia and through a shelter in Prince George's County, Maryland.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC (FASB) 958, *Not-for-Profit Entities*, Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU was adopted during the year ended June 30, 2019 and applied retrospectively.

Measure of operations -

SBY reports as part of operations all activities except for investment income, investment expenses, and other items, if any, which are unusual or nonrecurring in nature.

New accounting pronouncements adopted -

During 2020, SBY early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way SBY recognized revenue; however, the presentation and disclosures of revenue have been enhanced. SBY has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2020, SBY adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. SBY adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

Cash and cash equivalents consist of checking and savings accounts, certificates of deposits (with maturities of three months or less), and money market funds held outside of its managed investment accounts. SBY has cash and cash equivalents recorded in their investments in the amount of \$68,965 and \$37,763 at June 30, 2020 and 2019, respectively.

**SASHA BRUCE YOUTHWORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Investments -

Investments in certificates of deposit, institutional mutual funds, equity securities, and debt securities are measured and reported at fair value. The fair values of certificates of deposit, institutional mutual funds, equity securities, and debt securities with readily determinable fair values are based on quotations obtained from national security exchanges.

Certificates of deposit, institutional mutual funds, equity securities, and debt securities with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. SBY's management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair values. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed.

Realized and unrealized gains and losses and investment interest/dividends are included in investment income, net of investment expenses paid to external investment advisors, in the non-operating section of the accompanying Statements of Activities.

Accounts, grants and contributions receivable -

Accounts, grants and contributions receivable approximate fair value and primarily represent amounts due from funding organizations for reimbursable expenses incurred in accordance with grant agreements. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment greater than \$5,000 is capitalized and carried at cost, generally five to fifteen years. Donated land, buildings, and property and equipment are stated at fair value at the date of donation.

Expenditures for major additions, renewals and improvements greater than \$5,000 are capitalized; expenditures for repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying Statements of Activities. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, generally five to twenty-five years.

Income taxes -

SBY is exempt from Federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. For the years ended June 30, 2020 and 2019, SBY has documented its consideration of FASB ASC 740-10, Income Taxes, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. Accordingly, the accompanying financial statements do not include a provision for Federal and state income taxes. SBY did not have any unrelated business income for the years ended June 30, 2020 and 2019. Tax years prior to 2017 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia. SBY has been classified by the Internal Revenue Service as a publicly supported organization not a private foundation under Section 170(b)(1)(A)(VI).

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Net assets without donor restrictions** include revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of SBY and include both internally designated and undesignated resources.
- **Net assets with donor restrictions** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of SBY and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Revenue recognition -

SBY records contributions and certain grants as revenue when they are unconditionally pledged by the donor or when received in cash if not pledged and are recorded as contributions for United Way in the Statements of Activities.

Donated investments are reflected as contributions revenue and are recorded at their fair value on the date of receipt. All donated investments are recorded as revenue without donor restrictions unless specifically restricted by the donor.

Revenues with donor restrictions are contributions with donor-imposed time and/or program-specific restrictions. These donor restrictions require that resources be used for specific purposes and/or in a certain period.

SBY receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Revenues from federal and other funding sources considered exchange transactions are recognized when the related expenses are incurred and are recorded as grants and contracts in the Statements of Activities. Expenses charged to Federal grants are subject to audit and adjustment. Amounts received from the Federal Government that have not yet been spent in accordance with Federal criteria are considered refundable advances and amounts received from non-Federal sources that have not yet been spent in accordance with the grant agreement are considered deferred revenue.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a non-financial asset, or the services require specialized skills, the service is provided by individuals who possess those skills, and the service would typically need to be purchased if not contributed. Contributed services are recorded in the Statements of Activities and consist of pro-bono services from attorneys and other professional services as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Legal	\$ 136,325	\$ 118,330
Other professional services	<u>20,300</u>	<u>-</u>
<b>TOTAL CONTRIBUTED SERVICES</b>	<b><u>\$ 156,625</u></b>	<b><u>\$ 118,330</u></b>

**SASHA BRUCE YOUTHWORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Revenue recognition (continued) -

Volunteers assist in a variety of tasks, such as volunteering for specific assistance programs, campaign solicitations, and various committee assignments. These services are not reflected in the accompanying Statements of Activities because they do not meet the necessary criteria for recognition.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of supporting the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Certain costs have been allocated among the program and supporting service categories based on various methods, including time spent and space occupied.

Risks and uncertainties -

SBY invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

SBY reports fair value in accordance with the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value and establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. SBY accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market SBY has the ability to access.

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Fair value measurement (continued) -

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

Concentrations -

SBY maintains its cash and cash equivalents with commercial financial institutions. SBY's cash and cash equivalents consist of commercial checking and savings accounts. These accounts were insured by the Federal Deposit Insurance Corporation (FDIC), up to a limit of \$250,000. As of June 30, 2020 and 2019, the accounts exceeded the insured limit by approximately \$2,379,000 and \$1,402,000, respectively. SBY monitors the creditworthiness of the institutions and has not experienced any credit losses on its cash and cash equivalents, nor does it expect to experience any such losses.

For the years ended June 30, 2020 and 2019, approximately 16 percent and 19 percent of total revenue (excluding contributed services) was received from Federal and state funds.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact SBY's operations. The overall potential impact is unknown at this time.

**2. INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, SBY has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The tables below summarize, by level within the fair value hierarchy, SBY's investments as of June 30, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2020</u>
<b>Asset Class: Investments</b>				
Money market funds	\$ 68,965	\$ -	\$ -	\$ 68,965
U.S. Treasury and agency notes	50,648	-	-	50,648
Municipal bonds	-	207,314	-	207,314
Corporate bonds	506,807	-	-	506,807
U.S. Equities	1,325,363	-	-	1,325,363
Gold ETF	<u>28,017</u>	<u>-</u>	<u>-</u>	<u>28,017</u>
<b>TOTAL</b>	<b><u>\$ 1,979,800</u></b>	<b><u>\$ 207,314</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,187,114</u></b>

**SASHA BRUCE YOUTHWORK, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**2. INVESTMENTS (Continued)**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total June 30, 2019</b>
<b>Asset Class: Investments</b>				
Money market funds	\$ 37,763	\$ -	\$ -	\$ 37,763
Certificates of deposit	-	52,976	-	52,976
U.S. Treasury and agency notes	97,024	-	-	97,024
Municipal bonds	-	130,288	-	130,288
Corporate bonds	518,292	-	-	518,292
Energy index ETF	11,478	-	-	11,478
U.S. Equities	<u>1,208,857</u>	<u>-</u>	<u>-</u>	<u>1,208,857</u>
<b>TOTAL</b>	<b><u>\$ 1,873,414</u></b>	<b><u>\$ 183,264</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,056,678</u></b>

There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2020 and 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *U.S. Treasury and agency notes* - Valued at the closing price reported on the active market in which the individual securities are traded. Accordingly, the fair values are included in Level 1 of the hierarchy.
- *Municipal bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk. Accordingly, the estimates of fair value, as provided by the pricing service, are included in Level 2 of the hierarchy.
- *Corporate bonds* - Valued at the closing price reported on the active market in which the individual securities are traded. Accordingly, the fair values are included in Level 1 of the hierarchy.
- *U.S. Equities and Energy index ETF* - Fair value based on market quotes from major exchanges. Accordingly, the fair values are included in Level 1 of the hierarchy.

Included in investment income for the years ended June 30, 2020 and 2019 are the following:

	<b>2020</b>	<b>2019</b>
Unrealized gain	\$ 116,650	\$ 118,896
Interest and dividends	42,796	41,228
Realized gain	50,751	32,801
Management fees	<u>(25,509)</u>	<u>(23,604)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 184,688</u></b>	<b><u>\$ 169,321</u></b>



**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**2. INVESTMENTS (Continued)**

The investment portfolio has been assigned as collateral for the \$1,000,000 line of credit in the event of default on repayment of line of credit draws.

**3. MORTGAGES PAYABLE**

Mortgages payable consisted of the following as of June 30, 2020 and 2019:

- Interest-free first mortgage note dated June 6, 1991, for \$315,000 for the purchase of a building, due on August 1, 2023, and guaranteed by the U.S. Department of Housing and Urban Development, with principal payments of \$875 due monthly.
- Second mortgage note dated September 9, 1998, for \$424,186 for the purchase of a building, due on September 1, 2028, and guaranteed by the U.S. Department of Housing and Urban Development, accruing interest at a fixed annual rate of 1%, with interest and principal payments of \$1,364 due monthly.

As of June 30, 2020 and 2019, the outstanding principal on these mortgage payables was \$152,738 and \$178,302, respectively. Principal payments are due as follows:

**Year Ended June 30,**

2021	\$	26,990
2022		27,143
2023		17,357
2024		15,764
2025		15,922
2026 and Thereafter		<u>49,562</u>
	<b>\$</b>	<b><u>152,738</u></b>

For the years ended June 30, 2020 and 2019, interest expense totaled \$1,309 and \$1,459, respectively.

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Scholarships and Special Projects	\$ 152,000	\$ 152,000
Youth Drop-In	92,474	144,954
Special Events - Pledges Receivable	-	3,500
Life Skills	26,098	4,390
Life Skills - Transformation Project	<u>112,964</u>	<u>60,000</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 383,536</u></b>	<b><u>\$ 364,844</u></b>

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<b>2020</b>	<b>2019</b>
Family Strengthening	\$ 16,119	\$ 48,286
Life Skills - Transformation Project	4,036	-
Youth Drop-In	52,480	56,291
Special Events	3,500	33,000
Data Evaluation	-	50,000
Life Skills	15,673	3,110
Credible Messenger	-	34,566
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ 91,808</b>	<b>\$ 225,253</b>

**5. COMMITMENTS**

Leases -

SBY has month-to-month leases for residential and office space under several of its youth programs. Rent and other related expenses for the years ended June 30, 2020 and 2019 was \$474,080 and \$181,273, respectively, which is included with "Occupancy and other related costs" in the Statements of Functional Expenses. Other related costs include utilities, repairs and maintenance, property taxes, trash removal and cleaning.

SBY has a three year lease for residential space under one of its youth programs that commenced July 1, 2019 and expires June 30, 2022. The lease includes a 2% rent increase per year beginning in the second year and the Landlord holds the security deposit in the amount of \$21,214.

Subsequent to year-end, SBY entered into a lease that commenced on September 15, 2020 and will expire on September 30, 2021. The lease does include three one year extensions if SBY so chooses to do so.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 259,659
2022	264,853
	<b>\$ 524,512</b>

Line of Credit -

SBY obtained a \$1 million line of credit dated June 20, 2019 that has no stated expiration date, but that is subject to annual review by the financial institution starting June 20, 2020. The line of credit accrues interest on outstanding amounts at prime less 1% and is collateralized by SBY's investments. SBY had no amounts outstanding at June 30, 2020 and 2019, respectively.

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**5. COMMITMENTS (Continued)**

Paycheck Protection Program -

On May 5, 2020, SBY received loan proceedings totaling \$1,053,547 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. SBY intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, and accordingly has reflected the expected forgiveness amounts as deferred revenue in the statement of financial position. SBY intends to apply for forgiveness after completing the 24-week period. SBY's management has made the decision to treat these funds as a conditional grant with barriers that they must overcome (full time employees and other qualifying expenses incurred). SBY considers the request for forgiveness as an administrative task only, it is not a barrier to overcome. As of June 30, 2020, SBY has recognized \$263,137 as grant income. At June 30, 2020, the remaining funds are recorded as a refundable advance in the amount of \$325,410, and deferred revenue in the amount of \$465,000.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

**Year Ended June 30,**

2022	\$ 432,586
2023	210,863
2024	212,981
2025	<u>197,117</u>
	<b><u>\$ 1,053,547</u></b>

**6. LIQUIDITY AND AVAILABILITY**

SBY has approximately \$6,400,000 of financial assets available within one year of the statement of financial position consisting of cash and cash equivalents of approximately \$2,800,000, investments of approximately \$2,200,000 and receivables of approximately \$1,400,000. For the year ended June 30, 2020, of the financial assets available for use, \$383,536 are net assets with donor restrictions. SBY also has a \$1,000,000 line of credit available.

SBY has a goal to maintain financial assets, which consist of cash, cash equivalents and investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,400,000. SBY follows procedures to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The amount maintained is reviewed on an ongoing basis and modified based upon anticipated expenses.

**7. CONTINGENCY**

SBY receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**SASHA BRUCE YOUTHWORX, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**7. CONTINGENCY (Continued)**

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2020. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**8. DEFERRED COMPENSATION PLAN**

SBY has a 457(b) deferred compensation plan, effective September 23, 2008, limited to the top hat group of employees. Elective deferrals may be made to the Plan up to the maximum allowed by law. As of June 30, 2020 and 2019, \$74,178 and \$73,168 was deferred under the Plan.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, SBY has evaluated events and transactions for potential recognition or disclosure through October 29, 2020, the date the financial statements were issued.