

FINANCIAL STATEMENTS

SASHA BRUCE YOUTHWORX, INC.

**FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

SASHA BRUCE YOUTHWORX, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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 statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, 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.

Auditor's 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 *Government Auditing Standards*. 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 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.

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, 2016, and the change 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.

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Report on Summarized Comparative Information

We have previously audited SBY's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

December 12, 2016

SASHA BRUCE YOUTHWORX, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	861,850	\$ 645,989
Accounts receivable		828,388	854,564
Prepaid expenses		41,322	97,288
Other current assets		<u>10,907</u>	<u>10,328</u>
Total current assets		<u>1,742,467</u>	<u>1,608,169</u>
INVESTMENTS		<u>1,504,402</u>	<u>1,445,031</u>
PROPERTY AND EQUIPMENT			
Land		477,171	477,171
Buildings		1,247,682	1,247,682
Building improvements		3,603,615	3,582,945
Equipment		217,560	212,076
Vehicles		<u>21,824</u>	<u>21,824</u>
		5,567,852	5,541,698
Less: Accumulated depreciation and amortization		<u>(3,413,144)</u>	<u>(3,264,778)</u>
Net property and equipment		<u>2,154,708</u>	<u>2,276,920</u>
TOTAL ASSETS	\$	<u>5,401,577</u>	\$ <u>5,330,120</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	95,655	\$ 79,150
Accrued expenses		153,993	290,447
Deferred revenue		103,632	7,080
Current portion of mortgages payable		<u>25,118</u>	<u>24,829</u>
Total current liabilities		<u>378,398</u>	<u>401,506</u>
OTHER LIABILITIES			
Mortgages payable, net of current portion		<u>228,981</u>	<u>254,243</u>
Total liabilities		<u>607,379</u>	<u>655,749</u>
NET ASSETS			
Unrestricted		4,493,359	4,193,213
Temporarily restricted		<u>300,839</u>	<u>481,158</u>
Total net assets		<u>4,794,198</u>	<u>4,674,371</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,401,577</u>	\$ <u>5,330,120</u>

See accompanying notes to financial statements.

SASHA BRUCE YOUTHWOR, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contracts	\$ 6,049,075	\$ -	\$ 6,049,075	\$ 6,170,177
Contributions	619,375	255,896	875,271	1,127,416
United Way	40,552	-	40,552	28,809
Investment income	68,116	-	68,116	10,654
Contributed services	216,926	-	216,926	287,039
Special events	443,853	-	443,853	936,031
Other revenue	9,768	-	9,768	363,460
Net assets released from donor restrictions	436,215	(436,215)	-	-
Total revenue	7,883,880	(180,319)	7,703,561	8,923,586
EXPENSES				
Program Services:				
Safe Homes	4,908,744	-	4,908,744	4,247,332
Life Skills Development	1,151,908	-	1,151,908	1,742,735
Workforce Development and Education Opportunities	731,352	-	731,352	1,030,368
Total program services	6,792,004	-	6,792,004	7,020,435
Supporting Services:				
Management and General	576,949	-	576,949	1,120,584
Fundraising	214,781	-	214,781	304,902
Total supporting services	791,730	-	791,730	1,425,486
Total expenses	7,583,734	-	7,583,734	8,445,921
Change in net assets	300,146	(180,319)	119,827	477,665
Net assets at beginning of year	4,193,213	481,158	4,674,371	4,196,706
NET ASSETS AT END OF YEAR	\$ 4,493,359	\$ 300,839	\$ 4,794,198	\$ 4,674,371

SASHA BRUCE YOUTHWORX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			
	Program Services			
	Safe Homes	Life Skills Development	Workforce Development and Education Opportunities	Total Program Services
Salaries	\$ 2,832,005	\$ 566,295	\$ 249,334	\$ 3,647,634
Fringe benefits	570,510	129,069	56,566	756,145
Occupancy and other related costs	339,908	80,674	121,845	542,427
Client and auxiliary services	136,766	61,984	88,007	286,757
Consultants and professional fees	153,424	111,666	49,444	314,534
Donated services	-	-	21,308	21,308
Office supplies and expenses	29,060	10,917	8,978	48,955
Depreciation	-	-	-	-
Transportation and travel	59,674	3,203	13,042	75,919
Equipment rental and maintenance	74,695	11,240	11,542	97,477
Telephone	62,952	17,325	7,939	88,216
Miscellaneous expense	1,026	-	1,018	2,044
Investment fees	-	-	-	-
Insurance	34,635	-	-	34,635
Special events	-	-	-	-
Interest expense	-	-	-	-
Sub-total	4,294,655	992,373	629,023	5,916,051
Indirect cost allocations	614,089	159,535	102,329	875,953
TOTAL	\$ 4,908,744	\$ 1,151,908	\$ 731,352	\$ 6,792,004

2015				
Supporting Services				
Management and General	Fundraising	Total Support Services	Total Expenses	Total Expenses
\$ 590,482	\$ 112,500	\$ 702,982	\$ 4,350,616	\$ 4,452,274
29,521	19,125	48,646	804,791	870,058
(32,192)	-	(32,192)	510,235	448,174
8,339	-	8,339	295,096	401,691
300,095	-	300,095	614,629	805,914
195,618	-	195,618	216,926	287,040
65,086	295	65,381	114,336	107,379
148,366	-	148,366	148,366	172,331
15,625	-	15,625	91,544	129,361
31,654	-	31,654	129,131	167,615
24,200	-	24,200	112,416	131,308
6,708	-	6,708	8,752	183,026
15,675	-	15,675	15,675	3,516
51,826	-	51,826	86,461	84,751
-	82,861	82,861	82,861	199,440
1,899	-	1,899	1,899	2,043
1,452,902	214,781	1,667,683	7,583,734	8,445,921
(875,953)	-	(875,953)	-	-
\$ 576,949	\$ 214,781	\$ 791,730	\$ 7,583,734	\$ 8,445,921

SASHA BRUCE YOUTHWORX, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 119,827	\$ 477,665
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,366	172,331
Unrealized (gain) loss	(35,871)	34,653
Realized loss (gain)	820	(3,581)
Donated securities	(7,577)	(4,510)
(Increase) decrease in:		
Accounts receivable	26,176	26,495
Prepaid expenses	55,966	(55,739)
Other current assets	(579)	(8,140)
Increase (decrease) in:		
Accounts payable	16,505	(22,118)
Accrued expenses	(136,454)	(101,499)
Deferred revenue	<u>96,552</u>	<u>(22,055)</u>
Net cash provided by operating activities	<u>283,731</u>	<u>493,502</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(26,154)	(1,829)
Purchase of investments	(979,534)	(2,031,565)
Sale of investments	<u>962,791</u>	<u>1,740,923</u>
Net cash used by investing activities	<u>(42,897)</u>	<u>(292,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgages payable	<u>(24,973)</u>	<u>(24,829)</u>
Net cash used by financing activities	<u>(24,973)</u>	<u>(24,829)</u>
Net increase in cash and cash equivalents	215,861	176,202
Cash and cash equivalents at beginning of year	<u>645,989</u>	<u>469,787</u>
CASH AND CASH EQUIVALENTS	<u>\$ 861,850</u>	<u>\$ 645,989</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 1,899</u>	<u>\$ 2,043</u>

SASHA BRUCE YOUTHWOR, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 43-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 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with SBY's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and cash equivalents -

Cash and cash equivalents consist of operating cash, checking and savings accounts, and money market funds held outside of its managed investment accounts.

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 are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value and 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.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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 Statement of Activities and Change in Net Assets. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, generally five to fifteen years.

Income taxes -

SBY is exempt from federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for federal and state income taxes. SBY has been classified by the Internal Revenue Service as a publicly supported organization under Section 170(b)(1)(A)(VI). SBY did not have any unrelated business income for the years ended June 30, 2016. SBY recognizes interest expense and penalties on income taxes related to uncertain tax positions in management and general expense on the statement of activities and change in net assets and accounts payable or accrued expenses in the statement of financial position. There is no provision in these financial statements for penalties and interest on income taxes related to uncertain tax positions for the year ended June 30, 2016. Tax years prior to 2013 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Net asset classification -

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

- **Unrestricted net assets** include unrestricted 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.
- **Temporarily restricted net assets** 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets 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 or United Way in the Statement of Activities and Change in Net Assets.

Donated investments are reflected as contributions revenue and are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

SASHA BRUCE YOUTHWOR, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Revenue recognition (continued) -

Temporarily restricted revenues are contributions with temporary, donor-imposed time and/or program-specific restrictions. These temporary 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 Statement of Activities and Change in Net Assets. 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 nonfinancial 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 Statement of Activities and Change in Net Assets and consist of pro bono services from attorneys and other professional services as follows:

Legal	\$ 195,618
Other professional services	<u>21,308</u>
TOTAL CONTRIBUTED SERVICES	<u>\$ 216,926</u>

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 Statement of Activities and Change in Net Assets 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 and change in net assets. Certain costs have been allocated among the program and supporting service categories based on various methods, including time spent and space occupied.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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 adopted 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 Statement 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.

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.

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). As of June 30, 2016, the accounts exceeded the insured limit by approximately \$611,850. 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, 2016, approximately thirty percent of total Revenue (excluding contributed services) was received from federal and state funds.

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.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

2. INVESTMENTS (Continued)

The table below summarizes, by level within the fair value hierarchy, SBY's investments as of June 30 2016:

Asset Class: Investments	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2016</u>
Money market funds	\$ 20,978	\$ -	\$ -	\$ 20,978
Certificates of deposit	-	51,010	-	51,010
Mutual funds - World allocation	409,580	-	-	409,580
Mutual funds - Growth	446,385	-	-	446,385
Fixed income - High-yield bond	139,227	-	-	139,227
Fixed income - Core bond	<u>437,222</u>	<u>-</u>	<u>-</u>	<u>437,222</u>
TOTAL	<u>\$1,453,392</u>	<u>\$ 51,010</u>	<u>\$ -</u>	<u>\$ 1,504,402</u>

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, 2016.

- *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.
- *Mutual funds, bonds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

Included in investment income are the following:

Interest and dividends	\$ 33,065
Unrealized gain	35,871
Realized loss	<u>(820)</u>
TOTAL INVESTMENT INCOME	<u>\$ 68,116</u>

3. MORTGAGES PAYABLE

Mortgages payable consisted of the following as of June 30, 2016:

- 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.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

3. MORTGAGES PAYABLE (Continued)

As of June 30, 2016, the outstanding principal on these mortgage payables was \$254,099 and \$279,072, respectively. Principal payments are due as follows:

<u>Year Ending June 30,</u>	
2017	\$ 25,118
2018	25,265
2019	25,414
2020	25,563
2021	<u>152,739</u>
	<u>\$ 254,099</u>

SBY is required to submit audited financial statements to their lender no later than 180 days following fiscal year end. SBY requested and received an extension until March 3, 2016 to submit their audited financial statements.

For the year ending June 30, 2016, interest paid was \$1,899.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2016.

Safe Homes	\$ 43,088
Youth Scholarships	152,000
Healthy Lives/Prevention and Social Services	23,647
Data Evaluation	80,000
Randall Recreation Center	<u>2,104</u>
	<u>\$ 300,839</u>

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

Safe Homes	\$ 207,423
Education/Workforce and Development	21,033
Healthy Lives/Prevention and Social Services	130,086
Stable Families	37,018
Data and Evaluation	40,000
Randall Recreation Center	<u>655</u>
	<u>\$ 436,215</u>

5. LEASE COMMITMENTS

SBY has month-to-month leases for office space. Rent expense for the year ending June 30, 2016 was \$261,668, which is included with "Occupancy and other related costs" in the Statement of Functional Expenses. Other related costs include utilities, repairs and maintenance, property taxes, trash removal and cleaning.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. CONTINGENCY

SBY receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, 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*. 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 provisions of OMB Circular A-133 have been completed for all required fiscal years through 2016. 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.

SBY was audited by one of its Federal funding agencies. The audit resulted in the funder questioning costs totaling approximately \$1,900,000 between fiscal years 2006 and 2010. The agency has to date accepted all but \$227,000 of the expenses in this initial submission by SBY.

SBY submitted a second response to the agency in December 2014 regarding the remaining expenses in question. Management is working with the funder to ensure that the remaining \$227,000 of costs are accepted as allowable under the provisions of OMB Circulars A-133 and A-122, as management is of the opinion that they have complied with Federal requirements.

7. SUBSEQUENT EVENTS

In preparing these financial statements, SBY has evaluated events and transactions for potential recognition or disclosure through December 12, 2016, the date the financial statements were issued.