

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

SADD, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SADD, Inc.
Washington, D.C.

We have audited the accompanying financial statements of SADD, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and change in net assets (deficit), 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 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 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, and the change in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of the Organization'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 this report is solely 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 the effectiveness of the Organization's internal control over financial reporting 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 over financial reporting and compliance.



June 13, 2022

SADD, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,929	\$ 152,983
Accounts receivable	45,029	30,842
Grants receivable	338,768	178,670
Prepaid expenses	<u>37,935</u>	<u>28,445</u>
Total current assets	<u>442,661</u>	<u>390,940</u>
FIXED ASSETS		
Equipment	8,804	8,804
Website	<u>72,460</u>	<u>70,000</u>
	81,264	78,804
Less: Accumulated depreciation and amortization	<u>(52,777)</u>	<u>(32,189)</u>
Net fixed assets	<u>28,487</u>	<u>46,615</u>
OTHER ASSETS		
Deposits	<u>6,810</u>	<u>6,825</u>
TOTAL ASSETS	<u>\$ 477,958</u>	<u>\$ 444,380</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 397,662	\$ 207,662
Federal loans payable	222,290	43,597
Accounts payable and accrued expenses	189,086	35,004
Accrued salaries and related benefits	<u>58,192</u>	<u>31,192</u>
Total current liabilities	<u>867,230</u>	<u>317,455</u>
LONG-TERM LIABILITIES		
Federal loans payable	<u>147,148</u>	<u>183,403</u>
Total liabilities	<u>1,014,378</u>	<u>500,858</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(577,096)	(148,328)
With donor restrictions	<u>40,676</u>	<u>91,850</u>
Total net deficit	<u>(536,420)</u>	<u>(56,478)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 477,958</u>	<u>\$ 444,380</u>

See accompanying notes to financial statements.

SADD, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Government grants	\$ 1,028,427	\$ -	\$ 1,028,427	\$ 1,033,447
Foundation grants	-	117,600	117,600	195,227
Contributions	243,645	-	243,645	345,856
Contract income	181,750	-	181,750	169,553
Conference sponsorships	-	-	-	130,000
Program service revenue	37	-	37	19,471
Other revenue	2,863	-	2,863	4,288
Net assets released from donor restrictions	<u>168,774</u>	<u>(168,774)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,625,496</u>	<u>(51,174)</u>	<u>1,574,322</u>	<u>1,897,842</u>
EXPENSES				
Program Services:				
Health and Safety	1,539,669	-	1,539,669	1,271,580
National Conference and SPEAKS	2,633	-	2,633	30,918
Youth Leadership Development	69,024	-	69,024	141,779
Other Programs	<u>51,874</u>	<u>-</u>	<u>51,874</u>	<u>18,657</u>
Total program services	<u>1,663,200</u>	<u>-</u>	<u>1,663,200</u>	<u>1,462,934</u>
Supporting Services:				
Management and General	301,029	-	301,029	214,244
Fundraising	<u>167,035</u>	<u>-</u>	<u>167,035</u>	<u>101,751</u>
Total supporting services	<u>468,064</u>	<u>-</u>	<u>468,064</u>	<u>315,995</u>
Total expenses	<u>2,131,264</u>	<u>-</u>	<u>2,131,264</u>	<u>1,778,929</u>
Change in net assets (deficit) before other item	(505,768)	(51,174)	(556,942)	118,913
OTHER ITEM				
Forgiveness of debt	<u>77,000</u>	<u>-</u>	<u>77,000</u>	<u>-</u>
Change in net assets (deficit)	(428,768)	(51,174)	(479,942)	118,913
Net assets (deficit) at beginning of year	<u>(148,328)</u>	<u>91,850</u>	<u>(56,478)</u>	<u>(175,391)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	\$ <u>(577,096)</u>	\$ <u>40,676</u>	\$ <u>(536,420)</u>	\$ <u>(56,478)</u>

SADD, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021								2020	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Health and Safety	National Conference and SPEAKS	Youth Leadership Development	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries, payroll taxes and benefits	\$ 1,130,804	\$ 2,331	\$ 12,955	\$ 41,379	\$ 1,187,469	\$ 138,058	\$ 81,283	\$ 219,341	\$ 1,406,810	\$ 1,161,799
Consultants	205,004	94	1,521	6,816	213,435	5,523	71,715	77,238	290,673	141,865
Program supplies, materials and awards	68,314	16	53,491	291	122,112	963	4,618	5,581	127,693	86,428
Professional fees	338	1	4	12	355	124,996	24	125,020	125,375	129,765
Travel and events	48,555	14	78	251	48,898	830	494	1,324	50,222	123,306
Occupancy	25,595	53	292	935	26,875	3,089	1,838	4,927	31,802	38,403
Recruitment and development	21,820	45	249	799	22,913	2,642	1,571	4,213	27,126	14,741
Office supplies and expenses	12,680	26	140	449	13,295	4,064	3,639	7,703	20,998	25,810
Depreciation and amortization	16,561	34	189	606	17,390	2,006	1,192	3,198	20,588	19,716
Interest	-	-	-	-	-	17,747	-	17,747	17,747	25,093
Insurance	6,147	13	70	225	6,455	744	443	1,187	7,642	5,464
Postage	3,851	6	35	111	4,003	367	218	585	4,588	2,655
Program communications	-	-	-	-	-	-	-	-	-	3,884
TOTAL	\$ 1,539,669	\$ 2,633	\$ 69,024	\$ 51,874	\$ 1,663,200	\$ 301,029	\$ 167,035	\$ 468,064	\$ 2,131,264	\$ 1,778,929

See accompanying notes to financial statements.

SADD, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (479,942)	\$ 118,913
Adjustments to reconcile change in net assets (deficit) to net cash (used) provided by operating activities:		
Depreciation and amortization	20,588	19,716
Change in allowance for doubtful accounts	-	(3,228)
Forgiveness of debt	(77,000)	-
(Increase) decrease in:		
Accounts receivable	(14,187)	94,275
Grants receivable	(160,098)	147,249
Prepaid expenses	(9,490)	(15,510)
Deposits	15	(2,295)
Increase (decrease) in:		
Accounts payable and accrued expenses	154,082	(235,456)
Accrued salaries and related benefits	<u>27,000</u>	<u>(32,170)</u>
Net cash (used) provided by operating activities	<u>(539,032)</u>	<u>91,494</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(2,460)</u>	<u>(2,586)</u>
Net cash used by investing activities	<u>(2,460)</u>	<u>(2,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	190,000	-
Repayment of line of credit	-	(190,927)
Proceeds from Federal loans payable	<u>219,438</u>	<u>227,000</u>
Net cash provided by financing activities	<u>409,438</u>	<u>36,073</u>
Net (decrease) increase in cash and cash equivalents	(132,054)	124,981
Cash and cash equivalents at beginning of year	<u>152,983</u>	<u>28,002</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>20,929</u>	\$ <u>152,983</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>13,573</u>	\$ <u>25,026</u>

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

SADD, Inc. (the Organization) is a non-profit organization incorporated in 1982 under the provisions of Massachusetts General Laws chapter 180. The Organization has been the nation's premier youth health and safety organization since 1981 working to empower teens to stand strong against destructive decisions and to shape the world around them for the better. This is accomplished by equipping the network with science-based, peer-to-peer prevention programs and awareness programs and providing students with dynamic leadership development opportunities at the local, state and national level. The Organization's main source of revenue is grants and contributions from the government, foundations and corporations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets (Deficit) as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 the Organization's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Cash and cash equivalents -

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

Cash and cash equivalents (continued) -

At times during the year, the Organization maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Accounts and grants receivables -

Accounts and grants receivables are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. The website is being amortized on a straight-line basis over the estimated useful life of four years. Depreciation and amortization expense for the year ended September 30, 2021 totaled \$20,588.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not a private foundation.

Uncertain tax positions -

For the year ended September 30, 2021, the Organization 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.

Revenue recognition -

Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

Revenue recognition (continued) -

Grants or contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement.

Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. The Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For grants treated as contributions, the Organization had approximately \$16,000 in unrecognized conditional contributions as of September 30, 2021. The revenue related to these awards is conditioned on incurring allowable expenditures under the terms of Federal grant agreements.

Contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

Conference sponsorships are recorded as revenue when the performance obligation is met which is when the related event has occurred. The transaction price is determined based on cost and/or sales price.

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 providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets (Deficit). Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

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 the Organization's operations. The overall potential impact is unknown at this time.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organization plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. LINE OF CREDIT

The Organization had a \$400,000 bank line of credit which matured December 1, 2021. Amounts borrowed under this agreement bore interest at the Wall Street Journal U.S. Prime Rate (3.25% as of September 30, 2021) plus 2.0%. As of September 30, 2021, the outstanding balance on the line of credit was \$397,662. The line is secured by all assets of the Organization.

3. FEDERAL LOANS PAYABLE

Economic Injury Disaster Loan

On May 12, 2020, the Organization received an Economic Injury Disaster Loan from the Small Business Administration (SBA) totaling \$150,000. The loan bears interest at 2.75% and is due over thirty years in monthly installments of \$641 with an initial deferral of payments for the first twelve months. In March 2021, the SBA extended this deferral period for an additional 12 months for any loans granted during the calendar year 2020. Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.

The balance of principal and interest will be payable thirty years from the date of the promissory note. The loan is collateralized by all tangible and intangible personal property of the Organization.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. FEDERAL LOANS PAYABLE (Continued)

Economic Injury Disaster Loan (continued)

As part of the EIDL program, the Organization also received a \$10,000 advance payment which was forgiven in full on December 17, 2020.

In October 2021, the Organization received a modification to their existing Economic Injury Disaster Loan that increased the total loan to \$400,000. The loan continues to bear interest at 2.75% and is due over thirty years in monthly installments of \$1,755 beginning twenty-four months from the date of the original note. Principal payments as stated in the EIDL Program promissory note are due as follows:

Year Ending September 30,

2022	\$ 2,852
2023	3,509
2024	3,607
2025	3,707
2026	3,811
2027 and Thereafter	<u>132,514</u>
	<u>\$ 150,000</u>

Paycheck Protection Program

On May 1, 2020, the Organization received loan proceeds in the amount of \$77,000 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration. During the year ended September 30, 2021, the Organization expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and received full forgiveness from the SBA in December 2020. Accordingly, the Organization has recorded revenue from forgiveness of debt on the accompanying Statement of Activities and Change in Net Assets (Deficit).

On January 27, 2021, the Organization received a second round of loan proceeds in the amount of \$219,438 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. The Organization used the proceeds for purposes consistent with the Paycheck Protection Program and received forgiveness in October 2021 by the SBA in the amount of \$219,438. There are no further requirements regarding this funding and the Organization will record the amount forgiven as revenue from the debt extinguishment during fiscal year 2022.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at September 30, 2021:

Financial Literacy Programming	\$ 7,855
Prevention Programming	14,821
Traffic Safety Programming	<u>18,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 40,676</u>

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Health and Safety:	
Financial Literacy Programming	\$ 55,895
Traffic Safety Programming	55,200
Prevention Programming	<u>57,679</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 168,774</u>

5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 20,929
Accounts receivable	45,029
Grants receivable	<u>338,768</u>
Subtotal financial assets	404,726
Less: Donor restricted funds	<u>(40,676)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 364,050</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2021, the Organization has financial assets equal to approximately two months of operating expenses. In addition, the Organization has a line of credit agreement (as further discussed in Note 2) which allows for additional available borrowings up to \$400,000. As of September 30, 2021, the Organization has \$2,338 of available funds to draw from the line of credit.

6. LEASE COMMITMENTS

The Organization entered into an office space agreement in Washington, D.C. that commenced on January 1, 2020 and expired on December 31, 2020. Base rent under the agreement was \$2,730 per month. The Organization entered into another office space agreement that commenced on January 1, 2021 and expired on September 30, 2021.

Subsequent to the year ended September 30, 2021, the Organization entered into another office space agreement that commenced on October 1, 2021 and expires on September 30, 2022. Base rent under this agreement is \$2,270 per month.

The following is a schedule of the future minimum lease payments:

Year Ending September 30, 2022	<u>\$ 27,240</u>
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Occupancy expense, including other facility costs, for the year ended September 30, 2021 totaled \$31,802.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. The Organization does not provide matching contributions to the Plan.

8. FUTURE FUNDING

The Organization has a net deficiency in net assets as of September 30, 2021. The success of the Organization to continue is dependent on the ability of the Organization's Board and management in raising without donor restrictions funding during the coming fiscal year and subsequent years to ensure that expenditures do not continue to exceed available funds.

Management recognizes the loss for the year ended September 30, 2021 as an opportunity to invest in a more sustainable model for the organization. The Organization's Board of Directors approved a new Strategic Plan that called for a focus on strategic growth and outreach that would better position the Organization to succeed in a "post COVID-19" world. This investment came in the form of new personnel and services, which are outlined in the brief overview of the Strategic Plan. To overcome this challenge, management has taken the following steps:

1. Hiring of a Director of Development:

A Director of Development has been added to the Organization's staff. As the first full-time employee focused on revenue growth, this individual will be solely focused on increasing the financial resources and capacity of the Organization.

2. Securing New Revenue:

The Organization has added several new sources of revenue in fiscal year 2022 to overcome the deficit in fiscal year 2021. This new revenue sources include \$100,000 for "Deploying Agents of Change" and \$215,000 for "Passport to Safe Driving". In addition, the Organization has secured \$75,000 in unrestricted funding for fiscal year 2022. Lastly, the Organization's second round of loan proceeds in the amount of \$219,438 under the Paycheck Protection Program was subsequently forgiven in October 2021 and the Organization will record the amount forgiven as revenue during fiscal year 2022.

3. Signature Fundraising Events:

A key strategy of the new Director of Development to secure new revenue is the creation of signature fundraising events. The Organization successfully hosted its first Brunch for a Cause, which brought in new, unrestricted revenue for the Organization.

4. Indirect Rate:

In fiscal year 2022, the Organization successfully secured a new negotiated indirect rate with NHTSA (26%). The Organization will continue to pursue an indirect rate to better position the Organization to succeed in terms of mission delivery and financial capacity.

9. CONCENTRATION OF REVENUE

Approximately 65% of the Organization's revenue for the year ended September 30, 2021 was derived from grants awarded by agencies of the United States Government.

SADD, INC.

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9. CONCENTRATION OF REVENUE (Continued)

The Organization has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Organization's ability to finance ongoing operations.

10. CONTINGENCY

The Organization 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)*.

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 2021. 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.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 13, 2022, the date the financial statements were issued.

On October 7, 2021, the Organization received forgiveness of their second Federal loan under the Paycheck Protection Program by the SBA in the amount of \$219,438. There are no further requirements regarding this funding and the Organization intends to record the amount forgiven as revenue during fiscal year 2022.

On January 13, 2022, the Organization received a change in terms agreement on their line of credit which matured December 1, 2021. The change in terms agreement increased the Organization's bank line of credit to \$500,000 and removed the maturity date.