

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

SADD, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of SADD, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2023, 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.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 8 to the financial statements, the Organization has suffered recurring deficiencies in net assets and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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 18, 2024, 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 that 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. That 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 18, 2024

SADD, INC.

STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 157,535	\$ 8,805
Accounts receivable	833	33,777
Grants and contributions receivable	386,355	414,144
Prepaid expenses	<u>27,108</u>	<u>37,487</u>
Total current assets	<u>571,831</u>	<u>494,213</u>
FIXED ASSETS		
Equipment	12,764	12,764
Website	<u>72,460</u>	<u>72,460</u>
	85,224	85,224
Less: Accumulated depreciation and amortization	<u>(82,718)</u>	<u>(74,231)</u>
Net fixed assets	<u>2,506</u>	<u>10,993</u>
OTHER ASSETS		
Deposits	10,095	10,095
Right-of-use asset, net	<u>-</u>	<u>35,199</u>
Total other assets	<u>10,095</u>	<u>45,294</u>
TOTAL ASSETS	<u>\$ 584,432</u>	<u>\$ 550,500</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ 499,385	\$ 499,385
Federal loan payable	5,058	9,983
Accounts payable and accrued expenses	74,163	218,783
Accrued salaries and related benefits	512	5,027
Refundable advance	28,096	-
Deferred conference registration revenue	-	3,750
Operating lease liability	<u>-</u>	<u>41,178</u>
Total current liabilities	<u>607,214</u>	<u>778,106</u>
LONG-TERM LIABILITY		
Federal loan payable	<u>394,942</u>	<u>390,017</u>
Total liabilities	<u>1,002,156</u>	<u>1,168,123</u>
NET ASSETS (DEFICIT)		
Without donor restrictions	(518,849)	(683,123)
With donor restrictions	<u>101,125</u>	<u>65,500</u>
Total net deficit	<u>(417,724)</u>	<u>(617,623)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 584,432</u>	<u>\$ 550,500</u>

See accompanying notes to financial statements.

SADD, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Government grants	\$ 1,522,652	\$ -	\$ 1,522,652	\$ 1,447,597
Grants and contributions	329,892	149,250	479,142	936,401
Contract services	158,433	-	158,433	179,640
Conference registrations	7,585	-	7,585	130,895
Conference sponsorships	25,005	-	25,005	47,500
Employee Retention Credits and other revenue	378,849	-	378,849	8,073
Net assets released from donor restrictions	<u>113,625</u>	<u>(113,625)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,536,041</u>	<u>35,625</u>	<u>2,571,666</u>	<u>2,750,106</u>
EXPENSES				
Program Services:				
Health and Safety	1,907,317	-	1,907,317	2,107,547
National Conference and SPEAKS	2,261	-	2,261	256,412
Youth Leadership Development	26,389	-	26,389	96,868
Other Programs	<u>39,609</u>	<u>-</u>	<u>39,609</u>	<u>136,752</u>
Total program services	<u>1,975,576</u>	<u>-</u>	<u>1,975,576</u>	<u>2,597,579</u>
Supporting Services:				
Management and General	293,632	-	293,632	359,230
Fundraising	<u>102,559</u>	<u>-</u>	<u>102,559</u>	<u>93,938</u>
Total supporting services	<u>396,191</u>	<u>-</u>	<u>396,191</u>	<u>453,168</u>
Total expenses	<u>2,371,767</u>	<u>-</u>	<u>2,371,767</u>	<u>3,050,747</u>
Change in net assets (deficit) before other item	164,274	35,625	199,899	(300,641)
OTHER ITEM				
Forgiveness of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>219,438</u>
Change in net assets (deficit)	164,274	35,625	199,899	(81,203)
Net assets (deficit) at beginning of year	<u>(683,123)</u>	<u>65,500</u>	<u>(617,623)</u>	<u>(536,420)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	\$ <u>(518,849)</u>	\$ <u>101,125</u>	\$ <u>(417,724)</u>	\$ <u>(617,623)</u>

SADD, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023							2022		
	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	\$ 1,233,852	\$ 9,911	\$ 12,826	\$ 31,238	\$ 1,287,827	\$ 129,106	\$ 55,206	\$ 184,312	\$ 1,472,139	\$ 1,598,864
Consultants	328,669	702	905	2,364	332,640	5,330	40,429	45,759	378,399	373,528
Professional fees	4,855	38	48	116	5,057	142,285	208	142,493	147,550	154,922
Travel and events	133,305	(9,398)	463	2,784	127,154	623	577	1,200	128,354	461,500
Program supplies, materials and awards	69,160	6	9,657	17	78,840	42	31	73	78,913	288,151
Occupancy	27,442	218	281	674	28,615	1,658	1,209	2,867	31,482	38,173
Office supplies and expenses	80,701	573	738	1,768	83,780	12,994	3,736	16,730	100,510	68,804
Depreciation and amortization	7,383	60	77	184	7,704	453	330	783	8,487	21,454
Recruitment and development	148	1	2	4	155	9	7	16	171	17,481
Insurance	9,258	75	96	231	9,660	568	414	982	10,642	9,721
Postage	9,318	50	1,264	153	10,785	376	275	651	11,436	18,149
Office equipment	3,226	25	32	76	3,359	188	137	325	3,684	-
TOTAL	\$ 1,907,317	\$ 2,261	\$ 26,389	\$ 39,609	\$ 1,975,576	\$ 293,632	\$ 102,559	\$ 396,191	\$ 2,371,767	\$ 3,050,747

See accompanying notes to financial statements.

SADD, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 199,899	\$ (81,203)
Adjustments to reconcile change in net assets (deficit) to net cash provided (used) by operating activities:		
Depreciation and amortization	8,487	21,454
Forgiveness of debt	-	(219,438)
Amortization of right-of-use asset	35,199	5,876
Decrease (increase) in:		
Accounts receivable	32,944	11,252
Grants and contributions receivable	27,789	(75,376)
Prepaid expenses	10,379	448
Deposits	-	(3,285)
(Decrease) increase in:		
Accounts payable and accrued expenses	(144,620)	29,697
Accrued salaries and related benefits	(4,515)	(53,165)
Refundable advance	28,096	-
Deferred conference registration revenue	(3,750)	3,750
Operating lease liability	<u>(41,178)</u>	<u>103</u>
Net cash provided (used) by operating activities	<u>148,730</u>	<u>(359,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>-</u>	<u>(3,960)</u>
Net cash used by investing activities	<u>-</u>	<u>(3,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	201,723
Repayment of line of credit	-	(100,000)
Proceeds from Federal loans payable	<u>-</u>	<u>250,000</u>
Net cash provided by financing activities	<u>-</u>	<u>351,723</u>
Net increase (decrease) in cash and cash equivalents	148,730	(12,124)
Cash and cash equivalents at beginning of year	<u>8,805</u>	<u>20,929</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 157,535</u>	<u>\$ 8,805</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 48,008</u>	<u>\$ 19,727</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS:		
Right-of-Use Asset	<u>\$ -</u>	<u>\$ 41,075</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 41,075</u>

See accompanying notes to financial statements.

SADD, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023

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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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, 2022, 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. 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.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to contract services. Accounts receivable are recorded at their net realizable value which approximates fair value. Management considers all amounts to be fully collectable within one year. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable -

Grants receivable includes unconditional promises to give that are expected to be collected in future years. Grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. All grants receivables are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

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, 2023 totaled \$8,487.

Income taxes -

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

Support from grants and contributions, including Federal awards -

The Organization receives grants and contributions, including Federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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. Contributions, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Support from grants and contributions, including Federal awards (continued) -

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. The Organization's refundable advances totaled \$28,096 as of September 30, 2023.

In addition, the Organization has obtained funding source agreements related to conditional contributions, such as Federal awards from the U.S. Government, which will be received in future years. The Organization's unrecognized conditional contributions to be received in future years totaled \$209,209 as of September 30, 2023.

Conference sponsorships are classified as unconditional contributions, as there is no right of return should the event not take place, and are recognized as without donor restrictions if received in the same reporting period as the related event. Funds received in advance of the reporting period are recognized as with donor restrictions and reported in the Statement of Activities and Change in Net Assets (Deficit) as net assets released from donor restrictions when the related event occurs.

Revenue from contracts with customers -

The Organization's contract services and conference registrations are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met.

The Organization has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Organization's contracts with customers generally have initial terms of one year or less.

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.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the Organization for the year ending September 30, 2024. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. LINE OF CREDIT

The Organization has a \$500,000 bank line of credit. The Organization will be required to submit annual financial statements and signed Federal and State contracts within 120 days of fiscal year-end. Amounts borrowed under this agreement bear interest at the Wall Street Journal U.S. Prime Rate (8.50% as of September 30, 2023) plus 2.0%. As of September 30, 2023, the outstanding balance on the line of credit was \$499,385. The line is secured by all assets of the Organization.

3. FEDERAL LOAN 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 \$1,755 with an initial deferral of payments for the first 24 months. In March 2022, the SBA extended the deferral period for an additional six months. 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.

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 30 months from the date of the original note.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. FEDERAL LOAN PAYABLE (Continued)

Economic Injury Disaster Loan (continued)

Principal payments as stated in the EIDL Program promissory note are due as follows:

Year Ending September 30,

2024		\$	5,058
2025			10,329
2026			10,616
2027			10,912
2028			11,216
2029 and Thereafter			<u>351,869</u>
TOTAL			<u>\$ 400,000</u>

Paycheck Protection Program

On January 27, 2021, the Organization received a second round of loan proceeds in the amount of \$219,438 under the Paycheck Protection Program (PPP). During the year ended September 30, 2022, the Organization used the proceeds for purposes outlined in the CARES Act guidance and received full forgiveness from the SBA in October 2021. Accordingly, for the year ended September 30, 2022, the Organization recorded revenue from forgiveness of debt on the accompanying Statement of Activities and Change in Net Assets (Deficit).

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of September 30, 2023:

Subject to expenditure for a specific purpose			
Traffic Safety Programming		\$	98,000
Financial Literacy Programming			<u>3,125</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS			<u>\$ 101,125</u>

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the year ended September 30, 2023:

Purpose restrictions accomplished:			
Traffic Safety Programming		\$	56,750
Prevention Programming			30,000
Financial Literacy Programming			<u>26,875</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS			<u>\$ 113,625</u>

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 as of September 30, 2023:

Cash and cash equivalents	\$ 157,535
Accounts receivable	833
Grants and contributions receivable	<u>386,355</u>
Subtotal financial assets available within one year	544,723
Less: Donor restricted funds	<u>(101,125)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 443,598</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due.

6. LEASE COMMITMENTS

The Organization follows FASB ASC 842 for leases. The Organization has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Organization has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

The Organization entered into an office space agreement that commenced on December 1, 2022 and expired on September 30, 2023. Base rent under this agreement was \$2,500 per month. The Organization received rent abatement for two months of the lease. The Organization applied a discount rate of 2.980% at the commencement of the lease. The Organization did not renew the office space agreement upon expiration in September 2023.

For the year ended September 30, 2023, total lease cost was \$31,482 and total cash paid was \$41,850 for the operating lease.

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 provides a 3% match of each eligible employee's discretionary contribution to the Plan. Contributions to the Plan during the year ended September 30, 2023 totaled \$19,971.

8. FUTURE FUNDING

The Organization has a net deficiency in net assets as of September 30, 2023. 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.

SADD, INC.

**NOTES TO FINANCIAL STATEMENTS
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8. FUTURE FUNDING (Continued)

Management recognizes the net deficiency in net assets as of September 30, 2023 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. 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:

Securing New Revenue:

In January 2024, the Board of Directors hired a new executive director who brings years of experience in both the nonprofit sector and in fundraising, specifically. Developing a strategic approach to fundraising will be one of the key roles of the new executive director as the Organization moves forward. This will include developing a corporate partnership program, involving the Organization in both joint and solo fundraising events, and building out a fundraising calendar that includes major donor engagement and individual/annual appeals.

During the first quarter of 2024, the Organization secured a \$25,000 donation from a new corporate foundation to begin a partnership focused on youth and parent outreach around safe driving. Additionally, a large corporate partner committed to another year of providing unrestricted funding to the Organization and increased their support by 33%.

Additionally, the Organization has already begun researching and applying to individual/private foundations for unrestricted and supplemental programmatic funding. The Organization has also received communication with current non-governmental funders.

Indirect Rate:

In fiscal year 2023, the Organization successfully secured a new negotiated indirect rate with NHTSA (28.68%). In fiscal year 2024, this rate was increased to 29.75%, and the Organization expects all government awards will use this rate to support the Organization in overhead cost management. The Organization will continue to pursue an indirect rate to better position itself to succeed in terms of mission delivery and financial capacity.

Cost Cutting and Savings Measures:

In 2023, the Organization reviewed its organizational expenses and implemented cost-cutting measures, including eliminating a physical location and moving toward a completely remote workforce. Additionally, the Organization has implemented additional hiring reviews to assess positions' ability to be billed back to and reimbursed from existing grant awards.

9. CONCENTRATION OF REVENUE

Approximately 59% of the Organization's revenue for the year ended September 30, 2023 was derived from grants awarded by agencies of the United States Government. 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.

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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 2023. 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 18, 2024, the date the financial statements were issued.