

SADD, INC.

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SADD, Inc.

We have audited the accompanying financial statements of SADD, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows, for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 SADD, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Benedetto, Geagan & King

Northborough, Massachusetts
November 6, 2014

SADD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	June 30,	
	2014	2013
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 130,701	\$ 138,682
Unconditional promises to give	30,512	98,825
Grants receivable	95,229	94,385
Accounts receivable	16,830	2,794
Other current assets	13,582	19,420
Total Current Assets	286,854	354,106
<u>Property and Equipment</u>		
Furniture and equipment	96,202	96,202
	96,202	96,202
Less: Accumulated depreciation	(95,649)	(95,584)
Net Property and Equipment	553	618
<u>Other Assets</u>		
Split-dollar life insurance receivable	347,995	347,995
Total Other Assets	347,995	347,995
Total Assets	\$ 635,402	\$ 702,719
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 242,749	\$ 229,333
Accrued payroll, vacations and withholdings	33,538	56,571
Deferred revenue	-	61,871
Total Current Liabilities / Total Liabilities	276,287	347,775
<u>Net Assets</u>		
Unrestricted net assets	286,944	354,944
Temporarily restricted net assets	72,171	-
Total Net Assets	359,115	354,944
Total Liabilities and Net Assets	\$ 635,402	\$ 702,719

See accompanying notes

SADD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
<u>UNRESTRICTED NET ASSETS</u>		
<u>Support and Revenue</u>		
<u>Public Support</u>		
Contributions – corporate	\$ 591,508	\$ 859,357
Contributions – telemarketing	510,130	569,996
Government grants	306,665	348,220
Contributions - foundations and general	91,656	141,683
Total Unrestricted Public Support	<u>1,499,959</u>	<u>1,919,256</u>
<u>Revenue</u>		
Program service fees	188,525	62,095
SADD, Inc. custom products sales	23,517	31,046
Investment income	22	68
Total Unrestricted Revenue	<u>212,064</u>	<u>93,209</u>
Total Unrestricted Support and Revenue	<u>1,712,023</u>	<u>2,012,465</u>
<u>Net Assets Released from Restrictions - satisfied by payments</u>	<u>-</u>	<u>22,887</u>
Total Unrestricted Support, Revenue and Other Support	1,712,023	2,035,352
<u>Expenses</u>		
Program services	1,298,049	1,372,005
Supporting services		
Management and general	181,817	183,833
Fundraising	300,157	429,769
Total Expenses	<u>1,780,023</u>	<u>1,985,607</u>
<u>Increase (Decrease) in Unrestricted Net Assets</u>	<u>(68,000)</u>	<u>49,745</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
<u>Support and Revenue</u>		
<u>Public Support</u>		
Contributions - corporate	66,500	-
Contributions - foundations and general	5,671	-
Net assets released from restrictions satisfied by payments	<u>-</u>	<u>(22,887)</u>
<u>Increase (Decrease) in Temporarily Restricted Net Assets</u>	<u>72,171</u>	<u>(22,887)</u>
<u>Increase in Net Assets</u>	4,171	26,858
<u>Net Assets – Beginning of Year</u>	<u>354,944</u>	<u>328,086</u>
<u>Net Assets – End of Year</u>	<u>\$ 359,115</u>	<u>\$ 354,944</u>

See accompanying notes

SADD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

June 30, 2014

	Program Services			Supporting Services		
	National Awareness Programs	State Awareness Programs	Total Program	Management and General	Fundraising	Total
<u>Compensation and Related Expenses</u>						
Compensation	\$ 292,762	\$ 151,016	\$ 443,778	\$ 85,974	\$ 13,378	\$ 543,130
Fringe benefits	27,096	1,297	28,393	23,611	348	52,352
Payroll taxes	33,793	11,457	45,250	7,581	1,219	54,050
Total Compensation and Related Exp.	353,651	163,770	517,421	117,166	14,945	649,532
<u>Other Expenses</u>						
Telemarketing costs	-	-	-	-	284,408	284,408
Conferences, travel & conventions	142,196	19,551	161,747	-	-	161,747
Consulting services	223,408	23,131	246,539	-	-	246,539
Equipment rental & maintenance	5,406	-	5,406	1,352	-	6,758
Grants and awards	3,460	-	3,460	-	-	3,460
Insurance	1,394	-	1,394	6,856	17	8,267
Interest	-	-	-	2,727	-	2,727
Newsletters and surveys	222,312	4,958	227,270	-	-	227,270
Occupancy costs	25,245	-	25,245	4,455	-	29,700
Office supplies expense	32,640	-	32,640	15,678	308	48,626
Postage and shipping	11,709	373	12,082	509	127	12,718
Professional fees	5,590	7	5,597	31,323	352	37,272
Program communications	11,873	135	12,008	-	-	12,008
Program materials	13,714	22,022	35,736	-	-	35,736
Scholarships	4,500	-	4,500	-	-	4,500
Telephone	6,792	160	6,952	1,738	-	8,690
Total expenses before depreciation	1,063,890	234,107	1,297,997	181,804	300,157	1,779,958
Depreciation expense	52	-	52	13	-	65
Total Expenses	\$ 1,063,942	\$ 234,107	\$ 1,298,049	\$ 181,817	\$ 300,157	\$ 1,780,023

SADD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

June 30, 2013

	Program Services			Supporting Services		
	National	State	Total	Manage-	Fundraising	Total
	Awareness	Awareness		ment and		
Programs	Programs	Program	General			
<u>Compensation and Related Expenses</u>						
Compensation	\$ 299,552	\$ 173,053	\$ 472,605	\$ 84,724	\$ 12,850	\$ 570,179
Fringe benefits	14,979	2,861	17,840	16,841	383	35,064
Payroll taxes	29,131	13,239	42,370	6,991	1,115	50,476
Total Compensation and Related Exp.	343,662	189,153	532,815	108,556	14,348	655,719
<u>Other Expenses</u>						
Telemarketing costs	-	-	-	-	414,476	414,476
Conferences, travel & conventions	116,694	27,994	144,688	-	-	144,688
Consulting services	199,622	54,250	253,872	-	-	253,872
Equipment rental & maintenance	6,494	-	6,494	1,623	-	8,117
Grants and awards	3,072	-	3,072	-	-	3,072
Insurance	860	-	860	6,268	11	7,139
Interest	-	-	-	12,588	-	12,588
Newsletters and surveys	311,104	276	311,380	-	-	311,380
Occupancy costs	25,245	-	25,245	4,455	-	29,700
Office supplies expense	33,322	7,058	40,380	15,765	418	56,563
Postage and shipping	12,438	157	12,595	530	133	13,258
Professional fees	5,212	35	5,247	32,344	385	37,976
Program communications	12,006	-	12,006	-	-	12,006
Program materials	8,443	4,092	12,535	-	-	12,535
Scholarships	4,000	-	4,000	-	-	4,000
Telephone	6,241	10	6,251	1,563	-	7,814
Total expenses before depreciation	1,088,415	283,025	1,371,440	183,692	429,770	1,984,902
Depreciation expense	564	-	564	141	-	705
Total Expenses	<u>\$ 1,088,979</u>	<u>\$ 283,025</u>	<u>\$ 1,372,004</u>	<u>\$ 183,833</u>	<u>\$ 429,770</u>	<u>\$ 1,985,607</u>

SADD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	June 30,	
	2014	2013
<u>Cash Flows From Operating Activities</u>		
Increase in net assets	\$ 4,171	\$ 26,858
Adjustments to reconcile change in net assets to net cash used or provided in operating activities		
Depreciation	65	705
(Increase) decrease in operating assets		
Unconditional promises to give	68,313	44,532
Grants receivable	(844)	63,612
Accounts receivable	(14,036)	3,250
Other current assets	5,838	(7,456)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	13,416	(122,809)
Accrued payroll, vacations and withholdings	(23,033)	20,443
Deferred revenue	(61,871)	61,871
Net cash (used) provided in operating activities	(7,981)	91,006
 <u>Net Increase (Decrease) in Cash</u>	 (7,981)	 91,006
 <u>Cash at Beginning of Year</u>	 138,682	 47,676
 <u>Cash at End of Year</u>	 \$ 130,701	 \$ 138,682
 <u>Supplemental Disclosure</u>		
Cash paid for interest	\$ 2,727	\$ 12,588

See accompanying notes

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

(A) Nature of Activities

SADD, Inc. is a Massachusetts nonprofit corporation chartered in 1982 under Massachusetts General Laws Chapter 180. The Organization's mission is to empower young people to successfully confront the risks and pressures that challenge them in their daily lives. In this regard the following two major programs have been developed:

- 1) National Awareness Program – This program focuses on creating, equipping and sustaining a network of student-led chapters in schools and communities focused on peer-to-peer education. The Organization conducts a national conference annually and prepares newsletters which address various programs and projects students can utilize in their schools; responds to inquiries regarding the development of SADD Chapters; and also develops programs, projects and kits for chapters, communities and families. The Organization also provides speakers for chapters throughout the country.
- 2) State Awareness Program – These programs are funded by grants awarded from the Massachusetts Department of Public Health, the Arizona Governor's Office of Highway Safety and the Ohio Department of Public Safety. These programs called for the development of campaigns aimed at deterring underage drinking, drug use and impaired driving and other destructive decisions. These grants also provided funding for a SADD state coordinator in their respective states.

(B) Method of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and accordingly, reflect all significant receivables, payables, and other liabilities.

(C) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(D) Functional Classification of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

(E) Promises to Give

Contributions are recognized when the donor makes a promise to give to SADD, INC. that is, in substance, unconditional. Contributions that are received subject to certain donor stipulations are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2014 and 2013 all contributions were considered unconditional promises to give. Management estimates that all promises to give are to be received within one year.

Because of the high percentage of unfulfilled pledges, unconditional promises to give at year end reflect management's estimate of collectible pledges.

(F) Accounts Receivable

Accounts receivable reflect amounts due to SADD, Inc. from custom product sales and other related program services. The Organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. (Note E)

(G) Property and Equipment

Property and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. It is the Organization's policy to capitalize acquisitions in excess of \$500. Lesser amounts are expensed. Fixed assets are being depreciated/amortized using a straight-line method, with a half of a year's depreciation/amortization recognized in the years of acquisition and disposal. Estimated useful lives are as follows:

Furniture and equipment	3-5 yrs.
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Depreciation expense for the years ended June 30, 2014 and 2013 were \$65 and \$705 respectively.

(H) Deferred Revenue

Revenues from program fees associated with chapter development are deferred until the fiscal year in which the services are performed. There was no deferred revenue at June 30, 2014. However, deferred revenue from advanced program fees for the year ended June 30, 2013 was \$61,871.

(I) Contributed Services and Materials

For the years ended June 30, 2014 and 2013, \$215,278 and \$309,000 of contributed services and materials meeting the requirements for recognition in the financial statements have been recorded, respectively. They are included in the statements of activities as follows:

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

(I) Contributed Services and Materials (continued)

<u>Support and Revenue</u>	June 30,	
	2014	2013
Contributions – corporate		
Survey produced for Organization	\$ 140,000	\$ 225,000
Brochures and program materials produced	23,826	39,000
Public relations staff time	40,000	45,000
Total Contributions – corporate	203,826	309,000
Contributions – foundations and general		
Meetings and travel	11,452	-
Total Contributions – foundations and general	11,452	-
Total Support and Revenue	\$ 215,278	\$ 309,000
<u>Expenses</u>		
Program services	\$ 215,278	\$ 309,000
Total	\$ 215,278	\$ 309,000

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

(J) Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as evidenced by an exemption letter dated September 15, 1982. The Organization is also exempt from Massachusetts state income tax and sales tax.

As of June 30, 2014, the tax years that remain subject to examination by taxing authorities begin with the year ended June 30, 2010. Tax returns for the years ended June 30, 2011, 2012 and 2013 remain open to examination by taxing authorities. Management believes that all positions taken in those returns would be sustained if examined by taxing authorities.

(K) Subsequent Events

Management has evaluated subsequent events through November 6, 2014, the date on which the financial statements were available to be issued.

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2. Split-Dollar Life Insurance Receivable

The Organization has entered into a split-dollar life insurance agreement with the founder of SADD, Inc. Under the agreement, upon the death of the founder the Organization will receive all premiums paid, with the remaining proceeds reverting to the beneficiary of the policy. An asset has been recognized equal to the premiums paid as of June 30, 2014 and 2013. Split-dollar life insurance receivable at June 30, 2014 and 2013 was \$347,995 for both years.

Note 3. Lease Commitments

Operating Leases

As of June 30, 2014 SADD, Inc. had entered into a non-cancellable operating lease agreement for the rental of office equipment expiring May, 2019. Future minimum rentals, on an annual basis, are as follows:

Year ended June 30, 2015	\$ 4,817
Year ended June 30, 2016	4,817
Year ended June 30, 2017	4,817
Year ended June 30, 2018	4,817
Year ended June 30, 2019	3,613
Total	\$ 22,881

Rent expense for the years ended June 30, 2014 and 2013 was \$6,758 and \$8,117, respectively.

Note 4. Line of Credit

At June 30, 2014 and 2013, the Organization had a revolving line of credit in the amount of \$75,000. The line is subject to a variable interest rate per annum, equal to the prime rate as published in the Wall Street Journal plus 2 percentage points. At June 30, 2014 and 2013, the variable interest rate was 5.25%. Interest on the note is payable monthly. Outstanding principal plus all accrued unpaid interest is payable on demand. There was no outstanding balance as of June 30, 2014 and 2013.

Note 5. Post-Employment Benefits

The organization has provided post-employment benefits for two former executive directors. Post-employment benefits which are included in fringe benefits on the Statements of Functional Expenses are summarized as follows for the years ending June 30, 2014 and 2013:

	June 30,	
	2014	2013
Health insurance premiums	\$ 13,525	\$ 14,279
Post-employment benefits	\$ 13,525	\$ 14,279

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6. Employee Benefit Plan

In January of 2008, the Organization adopted a Salary Reduction Agreement under Section 401(k) of the Internal Revenue Code. Under the Plan, the Organization can make discretionary contributions to be determined annually. Eligible employees must be twenty-one (21) years old and a full-time employee and have completed one year of service (1000+ hours per year) before they can participate in the plan. The Organization made no contribution for the year ended June 30, 2014. However, the Organization contributed \$6,853 for the year ended June 30, 2013.

Note 7. Fundraising Expenses

The Organization contracted with professional fundraisers. Total fundraising expense for the year ended June 30, 2014 was \$300,157 of which \$284,408 was paid directly to the fundraiser. For the year ended June 30, 2013, total fundraising expense was \$429,769 of which \$414,476 was paid directly to the fundraiser.

Note 8. Grants and Awards

The Organization grants awards to various state coordinators for specific purposes as well as chapters that meet certain criteria. The Organization also allows students that are enrolled in local SADD chapters apply for educational scholarships. For the years ended June 30, 2014 and 2013, the Organization granted awards and scholarships totaling \$7,960 and \$7,072, respectively.

Note 9. Related Party Transactions

SADD, Inc. has engaged Summit Communications Management Corporation for consulting services. These services included assistance with the *Teen Driving Survey* and associated speaking engagements. The former Chairman of the Board of Directors of SADD, Inc., Mr. Stephen Wallace, also serves as the president of Summit Communications Management Corporation.

For the years ending June 30, 2014 and 2013 fees paid to Summit Communications Management Corporation totaling \$90,996 and \$78,750 respectively were incurred and are included in Consulting Services under Program Services on the Statement of Functional Expenses.

Included in accounts payable as of June 30, 2014 and 2013 were amounts due to Summit Communications Management Corporation of \$22,500 and \$15,000 respectively.

SADD, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purpose:

	<u>2014</u>	<u>2013</u>
Liberty Mutual – survey and related materials	\$ 37,500	\$ -
NRSF – updating of database	25,000	-
Faulkner Holdings – updating of database	4,000	-
Silent auction – 2015 scholarships	<u>5,671</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 72,171</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2014</u>	<u>2013</u>
Purpose restriction accomplished:		
Corporate contributions	\$ -	\$ 22,887
Total restrictions released	<u>\$ -</u>	<u>\$ 22,887</u>