SADD, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

June 30, 2018

HAN GROUP
Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
SADD, Inc.

We have audited the accompanying financial statements of SADD, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, 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.

Auditors' 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. 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 auditors' 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 auditors consider 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 SADD, Inc. as of June 30, 2018 and the changes 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.

HAN GROUP LLC

HAN GROUP LLC
Washington, DC
May 3, 2019

SADD, INC.
Statement of Financial Position
June 30, 2018

Assets		
Current Assets:		
Cash and cash equivalents	$	89,408
Accounts receivable		274,023
Prepaid expenses		9,771
Total current assets		373,202
Noncurrent Assets:		
Split-dollar life insurance receivable		252,932
Deposits		4,530
Intangible assets, net		221
Total noncurrent assets		257,683
Total assets	$	630,885
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	$	424,612
Accrued payroll and related expenses		28,453
Accrued vacation		21,453
Line of credit		149,789
Note payable to related parties		12,767
Total current liabilities		637,074
Net Assets:		
Unrestricted		(68,799)
Temporarily restricted		62,610
Total net assets		(6,189)
Total liabilities and net assets	$	630,885

See accompanying notes.

SADD, INC.
Statement of Activities
Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	$ 131,499	$ 491,166	$ 622,665
Government grants	614,276	-	614,276
Conference registration	136,256	-	136,256
Contract income	125,000	-	125,000
Other income	8,898	-	8,898
Net assets released from restrictions:			
Satisfaction of purpose restrictions	564,560	(564,560)	-
Total revenue and support	1,580,489	(73,394)	1,507,095
Expenses			
Program services:			
National Conference and SPEAKS	432,965	-	432,965
Health and Safety	416,422	-	416,422
Teens Seat Belt Use	145,812	-	145,812
Student Leadership Council	62,261	-	62,261
Other programs	264,871	-	264,871
Total program services	1,322,331	-	1,322,331
Supporting services:			
Management and general	213,882	-	213,882
Fundraising	126,915	-	126,915
Total supporting services	340,797	-	340,797
Total expenses	1,663,128	-	1,663,128
Change in Net Assets	(82,639)	(73,394)	(156,033)
Net Assets, beginning of year	13,840	136,004	149,844
Net Assets, end of year	$ (68,799)	$ 62,610	$ (6,189)

See accompanying notes.

SADD, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services						Supporting Services			
	National Conference and SPEAKS	Health and Safety	Teens Seat Belt Use	Student Leadership Council	Other Programs	Total Programs	Management and General	Fundraising	Total Supporting Services	Total
Salaries and related expenses	$ 74,129	$ 266,605	$ 126,348	$ 39,042	$ 60,491	$ 566,615	$ 51,042	$ 90,619	$ 141,661	$ 708,276
Program events and travel	313,594	107,405	7,698	22,925	72,206	523,828	3,662	5,084	8,746	532,574
Consultants	20,912	14,422	4,616	-	78,000	117,950	-	-	-	117,950
Professional fees	-	-	-	-	-	-	66,328	-	66,328	66,328
Interest expense	-	-	-	-	-	-	54,626	-	54,626	54,626
Supplies and materials	11,365	19,190	3,368	-	9,543	43,466	190	-	190	43,656
Occupancy	4,079	4,907	2,286	179	3,995	15,446	7,838	11,831	19,669	35,115
Program communications	-	475	-	-	23,654	24,129	-	-	-	24,129
Office expense	3,765	2,873	1,119	86	1,217	9,060	7,943	17,432	25,375	34,435
Scholarships and awards	4,448	-	-	-	15,350	19,798	-	-	-	19,798
Amortization expense	-	-	-	-	-	-	18,214	-	18,214	18,214
Insurance	531	431	298	23	328	1,611	3,867	1,541	5,408	7,019
Information technology	142	114	79	6	87	428	172	408	580	1,008
Total Expenses	$ 432,965	$ 416,422	$ 145,812	$ 62,261	$ 264,871	$ 1,322,331	$ 213,882	$ 126,915	$ 340,797	$1,663,128

See accompanying notes.

SADD, INC.
Statement of Cash Flows
Year Ended June 30, 2018

Cash Flows from Operating Activities	
Change in net assets	$ (156,033)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Amortization	18,214
Changes in operating assets and liabilities:	
Grants and sponsorships receivable	20,500
Accounts receivable	(126,939)
Split-dollar life insurance receivable	7,698
Prepaid expenses	15,441
Accounts payable and accrued expenses	46,067
Accrued payroll and related expenses	3,092
Accrued vacation	9,614
Deferred revenue	(37,500)
Net cash used in operating activities	(199,846)
Cash Flows from Financing Activities	
Advances on line of credit	114,614
Principal repayments of line of credit	(113)
Principal repayments of note payable	(6,415)
Net cash provided by financing activities	108,086
Net Decrease in Cash	(91,760)
Cash, beginning of year	181,168
Cash, end of year	$ 89,408

Supplemental Cash Flow Information	
Interest paid	$ 54,626

See accompanying notes.

1. Nature of Operations

SADD, Inc. (the Organization), was incorporated in 1982 under the provisions of Massachusetts General Laws chapter 180 and qualifies as a tax-exempt not-for profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

Formerly known as Students against Driving Drunk, 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 sources of revenue are grants and contributions from government, foundations, and corporations.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Accounts Receivable

Accounts receivable represent amounts due from the Organization's various revenue sources. There was no allowance for doubtful accounts recorded at June 30, 2018 as the entire balance was deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

Property and Equipment

Property and equipment in excess of $2,000 is capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the related assets ranging from three to six years. Expenditures for minor and routine repairs and maintenance are expenses as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense. The Organization has no assets that meet the recognition criteria.

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consisting of software and website development costs have been capitalized and are amortized over a three-year period. The intangible assets are presented net of accumulated amortization in the accompanying statement of financial position.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or the passage of time.

Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants revenue under cost reimbursable federal cooperative agreements is recognized based upon direct costs incurred plus allowable indirect costs. Revenue recognized but not received from the granting agency is included in accounts receivable in the accompanying statement of financial position. Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The Organization incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as employee count or estimates of time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, supplies and materials, occupancy, office expenses, insurance, and information technology.

2. Summary of Significant Accounting Policies (continued)

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a nonprofit organization classified its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for the Organization for annual reporting periods beginning after December 31, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Concentrations

The Organization received 37% of its revenue from five government agencies during the year ended June 30, 2018. In addition, the amount due from three of these agencies consisted 78% of accounts receivable at June 30, 2018.

4. Split-dollar Life Insurance Receivable

Upon the employment termination of the Organization's founder, the Organization entered into a split-dollar life insurance agreement. The agreement designates the founder as the owner of the policy and calls for the Organization to pay all premiums on the policy. Under the agreement, upon the death of the founder, the Organization will receive all premiums paid less accumulated interest on outstanding loans, with the remaining proceeds reverting to the beneficiary of the policy. The agreement also includes an automatic loan provision in which loans were incurred against the policy if the premiums were not paid and an assignment provision whereby the Organization will receive its portion of the proceeds before other distributions upon final payout. The loan provisions were triggered in years during which the Organization elected not to pay the premiums. At June 30, 2018, the balance of the loan was $252,932.

Interest continues to be accrued on the loan balance at adjustable rates which was 4.31% at June 30, 2018. The annual interest incurred during the year ended June 30, 2018 was $7,698 and is included as interest expense in the accompanying statement of functional expenses.

5. Intangible Assets

The Organization held the following intangible assets at June 30, 2018:

Website development	$	46,640
Software development		8,000
Total property and equipment		54,640
Less: accumulated amortization		(54,419)
Intangible assets, net	$	221

6. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following at June 30, 2018:

Domeshift conference	$	35,000
Podcast series		25,000
Wyoming SADD		2,610
Total temporarily restricted net assets	$	62,610

7. Line of Credit

The Organization maintains a revolving line of credit with a financial institution in the amount of $200,000. The line is secured by all assets of the Organization. The amount is due on demand and bears an interest rate of 2% plus WSJ prime rate. At June 30, 2018, $149,789 was outstanding on this line-of-credit. Interest expense was $6,612 from this line of credit for the year ended June 30, 2018.

8. Related Party Transactions

In September 2015, the Organization signed two promissory notes for $16,000 each with a Board member and an entity which another Board member is its founder and president. During the year ended June 30, 2018, one of the promissory notes was paid off in full. The remaining promissory note is payable upon demand and interest accumulates at the rate of 5.25% per annum. The notes are secured by the Organization's interest in the split-dollar life insurance receivable and other general assets of the Organization. Interest expense from these promissory notes was $776 during the year ended June 30, 2018.

9. Lease Obligations

In June 2016, the Organization entered into an 18-month lease agreement for office space in Marlborough, Massachusetts. Under this lease, the Organization is obligated for rent of $28,800, paid monthly, through December 2017. For the year ended June 30, 2018, rent expense under this agreement totaled $9,600 and is included in Occupancy in the accompanying Statement of Functional Expenses.

In October 2017, the Organization officially moved to District of Columbia. Since then, the Organization has entered into month-to-month agreement for office space. For the year ended June 30, 2018, rent expense under this agreement totaled $17,284 and is included in Occupancy in the accompanying Statement of Functional Expenses.

The Organization entered into various non-cancellable operating lease agreements for the rental of office equipment. For the year ended June 30, 2018, total rent payments under these agreements amounted to $7,967. They have been reported as Office expense in the accompanying Statement of Functional Expenses.

10. Retirement Plan

The Organization maintained a qualified 401(k) retirement plan. The plan allows eligible employees of the Organization to defer a percentage of their earnings from current taxation. Under the existing plan, the Organization may make a discretionary contribution each year. There were no contributions for the plan for the year ended June 30, 2018.

11. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended June 30, 2018, as the Organization had no taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions for the year ended June 30, 2018 and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At June 30, 2018, the statute of limitations for tax years ended June 30, 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

12. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 3, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.