

FINANCIAL STATEMENTS

SASHA BRUCE YOUTHWORX, INC.

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

SASHA BRUCE YOUTHWORK, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of June 30, 2017 and 2016	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2017 and 2016	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended June 30, 2017	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended June 30, 2016	7
EXHIBIT E - Statements of Cash Flows, for the Years Ended June 30, 2017 and 2016	8
NOTES TO FINANCIAL STATEMENTS	9 - 15



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sasha Bruce Youthwork, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Sasha Bruce Youthwork, Inc. (SBY), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America *Government Auditing Standards*. Those standards require that we plan and perform the 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 the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBY as of June 30, 2017 and 2016, 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.

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SASHA BRUCE YOUTHWORX, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,216,666	\$ 861,850
Accounts receivable		919,452	828,388
Prepaid expenses		37,722	41,322
Other current assets		<u>5,463</u>	<u>10,907</u>
Total current assets		<u>2,179,303</u>	<u>1,742,467</u>
INVESTMENTS		<u>1,699,698</u>	<u>1,504,402</u>
PROPERTY AND EQUIPMENT			
Land		477,171	477,171
Buildings		1,247,682	1,247,682
Building improvements		3,603,615	3,603,615
Equipment		243,034	217,560
Vehicles		<u>21,824</u>	<u>21,824</u>
		5,593,326	5,567,852
Less: Accumulated depreciation		<u>(3,565,511)</u>	<u>(3,413,144)</u>
Net property and equipment		<u>2,027,815</u>	<u>2,154,708</u>
TOTAL ASSETS	\$	<u>5,906,816</u>	\$ <u>5,401,577</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	85,171	\$ 95,655
Accrued expenses		344,687	153,993
Deferred revenue		127,129	103,632
Current portion of mortgages payable		<u>25,253</u>	<u>25,118</u>
Total current liabilities		<u>582,240</u>	<u>378,398</u>
OTHER LIABILITIES			
Mortgages payable, net of current portion		<u>203,728</u>	<u>228,981</u>
Total liabilities		<u>785,968</u>	<u>607,379</u>
NET ASSETS			
Unrestricted		4,760,469	4,493,359
Temporarily restricted		<u>360,379</u>	<u>300,839</u>
Total net assets		<u>5,120,848</u>	<u>4,794,198</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>5,906,816</u>	\$ <u>5,401,577</u>

SASHA BRUCE YOUTHWORX, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE		
UNRESTRICTED REVENUE		
Grants and contracts	\$ 7,002,039	\$ 6,049,075
Contributions	476,978	619,375
United Way	38,496	40,552
Investment income	209,850	68,116
Contributed services	131,551	216,926
Special events	371,351	443,853
Other revenue	1,411	9,768
Net assets released from donor restrictions	<u>147,460</u>	<u>436,215</u>
Total support and revenue	<u>8,379,136</u>	<u>7,883,880</u>
EXPENSES		
Program Services:		
Safe Homes	4,937,356	4,908,744
Life Skills Development	1,434,980	1,151,908
Workforce Development and Education Opportunities	<u>453,933</u>	<u>731,352</u>
Total program services	<u>6,826,269</u>	<u>6,792,004</u>
Supporting Services:		
Management and General	1,023,060	576,949
Fundraising	<u>262,697</u>	<u>214,781</u>
Total supporting services	<u>1,285,757</u>	<u>791,730</u>
Total expenses	<u>8,112,026</u>	<u>7,583,734</u>
Change in unrestricted net assets	<u>267,110</u>	<u>300,146</u>
TEMPORARILY RESTRICTED REVENUE		
Contributions	170,000	255,896
Special events	37,000	-
Net assets released from donor restrictions	<u>(147,460)</u>	<u>(436,215)</u>
Change in temporarily restricted net assets	<u>59,540</u>	<u>(180,319)</u>
TOTAL CHANGE IN NET ASSETS	<u>\$ 326,650</u>	<u>\$ 119,827</u>

SASHA BRUCE YOUTHWORK, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Net assets at beginning of year	\$ 4,493,359	\$ 4,193,213
Change in unrestricted net assets	<u>267,110</u>	<u>300,146</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 4,760,469</u>	<u>\$ 4,493,359</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net assets at beginning of year	\$ 300,839	\$ 481,158
Change in temporarily restricted net assets	<u>59,540</u>	<u>(180,319)</u>
TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 360,379</u>	<u>\$ 300,839</u>
TOTAL NET ASSETS AT END OF YEAR	<u>\$ 5,120,848</u>	<u>\$ 4,794,198</u>

SASHA BRUCE YOUTHWORX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services				Total Expenses
	Safe Homes	Life Skills Development	Workforce Development and Education Opportunities	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$2,759,111	\$ 698,108	\$ 190,124	\$ 3,647,343	\$ 851,643	\$ 165,750	\$ 1,017,393	\$ 4,664,736
Fringe benefits	571,457	154,971	38,787	765,215	129,946	28,178	158,124	923,339
Occupancy and other related costs	318,313	67,836	84,805	470,954	(1,060)	-	(1,060)	469,894
Client and auxiliary services	172,381	164,951	35,660	372,992	3,817	-	3,817	376,809
Consultants and professional fees	175,428	92,336	18,830	286,594	347,410	-	347,410	634,004
Donated services	-	-	-	-	131,551	-	131,551	131,551
Office supplies and expenses	35,570	19,536	2,343	57,449	84,458	295	84,753	142,202
Depreciation	-	-	-	-	152,367	-	152,367	152,367
Transportation and travel	54,585	4,125	1,460	60,170	23,924	-	23,924	84,094
Equipment rental and maintenance	94,163	28,928	6,378	129,469	28,761	350	29,111	158,580
Telephone	65,518	9,443	8,285	83,246	23,289	-	23,289	106,535
Miscellaneous expense	6,192	1,700	851	8,743	97,681	-	97,681	106,424
Investment fees	-	-	-	-	19,223	-	19,223	19,223
Insurance	16,182	-	-	16,182	56,208	-	56,208	72,390
Special events	-	-	-	-	-	68,124	68,124	68,124
Interest expense	-	-	-	-	1,754	-	1,754	1,754
Sub-total	4,268,900	1,241,934	387,523	5,898,357	1,950,972	262,697	2,213,669	8,112,026
Indirect cost allocations	668,456	193,046	66,410	927,912	(927,912)	-	(927,912)	-
TOTAL	\$4,937,356	\$ 1,434,980	\$ 453,933	\$ 6,826,269	\$ 1,023,060	\$ 262,697	\$ 1,285,757	\$ 8,112,026

See accompanying notes to financial statements.

SASHA BRUCE YOUTHWORX, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services				Total Expenses
	Safe Homes	Life Skills Development	Workforce Development and Education Opportunities	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$2,832,005	\$ 566,295	\$ 249,334	\$ 3,647,634	\$ 590,482	\$ 112,500	\$ 702,982	\$ 4,350,616
Fringe benefits	570,474	128,578	56,414	755,466	27,334	19,125	46,459	801,925
Occupancy and other related costs	339,908	80,674	121,845	542,427	(32,192)	-	(32,192)	510,235
Client and auxiliary services	136,766	61,984	88,007	286,757	8,339	-	8,339	295,096
Consultants and professional fees	152,414	110,826	49,124	312,364	298,836	-	298,836	611,201
Donated services	-	-	21,308	21,308	195,618	-	195,618	216,926
Office supplies and expenses	29,060	10,917	8,978	48,955	65,087	295	65,382	114,337
Depreciation	-	-	-	-	148,366	-	148,366	148,366
Transportation and travel	59,674	3,203	13,042	75,918	15,625	-	15,625	91,543
Equipment rental and maintenance	74,695	11,240	11,542	97,478	31,654	-	31,654	129,131
Telephone	62,952	17,325	7,939	88,215	24,200	-	24,200	112,415
Miscellaneous expense	2,073	1,331	1,490	4,894	10,153	-	10,154	15,047
Investment fees	-	-	-	-	15,675	-	15,675	15,675
Insurance	34,635	-	-	34,635	51,826	-	51,826	86,461
Special events	-	-	-	-	-	82,861	82,861	82,861
Interest expense	-	-	-	-	1,899	-	1,899	1,899
Sub-total	4,294,655	992,373	629,023	5,916,051	1,452,902	214,781	1,667,684	7,583,734
Indirect cost allocations	614,089	159,535	102,329	875,953	(875,953)	-	(875,953)	-
TOTAL	\$4,908,744	\$ 1,151,908	\$ 731,352	\$ 6,792,004	\$ 576,949	\$ 214,781	\$ 791,730	\$ 7,583,734

See accompanying notes to financial statements.

SASHA BRUCE YOUTHWORX, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 326,650	\$ 119,827
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	152,367	148,366
Unrealized gain	(138,401)	(35,871)
Realized (gain) loss	(26,701)	820
(Increase) decrease in:		
Accounts receivable	(91,064)	26,176
Prepaid expenses	3,600	55,966
Other current assets	5,444	(579)
(Decrease) increase in:		
Accounts payable	(10,484)	16,505
Accrued expenses	190,694	(136,454)
Deferred revenue	<u>23,497</u>	<u>96,552</u>
Net cash provided by operating activities	<u>435,602</u>	<u>291,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(25,474)	(26,154)
Purchase of investments	(516,646)	(987,111)
Sale of investments	<u>486,452</u>	<u>962,791</u>
Net cash used by investing activities	<u>(55,668)</u>	<u>(50,474)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgages payable	<u>(25,118)</u>	<u>(24,973)</u>
Net cash used by financing activities	<u>(25,118)</u>	<u>(24,973)</u>
Net increase in cash and cash equivalents	354,816	215,861
Cash and cash equivalents at beginning of year	<u>861,850</u>	<u>645,989</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,216,666</u>	<u>\$ 861,850</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 1,754</u>	<u>\$ 1,899</u>
Donated Securities	<u>\$ 5,052</u>	<u>\$ 7,577</u>

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1974, the mission of Sasha Bruce Youthwork, Inc. (SBY) is to improve the lives of runaway, homeless and disconnected youth and their families in the Washington, D.C. area. The overarching goal of the organization is to provide youth with the tools they need to curb high risk behaviors, stabilize their living situations, succeed at school, strengthen family relationships and develop the skills they need to be self-sufficient. SBY provides cost-effective services through three primary initiatives: safe homes, life skills and educational and workforce opportunities. During its 43-year history, SBY has reunited over 13,000 homeless youth with strengthened families. Today, SBY serves approximately 1,500 youth and 5,000 family members annually in the District of Columbia and through a shelter in Prince George's County, Maryland.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

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

Investments -

Investments in certificates of deposit, institutional mutual funds, equity securities, and debt securities are measured and reported at fair value. The fair values of certificates of deposit, institutional mutual funds, equity securities, and debt securities with readily determinable fair values are based on quotations obtained from national security exchanges.

Certificates of deposit, institutional mutual funds, equity securities, and debt securities with fair values that are not readily determinable are carried at estimated fair values as provided by the investment managers. SBY's management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining their estimated fair values. Due to the inherent uncertainties of these estimates, these values may differ from the values that would have been reported had a ready market for such investments existed.

Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value and represent amounts due from funding organizations for reimbursable expenses incurred in accordance with grant agreements. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment greater than \$5,000 is capitalized and carried at cost, generally five to fifteen years. Donated land, buildings, and property and equipment are stated at fair value at the date of donation.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

Property and equipment (continued) -

Expenditures for major additions, renewals and improvements greater than \$5,000 are capitalized; expenditures for repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the accompanying Statements of Activities and Changes in Net Assets. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets, generally five to fifteen years.

Income taxes -

SBY is exempt from Federal tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for Federal and state income taxes. SBY has been classified by the Internal Revenue Service as a publicly supported organization under Section 170(b)(1)(A)(VI). SBY did not have any unrelated business income for the years ended June 30, 2017 and 2016. SBY recognizes interest expense and penalties on income taxes related to uncertain tax positions in management and general expense on the Statements of Activities and Changes in Net Assets and accounts payable or accrued expenses in the Statements of Financial Position. There is no provision in these financial statements for penalties and interest on income taxes related to uncertain tax positions for the years ended June 30, 2017 and 2016. Tax years prior to 2014 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Net asset classification -

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

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of SBY and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of SBY and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue recognition -

SBY records contributions and certain grants as revenue when they are unconditionally pledged by the donor or when received in cash if not pledged and are recorded as contributions for United Way in the Statements of Activities and Changes in Net Assets.

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

Temporarily restricted revenues are contributions with temporary, donor-imposed time and/or program-specific restrictions. These temporary restrictions require that resources be used for specific purposes and/or in a certain period.

SASHA BRUCE YOUTHWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

Revenue recognition (continued) -

SBY receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Revenues from federal and other funding sources considered exchange transactions are recognized when the related expenses are incurred and are recorded as grants and contracts in the Statements of Activities and Changes in Net Assets. Expenses charged to Federal grants are subject to audit and adjustment. Amounts received from the Federal government that have not yet been spent in accordance with Federal criteria are considered refundable advances and amounts received from non-Federal sources that have not yet been spent in accordance with the grant agreement are considered deferred revenue.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a non-financial asset, or the services require specialized skills, the service is provided by individuals who possess those skills, and the service would typically need to be purchased if not contributed. Contributed services are recorded in the Statements of Activities and Changes in Net Assets and consist of pro-bono services from attorneys and other professional services as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Legal	\$ 131,551	\$ 195,618
Other professional services	<u>-</u>	<u>21,308</u>
TOTAL CONTRIBUTED SERVICES	<u>\$ 131,551</u>	<u>\$ 216,926</u>

Volunteers assist in a variety of tasks, such as volunteering for specific assistance programs, campaign solicitations, and various committee assignments. These services are not reflected in the accompanying Statements of Activities and Changes in Net Assets because they do not meet the necessary criteria for recognition.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Certain costs have been allocated among the program and supporting service categories based on various methods, including time spent and space occupied.

Risks and uncertainties -

SBY invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

Risks and uncertainties (continued) -

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

SBY adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value and establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

SBY accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market SBY has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Concentrations -

SBY maintains its cash and cash equivalents with commercial financial institutions. SBY's cash and cash equivalents consist of commercial checking and savings accounts. These accounts were insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017 and 2016, the accounts exceeded the insured limit by approximately \$966,666 and \$611,850, respectively. SBY monitors the creditworthiness of the institutions and has not experienced any credit losses on its cash and cash equivalents, nor does it expect to experience any such losses.

For the years ended June 30, 2017 and 2016, approximately thirty percent of total revenue (excluding contributed services) was received from Federal and state funds.

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, SBY has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The tables below summarize, by level within the fair value hierarchy, SBY's investments as of June 30, 2017 and 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2017</u>
Asset Class: Investments				
Money market funds	\$ 15,282	\$ -	\$ -	\$ 15,282
Certificates of deposit	-	51,516	-	51,516
Mutual funds - World allocation	1,039,446	-	-	1,039,446
Fixed income - High-yield bond	<u>593,454</u>	<u>-</u>	<u>-</u>	<u>593,454</u>
TOTAL	<u>\$ 1,648,182</u>	<u>\$ 51,516</u>	<u>\$ -</u>	<u>\$ 1,699,698</u>

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual funds, bonds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

Included in investment income are the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 44,748	\$ 33,065
Unrealized gain	138,401	35,871
Realized gain (loss)	<u>26,701</u>	<u>(820)</u>
TOTAL INVESTMENT INCOME	<u>\$ 209,850</u>	<u>\$ 68,116</u>

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

3. MORTGAGES PAYABLE

Mortgages payable consisted of the following as of June 30, 2017 and 2016:

- Interest-free first mortgage note dated June 6, 1991, for \$315,000 for the purchase of a building, due on August 1, 2023, and guaranteed by the U.S. Department of Housing and Urban Development, with principal payments of \$875 due monthly.
- Second mortgage note dated September 9, 1998, for \$424,186 for the purchase of a building, due on September 1, 2028, and guaranteed by the U.S. Department of Housing and Urban Development, accruing interest at a fixed annual rate of 1%, with interest and principal payments of \$1,364 due monthly.

As of June 30, 2017 and 2016, the outstanding principal on these mortgage payables was \$228,981 and \$254,099, respectively.

Principal payments are due as follows:

<u>Year Ended June 30,</u>		
2018	\$	25,253
2019		25,414
2020		25,563
2021		26,990
2022		24,593
2023 and Thereafter		<u>101,168</u>
	\$	<u>228,981</u>

For the years ended June 30, 2017 and 2016, interest expense was \$1,754 and \$1,899, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Safe Homes	\$ -	\$ 43,088
Youth Scholarships	152,000	152,000
Independent Living	4,070	-
Healthy Lives/Prevention and Social Services	-	23,647
Youth Drop-In	117,309	-
Special Events - pledges receivable	37,000	-
Other - pledges receivable	10,000	-
Data Evaluation	40,000	80,000
Randall Recreation Center	<u>-</u>	<u>2,104</u>
	<u>\$ 360,379</u>	<u>\$ 300,839</u>

SASHA BRUCE YOUTHWORX, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	<u>2017</u>	<u>2016</u>
Safe Homes	\$ 43,088	\$ 207,423
Independent Living	35,930	-
Education/Workforce and Development	-	21,033
Healthy Lives/Prevention and Social Services	23,647	130,086
Youth Drop-In	2,691	-
Stable Families	-	37,018
Data and Evaluation	40,000	40,000
Randall Recreation Center	<u>2,104</u>	<u>655</u>
	<u>\$ 147,460</u>	<u>\$ 436,215</u>

5. LEASE COMMITMENTS

SBY has month-to-month leases for office space. Rent expense for the years ended June 30, 2017 and 2016 was \$174,396 and \$261,668, respectively, which is included with "Occupancy and other related costs" in the Statements of Functional Expenses. Other related costs include utilities, repairs and maintenance, property taxes, trash removal and cleaning.

6. CONTINGENCY

SBY receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. 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.

7. SUBSEQUENT EVENTS

In preparing these financial statements, SBY has evaluated events and transactions for potential recognition or disclosure through November 13, 2017, the date the financial statements were issued.