

GETTING
OUT
AND
STAYING
OUT

Audited Financial Statements

For the Six Month Period Ended June 30, 2019

Independent Auditors' Report

To the Board of Directors of
Getting Out and Staying Out, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Getting Out and Staying Out, Inc. ("GOSO"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the six month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

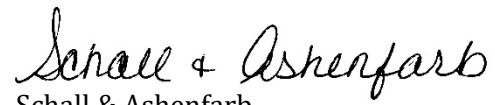
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Getting Out and Staying Out, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.


Schall & Ashenfarb
Certified Public Accountants, LLC

August 20, 2020

GETTING OUT AND STAYING OUT, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2019

Assets

Cash and cash equivalents	\$42,232
Government grants receivable	1,802,989
Other receivables	107,923
Prepaid expenses	4,808
Fixed assets, net (Note 3)	123,754
Security deposits	<u>43,590</u>
 Total assets	 <u><u>\$2,125,296</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$239,875
Government grant advance	60,000
Deferred rent	9,517
Total liabilities	<u>309,392</u>
 Net assets:	
Without donor restrictions	<u>1,815,904</u>
 Total liabilities and net assets	 <u><u>\$2,125,296</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

GETTING OUT AND STAYING OUT, INC.
STATEMENT OF ACTIVITIES
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support:			
Contributions	\$355,012		\$355,012
Government grant income	1,218,315		1,218,315
Special event income (net of expenses with a direct benefit to donors)(Note 5)	702,748		702,748
Program income	25,000		25,000
Net assets released from restriction (Note 4)	21,250	(\$21,250)	0
Total public support	2,322,325	(21,250)	2,301,075
Expenses:			
Program services	1,487,091		1,487,091
Supporting services:			
Management and general	480,859		480,859
Fundraising	296,175		296,175
Total supporting services	777,034	0	777,034
Total expenses	2,264,125	0	2,264,125
Change in net assets	58,200	(21,250)	36,950
Net assets - beginning	1,757,704	21,250	1,778,954
Net assets - ending	\$1,815,904	\$0	\$1,815,904

The attached notes and auditor's report are an integral part of these financial statements.

GETTING OUT AND STAYING OUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries	\$787,976	\$113,740	\$64,682	\$178,422	\$966,398
Payroll taxes and benefits	166,025	23,965	13,628	37,593	203,618
Professional fees	78,336	268,089	47,904	315,993	394,329
Client assistance	209,521			0	209,521
Occupancy	117,145	16,909	9,616	26,525	143,670
Office expense	58,554	9,601	12,513	22,114	80,668
Telephone and internet	25,399	3,666	2,085	5,751	31,150
Equipment and maintenance	21,513	15,026	29,580	44,606	66,119
Insurance		6,951		6,951	6,951
Travel and meetings		14,338		14,338	14,338
Special event expenses			223,202	223,202	223,202
Other expenses		5,309	15,854	21,163	21,163
Depreciation	22,622	3,265	1,857	5,122	27,744
Total expenses	1,487,091	480,859	420,921	901,780	2,388,871
Less: direct special event expenses netted with revenue			(124,746)	(124,746)	(124,746)
Total expenses for statement of activities	\$1,487,091	\$480,859	\$296,175	\$777,034	\$2,264,125

The attached notes and auditor's report are an integral part of these financial statements.

GETTING OUT AND STAYING OUT, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	\$36,950
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	27,744
Changes in assets and liabilities:	
Government grants receivable	(613,685)
Other receivables	(107,923)
Prepaid expenses	38,192
Security deposits	2,280
Accounts payable and accrued expenses	132,935
Government grant advance	60,000
Deferred rent	3,107
	<u>(420,400)</u>
Net cash flows used for operating activities	
Cash flows from investing activities:	
Purchase of fixed assets	<u>(9,758)</u>
Net cash flows used for investing activities	<u>(9,758)</u>
Net decrease in cash and cash equivalents	(430,158)
Cash and cash equivalents - beginning	<u>472,390</u>
Cash and cash equivalents - ending	<u><u>\$42,232</u></u>
Supplemental information:	
Interest and taxes paid	<u>\$0</u>

The attached notes and auditor's report are an integral part of these financial statements.

GETTING OUT AND STAYING OUT, INC.
NOTES TO FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2019

Note 1 - Organization

Getting Out and Staying Out, Inc. (“GOSO”) is dedicated to drastically reducing the recidivism rate for 16 to 24-year-old men by ensuring economic independence through purposeful education and directed employment. GOSO also manages the SAVE program that works in the community to interrupt gun violence by deploying credible messengers that partner with community stakeholders to decrease violence in our catchment area.

GOSO is a not-for-profit organization and has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar New York State regulations. GOSO has been designated as an organization which is not a private foundation.

GOSO changed its year-end to June 30, 2019. The attached financial statements represent activity for the six-month period ended June 30, 2019.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

GOSO reports information regarding its financial position and activity according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* – represents contributions and the net residual of assets with donor-imposed restrictions that are expected to be satisfied by performing certain activities or through the passage of time.

c. Revenue Recognition

All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and revenue recognized is reflected as government grants receivable or refundable advances.

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset

classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Income earned under the fee-for-service agreements is recognized as program fee income when GOSO provides these services and the fees are considered non-cancelable.

d. Cash and Cash Equivalents

GOSO considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of Credit Risk

Financial instruments that potentially subject GOSO to concentration of credit risk consist of a checking account that is placed with a financial institution that management deems to be creditworthy. At various times during the year, GOSO may have uninsured balances. Management feels they have little risk and has not experienced any losses due to bank failure.

f. Allowance for Doubtful Accounts

At year end, all receivables were due within one year and have been recorded at net realizable value. Management reviews receivables to determine if any are unlikely to be collected based on a specific review of donors, grantors, and others as well as a review of activity subsequent to the statement of financial position date. Based on this review, management has determined that no allowance for uncollectable amounts is necessary.

Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

g. Fixed Assets

Fixed assets consist of leasehold improvements, furniture, and equipment that GOSO retains title to which benefit future periods. Fixed assets are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset (5 years) or remaining term of the office lease.

h. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. In future years, when payments exceed the amount of rent recognized as expense, the deferred rent will be reduced until it is zero at the end of the lease.

i. In-Kind Services

Donated services that either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Organizational governance and some fundraising duties are performed voluntarily by the Board of Directors. Those services have not been recorded because they do not meet the criteria for recognition as outlined above.

j. Management Estimates

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

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of GOSO.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salary allocation as the basis:

- Payroll taxes and benefits
- Occupancy
- Office expense
- Telephone and internet
- Equipment and maintenance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. Accounting for Uncertainty of Income Taxes

GOSO does not believe its financial statements include any material, uncertain tax positions. As described in Note 1, GOSO changed its year-end to June 30, 2019 and filed a tax return for the six-month period then ended.

GOSO had previously filed tax returns on a December year-end. Tax filings for the periods ended December 31, 2015 and later are subject to examination by applicable taxing authorities.

m. **New Accounting Pronouncement**

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the June 30, 2020 year with early implementation permitted, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transaction) within the scope of *Topic 958, Not-for-Profit Entities*, or as an exchange (reciprocal) transaction.

FASB issued (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which also becomes effective for the June 30, 2020 year with early implementation permitted, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied. This ASU does not apply to contributions.

FASB issued (“ASU”) No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

GOSO is in the process of evaluating the impact these standards will have on future financial statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/19</u>
Office furniture and equipment	\$115,862
Leasehold improvements	<u>198,316</u>
	314,178
Less: accumulated depreciation	<u>(190,424)</u>
Fixed assets – net	<u>\$123,754</u>

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions released during the six-month period ended June 30, 2019 are related to the Jails for Jobs program.

Note 5 - Special Event

A summary of the special event activity is as follows:

	<u>6/30/19</u>
Gross proceeds	\$827,494
Less: expenses with a direct benefit to donor	<u>(124,746)</u>
	702,748
Less: other event expenses	<u>(98,456)</u>
Total	<u>\$604,292</u>

Note 6 - Commitments and Contingencies

GOSO occupies office space in New York under three separate lease agreements: one for space at 91 E 116th Street that expires in September 2023, one for space at 75 E 116th Street that expires in September 2020, and one for space at 1400 5th Avenue that expires in November 2020.

The future guaranteed minimum payments under the terms of all three leases are as follows:

Year ending:	June 30, 2020	\$248,011
	June 30, 2021	102,390
	June 30, 2022	39,980
	June 30, 2023	41,176
	June 30, 2024	<u>8,620</u>
		<u>\$440,177</u>

Total rent expense was approximately \$122,000 in 2019.

GOSO conducts programs which are publicly supported by governmental agencies. Some programs are subject to governmental agency audits and retroactive adjustments for “disallowed” expenses. No reserves for potential payments to government agencies has been made as management does not believe that any future disallowances will be material.

In its normal course of business, GOSO may become a party to various claims related to general employment matters. Potential claims or losses are accrued when such claims are considered probable of requiring payment.

Note 7 - Retirement Plan

GOSO sponsors a tax-deferred annuity plan that is qualified under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees of GOSO. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. GOSO did not make any contributions to the plan.

Note 8 - Availability and Liquidity

GOSO maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management plan, GOSO operates its programs within a board approved budget and relies on grants, contributions, and earned income to fund its operations and program activities. All receivables at June 30, 2019 were collected subsequent to year-end.

The following reflects GOSO's financial assets at June 30, 2019 that are available to meet cash needs for general expenditures within one year:

Financial assets at June 30, 2019:

Cash and cash equivalents	\$42,232
Government grants receivables due within one year	1,742,989
Other receivables due within one year	<u>107,923</u>
Total financial assets	\$1,893,144
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(21,250)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,871,894</u>

Note 9 - Subsequent Events

Management has evaluated the impact of all subsequent events through August 20, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect GOSO's government funders, donors, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand on GOSO's services and harm GOSO's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on GOSO's business cannot be quantified.

In May 2020, GOSO obtained a loan from the SBA in the amount of \$288,630 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the covered period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a five-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these financial statements. GOSO's expectation is that the total loan will be forgiven based on adherence to the specifications and guidelines given.

On August 14, 2020, GOSO received a zero-interest loan from the Non-Profit Finance Fund in the amount of \$375,000. The loan matures on August 14, 2021, at which time the principal and any fees incurred are due in full. However, GOSO will have the right and without penalty or premium once in any calendar month to prepay the Loan, in whole or in part, in an amount no less than \$10,000.