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GETTING  
**OUT**  
AND  
STAYING  
**OUT**

Audited Financial Statements

June 30, 2020

## **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, 2020, 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.

### ***Auditor's Responsibility***

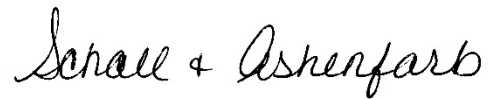
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020, 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.

A handwritten signature in cursive script that reads "Schall & Ashenfarb".

Schall & Ashenfarb  
Certified Public Accountants, LLC

November 16, 2020

**GETTING OUT AND STAYING OUT, INC.  
STATEMENT OF FINANCIAL POSITION  
AT JUNE 30, 2020**

**Assets**

Cash and cash equivalents	\$1,243,656
Government grants receivable	869,913
Other receivables	67,711
Prepaid expenses	162,960
Fixed assets, net (Note 3)	134,490
Security deposits	43,590
	<u>43,590</u>
Total assets	<u>\$2,522,320</u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$270,946
Conditional contributions (Note 4)	372,736
Paycheck Protection Program loan (Note 5)	288,630
Deferred rent	2,813
Total liabilities	<u>935,125</u>
Net assets:	
Without donor restrictions	1,169,299
With donor restrictions (Note 6)	417,896
Total net assets	<u>1,587,195</u>
Total liabilities and net assets	<u>\$2,522,320</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 YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support:			
Contributions	\$1,400,171	\$510,500	\$1,910,671
Government grant income	2,359,562		2,359,562
Special event income (net of expenses with a direct benefit to donors)(Note 4)	60,089		60,089
In-kind contributions (Note 2h)	65,208		65,208
Program income	55,000		55,000
Net assets released from restriction (Note 6)	92,604	(\$92,604)	0
Total public support	<u>4,032,634</u>	<u>417,896</u>	<u>4,450,530</u>
Expenses:			
Program services	<u>3,295,175</u>		<u>3,295,175</u>
Supporting services:			
Management and general	881,429		881,429
Fundraising	<u>502,635</u>		<u>502,635</u>
Total supporting services	<u>1,384,064</u>	<u>0</u>	<u>1,384,064</u>
Total expenses	<u>4,679,239</u>	<u>0</u>	<u>4,679,239</u>
Change in net assets	(646,605)	417,896	(228,709)
Net assets - beginning of year	<u>1,815,904</u>	<u>0</u>	<u>1,815,904</u>
Net assets - end of year	<u><u>\$1,169,299</u></u>	<u><u>\$417,896</u></u>	<u><u>\$1,587,195</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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries	\$1,836,444	\$275,979	\$228,683	\$504,662	\$2,341,106
Payroll taxes and benefits	351,460	52,817	43,766	96,583	448,043
Professional fees (including in-kind) (Note 2h)	261,632	434,304	90,532	524,836	786,468
Client assistance	405,664				405,664
Occupancy	216,245	32,497	26,928	59,425	275,670
Office expense	62,039	8,297	33,928	42,225	104,264
Telephone and internet	48,836	7,339	6,081	13,420	62,256
Equipment and maintenance	37,316	23,011	45,255	68,266	105,582
Insurance	24,348	3,659	3,032	6,691	31,039
Travel and meetings	9,720			0	9,720
Special event expenses			34,058	34,058	34,058
Other expenses		37,293	9,551	46,844	46,844
Depreciation	41,471	6,233	5,164	11,397	52,868
<b>Total expenses</b>	<b>3,295,175</b>	<b>881,429</b>	<b>526,978</b>	<b>1,408,407</b>	<b>4,703,582</b>
Less: direct special event expenses netted with revenue			(24,343)	(24,343)	(24,343)
<b>Total expenses for statement of activities</b>	<b>\$3,295,175</b>	<b>\$881,429</b>	<b>\$502,635</b>	<b>\$1,384,064</b>	<b>\$4,679,239</b>

*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 YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities:	
Change in net assets	(\$228,709)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	52,868
Changes in assets and liabilities:	
Government grants receivable	933,076
Other receivables	40,212
Prepaid expenses	(158,152)
Accounts payable and accrued expenses	31,071
Government grant advance	(60,000)
Conditional contributions	372,736
Paycheck Protection Program loan (Note 5)	288,630
Deferred rent	<u>(6,704)</u>
Net cash flows provided by operating activities	<u>1,265,028</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(63,604)</u>
Net cash flows used for investing activities	<u>(63,604)</u>
Net increase in cash and cash equivalents	1,201,424
Cash and cash equivalents - beginning of year	<u>42,232</u>
Cash and cash equivalents - end of year	<u><u>\$1,243,656</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**  
**JUNE 30, 2020**

**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.

**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.

Effective July 1, 2019, GOSO adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price, and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective July 1, 2019, GOSO adopted (“ASU”) No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“Topic 605”). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, GOSO evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non- reciprocal. If the transaction is determined to be an exchange transaction, GOSO applies guidance under Topic 606. If the transaction is determined to be non- reciprocal, it is treated as a contribution under Topic 605.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way GOSO recognizes revenue.



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

GOSO has adopted Topic 606 using the modified retrospective method applied to all contracts after July 1, 2019 and continues to use legacy GAAP for all contracts before July 1, 2019.

GOSO receives program income that falls under Topic 606. Program income is recognized as revenue as the performance obligations are met. Program income that has been earned but not paid at year end are recognized as income and a related receivable. Cash that has been received but not earned at year-end is recognized as deferred revenue.

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.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be non-reciprocal; therefore, they are also treated as contributions under Topic 605. In addition, government grants meet the condition of being conditional. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met are treated as liabilities.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2020. Write-offs will be made in the period the receivable is deemed to be uncollectable.

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 year-end and 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. 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.

g. 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.

h. 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.

GOSO received in-kind legal services valued at \$65,208 during the year ended June 30, 2020. This has been charged to management and general expenses.

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.

i. 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.

j. 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.

Salaries were allocated using time and effort as the basis. The following costs were allocated using the salary allocation as the basis:

- Payroll taxes and benefits
- Payroll service, IT services, and custodial fees included in professional fees
- Occupancy
- Office expense
- Telephone and internet
- Equipment and maintenance
- Insurance
- Depreciation

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

k. Accounting for Uncertainty of Income Taxes

GOSO does not believe its financial statements include any material, uncertain tax positions. GOSO had previously filed tax returns on a calendar year-end before changing to a June fiscal year end, effective June 30, 2019. Tax filings for the periods ended December 31, 2017 and later are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncements

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.

FASB issued (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line item presentation on the statement of activities and additional disclosures.

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>6/30/20</u>
Office furniture and equipment	\$147,216
Leasehold improvements	<u>230,566</u>
	377,782
Less: accumulated depreciation	<u>(243,292)</u>
Total fixed assets – net	<u>\$134,490</u>

**Note 4 - Conditional Contributions and Special Events**

Due to the to the novel coronavirus (COVID-19) pandemic, GOSO's 2020 annual gala was postponed and changed to a virtual event that was held on September 22, 2020. Event donations received prior to June 30, 2020 are considered conditional contributions as of June 30, 2020 and will be recognized as revenue in fiscal year 2021.

A summary of GOSO's other special event activity for the year ended June 30, 2020 is as follows:

	<u>GOSO Social</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$69,410	\$15,022	\$84,432
Less: expenses with a direct benefit to donor	<u>(24,343)</u>	<u>0</u>	<u>(24,343)</u>
	45,067	15,022	60,089
Less: other event expenses	<u>(8,829)</u>	<u>(886)</u>	<u>(9,715)</u>
Total	<u>\$36,238</u>	<u>\$14,136</u>	<u>\$50,374</u>

**Note 5 - Paycheck Protection Program Loan**

During the year ended June 30, 2020, GOSO obtained a loan from the SBA through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are not less 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 expects to recognize revenue from this loan consistent with ASU 2018-08, as it is considered to have traits similar to a conditional contribution; however, will continue to review whether any new accounting pronouncements may be issued that will provide more definitive guidance.

**Note 6 - Net Assets With Donor Restrictions**

The following summarizes the activity of net assets with donor restrictions:

	<u>Beginning Balance 7/1/19</u>	<u>Contributions</u>	<u>Released from Restrictions</u>	<u>Ending Balance 6/30/20</u>
Program restricted:				
Vocational training and employment development	\$0	\$331,000	(\$92,410)	\$238,590
SAVE East Harlem	0	100,000	0	100,000
Facility renovations	0	20,000	0	20,000
COVID-19 relief	0	38,000	0	38,000
Other programs	<u>0</u>	<u>21,500</u>	<u>(194)</u>	<u>21,306</u>
Total	<u>\$0</u>	<u>\$510,500</u>	<u>(\$92,604)</u>	<u>\$417,896</u>

## Note 7 - Commitments and Contingencies

GOSO occupies office space in New York under several separate lease agreements:

- Space at 91 E 116<sup>th</sup> Street that was set to expire in September 2023. Subsequent to year-end, GOSO terminated this lease and signed a lease with the same landlord for space at 1642 Park Avenue that expires in September 2023. Their security deposit was transferred to this new space.
- Space at 75 E 116<sup>th</sup> Street that expired in September 2020. GOSO is currently occupying this space on a month-to-month basis.
- Space at 1400 5<sup>th</sup> Avenue that expires in November 2020.
- Subsequent to year-end, GOSO signed a lease for space at 2283 Third Avenue that will commence once construction for the space is ready.

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

Year ending:	June 30, 2021	\$106,865
	June 30, 2022	43,575
	June 30, 2023	44,774
	June 30, 2024	<u>9,370</u>
		<u>\$204,584</u>

Total rent expense was approximately \$244,000 as of June 30, 2020.

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 8 - Retirement Plan

GOSO maintains a tax deferred 401(k) retirement plan on behalf of participating employees. All employees who are at least 21 years of age and have completed three consecutive months of employment may participate by designating a percentage of their salaries, subject to regulatory limits, to be contributed to the plan on a pre-tax basis. Contributions to the plan are fully vested immediately. GOSO did not make any contributions to the plan during the year ended June 30, 2020.

**Note 9 - 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.

The following reflects GOSO's financial assets at June 30, 2020 that are available to meet cash needs for general expenditures within one year:

Cash and cash equivalents	\$1,243,656
Government grants receivables due within one year	869,913
Other receivables due within one year	<u>67,711</u>
Total financial assets	\$2,181,280
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(417,896)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,763,384</u>

**Note 10 - Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 16, 2020, the date the financial statements were available to be issued.

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.

No additional events have occurred subsequent to the statement of financial position date, through our evaluation date, that would require adjustment to or disclosure in the financial statements.

**Note 11 - Other Matters**

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.

GOSO's response to the COVID-19 pandemic was swift. Management created new systems for communication, adapted to virtual platforms, and made sure that no participant lost touch with their GOSO family. As New York City has advanced through the protocols of reopening, GOSO has remained nimble and developed strategies for providing GOSO participants with the essentials they need at a time when they needed it most.

On June 23rd, as part of Phase II reopening, GOSO staff was able to utilize the storefront office to set up a "curbside" indoor/outdoor support station. While always maintaining safe social distancing and observing all mandated protocols, GOSO has created an opportunity for face-time and a drop-by destination for healthy bagged lunches, MetroCards (to ensure participants continue to get to work, as many of GOSO's participants are employed by essential businesses, and other important appointments), and more. GOSO staff have packaged and distributed personal protective equipment (PPE) packets of masks, gloves, and other safety products so that participants can go about their days safely and adhere to the health guidelines across the city. All of these items, plus non-perishable items from the food pantry, are available not only to GOSO participants, but to any member of the East Harlem Community current in need.