

STRATEGIES FOR YOUTH, INC.

CAMBRIDGE, MASSACHUSETTS

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2023

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Board of Directors
Strategies for Youth, Inc.
Cambridge, Massachusetts

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Strategies for Youth, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strategies for Youth, Inc. as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Strategies for Youth, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Strategies for Youth, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Strategies for Youth, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Strategies for Youth, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Coles & Bodoian, LLP

Needham, Massachusetts
February 7, 2024

STRATEGIES FOR YOUTH, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2023

| | |
|---|--------------------------|
| ASSETS | |
| Cash | \$ 296,521 |
| Accounts receivable | 33,000 |
| Grant receivable | 20,000 |
| Employee Retention Credit receivable | 62,321 |
| Prepaid expenses | 5,276 |
| Property and equipment, net | 14,728 |
| Deposits | <u>6,600</u> |
| TOTAL ASSETS | <u><u>\$ 438,446</u></u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | <u>\$ 86,624</u> |
| NET ASSETS | |
| Without donor restrictions | 81,940 |
| With donor restrictions | <u>269,882</u> |
| TOTAL NET ASSETS | <u><u>351,822</u></u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 438,446</u></u> |

See accompanying notes and independent auditor's report.

STRATEGIES FOR YOUTH, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Grant revenue | \$ 35,750 | \$ 230,000 | \$ 265,750 |
| Contract revenue | 252,194 | - | 252,194 |
| Contributions | 92,276 | - | 92,276 |
| Contributions in-kind | 124,771 | - | 124,771 |
| Interest income | 6,292 | - | 6,292 |
| Net assets released from purpose restrictions | 269,070 | (269,070) | - |
| TOTAL SUPPORT AND REVENUE | <u>780,353</u> | <u>(39,070)</u> | <u>741,283</u> |
| EXPENSES | | | |
| Program services | 827,483 | - | 827,483 |
| Supporting services | | | |
| General and administrative | 138,130 | - | 138,130 |
| Fundraising | 61,057 | - | 61,057 |
| Total supporting services | 199,187 | - | 199,187 |
| TOTAL EXPENSES | <u>1,026,670</u> | <u>-</u> | <u>1,026,670</u> |
| CHANGE IN NET ASSETS | (246,317) | (39,070) | (285,387) |
| Net assets, beginning of year | 328,257 | 308,952 | 637,209 |
| NET ASSETS, END OF YEAR | <u>\$ 81,940</u> | <u>\$ 269,882</u> | <u>\$ 351,822</u> |

See accompanying notes and independent auditor's report.

STRATEGIES FOR YOUTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023

| | Program Services | | Supporting Services | | Total |
|---------------------------|---|-------------------------------|---------------------|-----------|------------------|
| | Improving Police/Youth Interactions | General and Administrative | Fundraising | | |
| Compensation and benefits | \$ 452,349 | \$ 54,902 | \$ 52,107 | \$ | 559,358 |
| Legal services | 125,626 | - | - | - | 125,626 |
| Consultants | 86,958 | - | 3,893 | - | 90,851 |
| Travel and meetings | 73,516 | - | - | - | 73,516 |
| Accounting services | - | 62,945 | - | - | 62,945 |
| Occupancy | 30,542 | 3,728 | 3,538 | - | 37,808 |
| Printing and copying | 28,133 | - | - | - | 28,133 |
| Books and subscriptions | 13,509 | - | - | - | 13,509 |
| Insurance | 1,959 | 6,522 | 227 | - | 8,708 |
| Depreciation | 5,575 | 681 | 646 | - | 6,902 |
| Miscellaneous expenses | - | 6,778 | - | - | 6,778 |
| Telephone | 3,394 | 414 | 393 | - | 4,201 |
| Supplies | 2,187 | 267 | 253 | - | 2,707 |
| Postage | - | 1,893 | - | - | 1,893 |
| Program supplies | 1,621 | - | - | - | 1,621 |
| Bad debt expense | 1,099 | - | - | - | 1,099 |
| Community outreach | 1,015 | - | - | - | 1,015 |
| | <u>\$ 827,483</u> | <u>\$ 138,130</u> | <u>\$ 61,057</u> | <u>\$</u> | <u>1,026,670</u> |

See accompanying notes and independent auditor's report.

STRATEGIES FOR YOUTH, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023

| | |
|---|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (285,387) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Bad debt expense | 1,099 |
| Depreciation | 6,902 |
| (Increase) decrease in assets: | |
| Accounts receivable | 147,601 |
| Grant receivable | (20,000) |
| Employee Retention Credit receivable | 10,452 |
| Prepaid expenses | (2,935) |
| Increase in liabilities: | |
| Accounts payable and accrued expenses | 27,107 |
| Total adjustments | 170,226 |
| Net cash used in operating activities | (115,161) |
| Cash, beginning of year | 411,682 |
| CASH, END OF YEAR | \$ 296,521 |

See accompanying notes and independent auditor's report.

STRATEGIES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Strategies for Youth, Inc. is located in Cambridge, Massachusetts and was incorporated on November 30, 2009 to conduct activities of community education, awareness, outreach and advocacy with respect to police and community relations and to develop effective methods of accountability and oversight of such relations.

Financial Statement Presentation

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the organization.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor restrictions that are met in the same year in which the contributions are made are recorded as net assets without donor restrictions in that year.

The Organization's net assets with donor restrictions includes \$259,039 restricted for specific programs in support of improving police/youth interactions and \$10,843 restricted in support of the Donor Management System software.

Cash

At June 30, 2023, the Organization had cash deposits in a bank which were in excess of federally insured limits by approximately \$46,000.

Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the outstanding amount less an allowance for estimated uncollectible accounts, if needed. The Organization considers all accounts receivable at June 30, 2023 to be collectible. The balance of accounts receivable at June 30, 2022 was \$181,700.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Costs of maintenance and repairs are charged to expense as incurred and costs of significant renewals and betterments are capitalized.

See independent auditor's report.

STRATEGIES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

Grants and contributions that are unconditional promises to give to the Organization are recorded as revenue in the year the promise is made rather than when the gift is received. Donor restricted grants and contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributed property and equipment are recorded at fair value at the date of donation.

Contract and Consulting Revenue

Contract and consulting revenue are recognized when control of the promised goods or services are transferred to clients in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods and services.

Contributions In-Kind

Contributions in-kind are recognized as contributions if they (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and may otherwise be purchased by the Organization.

During the year ended June 30, 2023, the Organization received and recognized \$124,771 of donated legal services. Such amounts are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution, and are reported as contributions in-kind. The donated legal services are reported as program services on the accompanying statement of activities and statement of functional expenses.

Tax Status

Strategies for Youth, Inc. is a nonprofit organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization qualify as charitable deductions.

The Organization is not currently under examination by any taxing jurisdiction. Federal and state income tax returns are generally open for examination for three years after the date of filing the related return.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Compensation and benefits, occupancy, certain insurance, depreciation, telephone, and certain supplies are allocated based on estimates of time and effort. All other expenses are based on a direct allocation.

See independent auditor's report.

STRATEGIES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through February 7, 2024, the date the financial statements were available to be issued.

NOTE B - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2023 consisted of the following:

| | |
|----------------------------------|-----------------|
| Furniture and equipment | \$14,011 |
| Donor Management System software | <u>15,000</u> |
| | 29,011 |
| Less: accumulated depreciation | <u>14,283</u> |
| | <u>\$14,728</u> |

NOTE C - LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year end:

| | |
|--------------------------------------|---------------|
| Cash | \$296,521 |
| Accounts receivable | 33,000 |
| Grant receivable | 20,000 |
| Employee Retention Credit receivable | <u>62,321</u> |
| Total financial assets | 411,842 |

Less amounts not available to be used within one year:

| | |
|------------------------------------|----------------|
| Net assets with donor restrictions | <u>269,882</u> |
|------------------------------------|----------------|

| | |
|--|------------------|
| Financial assets available to meet general expenditures over the next twelve months | <u>\$141,960</u> |
|--|------------------|

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs.

See independent auditor's report.

STRATEGIES FOR YOUTH, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE D - EMPLOYEE RETENTION CREDIT

In 2021, the Organization received \$81,000 of refundable tax credits in accordance with the Employee Retention Credit (ERC) program, authorized by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)*, as amended by subsequent legislative changes. In accordance with the ERC program, the Organization was eligible for an ERC if, due to the COVID-19 pandemic, there had been a significant decline in gross receipts in 2021 as compared with 2019 gross receipts, or a full or partial shutdown based on a governmental order. The ERC was computed based on a percentage of qualified wages (including qualified health insurance expenses) incurred during the year, with a maximum annual credit per employee.

The Organization's policy was to account for the ERC as a grant using guidance analogistic to conditional grants found in Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities - Revenue Recognition*. In accordance with ASC 958-605, the ERC was recognized and recorded as grant income in the statement of activities and changes in net assets when the conditions required for the ERC were substantially met. The Organization had presented \$81,000 of grant income in support and revenue as other income - Employee Retention Credit on the statement of activities and changes in net assets for the year ended June 30, 2021. In the assets section of the June 30, 2023 statement of financial position, the Organization has an Employee Retention Credit receivable in the amount of \$62,321, reflective of that portion of the ERC that has not yet been received.

NOTE E - RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan covering all eligible employees. Participants may make pre-tax contributions up to the maximum annual limit permitted under the Internal Revenue Code. The Organization may make discretionary matches of 100% of a participant's elective deferrals up to a maximum of the first 3% of eligible participant compensation plus 50% of elective deferrals that do not exceed the next 2% of eligible participant compensation. Participants are immediately fully vested in the contributions made by the Organization. Total retirement plan expense amounted to \$11,398 for the year ended June 30, 2023.

NOTE F - RISKS AND UNCERTAINTIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact on its financial position, results of operations and cash flows. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves.

See independent auditor's report.