
W. HAYWOOD BURNS INSTITUTE

FINANCIAL STATEMENTS

December 31, 2019

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

W. HAYWOOD BURNS INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
W. Haywood Burns Institute
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of W. Haywood Burns Institute, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 W. Haywood Burns Institute as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the W. Haywood Burns Institute's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Lancaster CPAs LLP

Oakland, California

October 21, 2020

W. HAYWOOD BURNS INSTITUTE

**Statement of Financial Position
December 31, 2019
(With Comparative Totals as of December 31, 2018)**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 1,104,523	\$ 1,107,753
Certificate of deposit	-	250,864
Accounts receivables	146,521	272,900
Contributions receivable (Note 3)	1,687,934	1,200,000
Prepaid expenses	63,446	45,418
Property and equipment, net (Note 4)	2,451	14,765
Deposits	<u>38,283</u>	<u>38,283</u>
Total Assets	<u>\$ 3,043,158</u>	<u>\$ 2,929,983</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 103,556	\$ 117,770
Accrued vacation	163,944	132,561
Deferred revenue	17,053	-
Deferred rent	<u>29,936</u>	<u>29,617</u>
Total Liabilities	<u>314,489</u>	<u>279,948</u>
Net Assets		
Without donor restrictions	390,587	879,257
With donor restrictions (Note 8)	<u>2,338,082</u>	<u>1,770,778</u>
Total Net Assets	<u>2,728,669</u>	<u>2,650,035</u>
Total Liabilities and Net Assets	<u>\$ 3,043,158</u>	<u>\$ 2,929,983</u>

See Notes to the Financial Statements

W. HAYWOOD BURNS INSTITUTE

**Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Foundation and corporate	\$ 112,500	\$ 3,722,517	\$ 3,835,017	\$ 3,757,318
Government			-	197,517
Donations	20,303		20,303	20,380
Total support	<u>132,803</u>	<u>3,722,517</u>	<u>3,855,320</u>	<u>3,975,215</u>
Revenue				
Contract revenue	525,245		525,245	719,428
Honoraria and other	24,177		24,177	21,425
Interest	2,705		2,705	3,017
Total revenue	<u>552,127</u>	<u>-</u>	<u>552,127</u>	<u>743,870</u>
Support provided by expiring time and purpose restrictions	<u>3,155,213</u>	<u>(3,155,213)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,840,143</u>	<u>567,304</u>	<u>4,407,447</u>	<u>4,719,085</u>
Expenses				
Program	3,051,855		3,051,855	3,043,244
Management and general	1,145,206		1,145,206	1,153,299
Fundraising	131,752		131,752	182,317
Total expenses	<u>4,328,813</u>	<u>-</u>	<u>4,328,813</u>	<u>4,378,860</u>
Change in net assets	(488,670)	567,304	78,634	340,225
Net Assets, beginning of year	<u>879,257</u>	<u>1,770,778</u>	<u>2,650,035</u>	<u>2,309,810</u>
Net assets, end of year	<u>\$ 390,587</u>	<u>\$ 2,338,082</u>	<u>\$ 2,728,669</u>	<u>\$ 2,650,035</u>

See Notes to the Financial Statements

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Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 78,634	\$ 340,225
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	12,313	17,296
Changes in assets and liabilities:		
Accounts receivables	126,379	(50,686)
Contributions receivable	(487,934)	(1,199,625)
Prepaid expenses	(18,028)	(31,302)
Accounts payable and accrued expenses	(14,214)	(64,637)
Accrued vacation	31,383	17,401
Deferred revenue	17,053	-
Deferred rent	319	(24,932)
Net cash provided (used) by operating activities	<u>(254,095)</u>	<u>(996,260)</u>
Cash flows from investing activities:		
Purchases and sales of certificate of deposit, net	<u>250,865</u>	<u>(250,864)</u>
Net cash provided (used) by investing activities	<u>250,865</u>	<u>(250,864)</u>
Change in cash and cash equivalents	(3,230)	(1,247,124)
Cash and cash equivalents, beginning of year	<u>1,107,753</u>	<u>2,354,877</u>
Cash and cash equivalents, end of year	<u>\$ 1,104,523</u>	<u>\$ 1,107,753</u>

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**Statement of Functional Expenses
December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 1,891,721	\$ 407,079	\$ 95,783	\$ 2,394,583	\$ 2,426,360
Employee benefits	286,381	61,626	14,500	362,507	309,287
Payroll taxes	139,136	29,941	7,045	176,122	179,069
Total Personnel	<u>2,317,238</u>	<u>498,646</u>	<u>117,328</u>	<u>2,933,212</u>	<u>2,914,716</u>
Accounting fees	-	154,367	-	154,367	15,300
Other fees for service	141,817	240,075	7,862	389,754	607,749
Office expenses and supplies	56,467	89,659	5,966	152,092	151,562
Occupancy	154,137	87,194	156	241,487	188,098
Conferences and meetings	382,196	62,952	440	445,588	484,139
Depreciation	-	12,313	-	12,313	17,296
Total Expenses	<u>\$ 3,051,855</u>	<u>\$ 1,145,206</u>	<u>\$ 131,752</u>	<u>\$ 4,328,813</u>	<u>\$ 4,378,860</u>

W. HAYWOOD BURNS INSTITUTE

Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 1: NATURE OF ACTIVITIES

W. Haywood Burns Institute (the Organization) is a California nonprofit public benefit corporation, incorporated in 2003. The Organization works intensively with local jurisdictions to reduce the over-representation of youth of color in their youth justice systems by leading a group of traditional and non-traditional stakeholders through a data driven, consensus-based process.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2019.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contract Revenue

The Organization recognizes contract revenue for consulting services as progress towards project milestones and deliverables are met, and costs are incurred.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on cost reimbursement or performance grants and customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization considers all contributions receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to

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**Notes to the Financial Statements
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examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended December 31, 2019.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets recorded at fair value on December 31, 2019.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the

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straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	5 years
Leasehold improvements	6.5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Rent

Deferred rent represents the aggregate difference between rent recognized on a straight-line basis and the stated amounts due per month.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation, and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to

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**Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2018)**

constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at their net realizable value and consist of the following at December 31, 2019:

Gross pledges receivable	\$ 1,700,000
Less discount to present value at 1.44%	<u>(12,066)</u>
Total	<u>\$ 1,687,934</u>

Contributions receivable at December 31, 2019 are expected to be realized in the following periods:

Less than one year	\$ 850,000
One to four years	<u>837,934</u>
Total	<u>\$ 1,687,934</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 38,567	\$ 38,567
Equipment	84,624	84,624
Leasehold improvements	29,491	29,491
Less accumulated depreciation	<u>(150,231)</u>	<u>(137,917)</u>
Total	<u>\$ 2,451</u>	<u>\$ 14,765</u>

NOTE 5: COMMITMENTS

The Organization is party to a lease for its Oakland office which expires on January 31, 2025. Future minimum lease payments are as follows for the years ended December 31:

2020	\$ 319,754
2021	359,193
2022	369,952
2023	381,023
2024	392,460
Thereafter	<u>33,600</u>
Total	<u>\$ 1,855,982</u>

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**Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2018)**

Rent for the years ended December 31, 2019 and 2018 was \$207,648 and \$176,819, respectively.

NOTE 6: LINE OF CREDIT

The Organization has a secured line of credit with a bank for a total of \$500,000 to be drawn down upon as needed, with an interest rate at 7%. There was no outstanding balance as of December 31, 2019.

NOTE 7: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Purpose restriction	\$ 2,338,082	\$ 1,344,633
Future periods	<u>-</u>	<u>426,145</u>
Total	<u>\$ 2,338,082</u>	<u>\$ 1,770,778</u>

NOTE 9: CONDITIONAL PROMISES TO GIVE

In addition to the activity reflected on the Organizations statement of activity, the Organization received certain conditional promises to give based on program performance and other requirements. As of December 31, 2019, conditional promises to give totaled \$170,825. The Organization recognizes such promises to give as support once the related conditions are satisfied.

NOTE 10: RETIREMENT PLAN

The Organization has a defined contribution retirement plan (the Plan) under section 403(b) of the Internal Revenue Code. The Plan covers all employees who meet age and length of service requirements, and all benefits vest immediately. The Organization is not required to make contributions to the Plan. During the year ended December 31, 2019 and 2018, the Organization made contributions to the plan totaling \$43,301 and \$4,887, respectively.

NOTE 11: CONCENTRATIONS

Revenue and Receivables

During the year ended December 31, 2019, the Organization received approximately 64% of its revenue and support from two foundations, and all of its contributions receivable

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**Notes to the Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

from one of those funders. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's program and activities.

NOTE 12: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 1,104,523
Accounts receivable	134,455
Contributions receivable	<u>1,700,000</u>
Total financial assets	2,938,978
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	<u>(2,338,082)</u>
Amount available for general expenditures within one year	<u>\$ 600,896</u>

As part of the Organization's liquidity management plan, the Organization maintains funds in excess of daily requirements in cash and cash equivalents and a certificate of deposit. The Organization maintains a revolving line of credit of \$500,000 to cover short-term cash needs.

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of October 21, 2020, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Public Health Order - Coronavirus

The Organization operates in an area which was affected by the COVID-19 coronavirus, and in March 2020 was subject to a public health order which affected activities of the Organization.

Paycheck Protection Program Forgivable Loan

In May 2020, the Organization received a forgivable loan of \$518,750 under the Paycheck Protection Program and expects to meet the conditions for full loan forgiveness during the year ending December 31, 2020.