W. HAYWOOD BURNS INSTITUTE

FINANCIAL STATEMENTS

December 31, 2020

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2019)

CROSBY & KANEDA
Certified Public Accountants
for Nonprofit Organizations

W. HAYWOOD BURNS INSTITUTE

Contents

CROSBY & KANEDA
Certified Public Accountants
for Nonprofit Organizations

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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, 2020, 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, 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.

Report on Summarized Comparative Information

We have previously audited the W. Haywood Burns Institute's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Kaneda CPAs LLP
Oakland, California
May 7, 2021

W. HAYWOOD BURNS INSTITUTE

Statement of Financial Position
December 31, 2020
(With Comparative Totals as of December 31, 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ 4,261,139	$ 1,104,523
Investments (Note 3)	1,570,017	-
Accounts receivables	390,445	146,521
Contributions receivable	1,125,000	1,687,934
Prepaid expenses and deposits	122,893	101,729
Property and equipment, net (Note 5)	63,943	2,451
Total Assets	$ 7,533,437	$ 3,043,158
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 456,216	$ 103,556
Accrued vacation	169,089	163,944
Deferred revenue	-	17,053
Deferred rent	69,403	29,936
Paycheck Protection Program loan (Note 6)	518,750	-
Total Liabilities	1,213,458	314,489
Net Assets		
Without donor restrictions (Note 10)	4,495,238	390,587
With donor restrictions (Note 11)	1,824,741	2,338,082
Total Net Assets	6,319,979	2,728,669
Total Liabilities and Net Assets	$ 7,533,437	$ 3,043,158

W. HAYWOOD BURNS INSTITUTE

Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Support and Revenue				
Support				
Foundation and corporate	$ 283,500	$ 3,455,056	$ 3,738,556	$ 3,835,017
Donations	3,063,770		3,063,770	20,303
Total Support	3,347,270	3,455,056	6,802,326	3,855,320
Revenue				
Contract revenue	1,477,720		1,477,720	525,245
Honoraria and other	24,842		24,842	24,177
Interest	5,455		5,455	2,705
Total Revenue	1,508,017	-	1,508,017	552,127
Support provided by expiring time and purpose restrictions	3,968,397	(3,968,397)	-	-
Total support and revenue	8,823,684	(513,341)	8,310,343	4,407,447
Expenses				
Program	3,555,357		3,555,357	3,051,855
Management and general	971,022		971,022	1,145,206
Fundraising	192,654		192,654	131,752
Total expenses	4,719,033	-	4,719,033	4,328,813
Change in net assets	4,104,651	(513,341)	3,591,310	78,634
Net Assets, beginning of year	390,587	2,338,082	2,728,669	2,650,035
Net assets, end of year	$ 4,495,238	$ 1,824,741	$ 6,319,979	$ 2,728,669

W. HAYWOOD BURNS INSTITUTE

Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 3,591,310	$ 78,634
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	4,894	12,313
Changes in assets and liabilities:		
Accounts receivables	(243,924)	126,379
Contributions receivable	562,934	(487,934)
Prepaid expenses	(21,164)	(18,028)
Accounts payable and accrued expenses	352,660	(14,214)
Accrued vacation	5,145	31,383
Deferred revenue	(17,053)	17,053
Deferred rent	39,467	319
Net cash provided (used) by operating activities	4,274,269	(254,095)
Cash flows from investing activities:		
Purchases and sales of certificate of deposit, net	-	250,865
Purchases of property and equipment	(66,386)	-
Purchases and sales of investments	(1,570,017)	-
Net cash provided (used) by investing activities	(1,636,403)	250,865
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	518,750	-
Net cash provided (used) by financing activities	518,750	-
Change in cash and cash equivalents	3,156,616	(3,230)
Cash and cash equivalents, beginning of year	1,104,523	1,107,753
Cash and cash equivalents, end of year	$ 4,261,139	$ 1,104,523

W. HAYWOOD BURNS INSTITUTE

Statement of Functional Expenses
December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	Program	Management and General	Fundraising	Total 2020	Total 2019
Salaries	$ 1,819,106	$ 450,781	$ 102,643	$ 2,372,530	$ 2,394,583
Employee benefits	349,622	86,499	19,136	455,257	362,507
Payroll taxes	165,528	40,844	8,599	214,971	176,122
Total Personnel	2,334,256	578,124	130,378	3,042,758	2,933,212
Accounting fees	-	97,091	-	97,091	154,367
Other fees for service	731,772	175,064	36,856	943,692	389,754
Office expenses and supplies	156,797	38,690	8,145	203,632	152,092
Occupancy	273,346	67,449	14,200	354,995	241,487
Conferences and meetings	55,418	13,674	2,879	71,971	445,588
Depreciation	3,768	930	196	4,894	12,313
Total Expenses	$ 3,555,357	$ 971,022	$ 192,654	$ 4,719,033	$ 4,328,813

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 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 restrictions are perpetual in nature; there were no restrictions of this nature as of December 31, 2020.

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 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.

Accounting for Revenue

The Organization recognizes revenue as performance obligations are satisfied.

Revenue is recognized over time when any of the following conditions are met: The customer receives and consumes the benefits provided by the Organization's performance as the Organization performs; the Organization's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or the work does not create an asset with an alternative use to the Organization and the entity has a right to payment for performance completed to date.

Revenue is recognized over time for cost reimbursement contracts as eligible expenses are incurred if other conditions of the contract are satisfied. Revenue from agreements that include milestones and milestone payments are recognized over time as milestones are reached. Revenue from agreements based on hourly rates are recognized over time as time is expended if the Organization expects it will have an enforceable right to payment for such amounts. Revenue is recognized based on estimated progress towards complete satisfaction of the performance obligation if the Organization can reasonably measure such progress. If the Organization's efforts are expended evenly throughout the performance period the Organization may recognize revenue on a straight-line basis over such a period.

Revenue is recognized at a point in time when goods or services are provided to customers and the Organization is not required to provide additional goods or services or if the above criteria are not met. Revenue from the sales of goods or merchandise are recognized at the point in time when the goods or merchandise are provided to the customer.

The Organization tracks contract assets representing earned amounts that are not yet receivable separately from accounts receivable, if any. As a practical expedient the Organization disregards the effects of potential financing components if the period between payment and performance is one year or less.

Contract Revenue

The Organization recognizes contract revenue for consulting services as progress towards project milestones and deliverables are met and costs are incurred. The Organization does not generally take retainers or deposits, and bills are generally invoiced on a Net 30 basis.

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, 2020. 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, 2020. 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, 2020 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 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, 2020.

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, 2020.

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

Furniture and equipment	5-7 years
Leasehold improvements	6.5 years
Software	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.

Changes in Accounting Principles

The Organization adopted *ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)* during the year ended December 31, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 did not result in a material change to timing of when revenue is recognized.

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 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, 2019, 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: INVESTMENTS

Investments are stated at fair value and consist of the following at December 31, 2020:

Cash and cash equivalents	$ 2
Mutual funds / ETF's – Fixed income	1,570,015
Total	$ 1,570,017

NOTE 4: 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.

Fair values of assets measured on recurring basis as of December 31, 2020 consisted of the value of investments which were measured based on level 1 inputs.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2020	2019
Furniture and equipment	$ 117,664	$ 123,191
Leasehold improvements	29,491	29,491
Software	52,100	-
Less accumulated depreciation	(135,312)	(150,231)
Total	$ 63,943	$ 2,451

NOTE 6: PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a $518,750 paycheck protection program (PPP) loan bearing interest of 1% and maturing May 27, 2022 which it accounts for under FASB 470. Based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been "legally released" or (2) the Organization pays off the loan. Future payments due under this loan are as follows:

2021	$ 229,596
2022	289,154
Total	$ 518,750

The Organization may be eligible for forgiveness of some or all of this loan.

NOTE 7: 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, 2020.

NOTE 8: 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:

2021	$ 359,193
2022	369,952
2023	381,023
2024	392,460
Thereafter	33,600
Total	$ 1,536,228

Rent for the years ended December 31, 2020 and 2019 was $354,995 and $207,648, respectively.

NOTE 9: 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 10: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were available as follows as of December 31:

	2020	2019
Reserves	$ 1,570,017	$ -
Undesignated	2,925,221	390,587
Total	$ 4,495,238	$ 390,587

NOTE 11: NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Purpose restriction	$ 1,497,658	$ 2,338,082
Future periods	327,083	-
Total	$ 1,824,741	$ 2,338,082

NOTE 12: 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, 2020, conditional promises to give totaled $1,810,000. The Organization recognizes such promises to give as support once the related conditions are satisfied.

NOTE 13: 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, 2020 and 2019, the Organization made contributions to the plan totaling $29,131 and $43,301, respectively.

NOTE 14: CONCENTRATIONS

Revenue and Receivables

During the year ended December 31, 2020, the Organization received approximately 62% of its revenue and support from three foundations. 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. One funder made up 76% of contributions receivable.

NOTE 15: 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, 2020 are:

Cash and cash equivalents	$ 4,261,139
Investments	1,570,017
Accounts receivable	390,445
Contributions receivable	1,125,000
Less purpose-restricted net assets	(1,497,658)
Total	$ 5,848,943

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 16: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of May 7, 2021, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose beyond the following:

Continuing Public Health Emergency

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, operations and workface.