

Focus Reentry
(a nonprofit Colorado corporation)
Boulder, Colorado

Financial Statements

December 31, 2019

Focus Reentry

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Independent Auditors' Report

To the Board of Directors
Focus Reentry
Boulder, Colorado

We have audited the accompanying financial statements of Focus Reentry (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

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 of 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Focus Reentry 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.

Altruic Advisors, PLLC

Certified Public Accountants

Boulder, Colorado
May 27, 2020

Focus Reentry

Statement of Financial Position

December 31, 2019

ASSETS

Current Assets

| | |
|-------------------------------------|------------------|
| Cash and cash equivalents | \$ 3,158 |
| Grants and contributions receivable | 15,500 |
| Prepaid expenses | 444 |
| Total current assets | <u>19,102</u> |
| | |
| Total assets | <u>\$ 19,102</u> |

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|-----------------------------------|---------------|
| Accounts payable | \$ 4,078 |
| Accrued compensation and benefits | 5,943 |
| Total current liabilities | <u>10,021</u> |

Net Assets

| | |
|---|------------------|
| Net assets (deficit) without donor restrictions | (6,419) |
| Net assets with donor restrictions | 15,500 |
| Total net assets | <u>9,081</u> |
| | |
| Total liabilities and net assets | <u>\$ 19,102</u> |

Focus Reentry

Statement of Activities

Year ended December 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-----------------|
| Operating Support | | | |
| Grants and contributions | \$ 98,960 | \$ 15,500 | \$ 114,460 |
| Special events, net of expenses of \$4,912 | 15,788 | - | 15,788 |
| Net assets released from restrictions | | | |
| Expiration of time restrictions | 978 | (978) | - |
| Total operating support | <u>115,726</u> | <u>14,522</u> | <u>130,248</u> |
| Operating Expenses | | | |
| Program services | 108,500 | - | 108,500 |
| Supporting services | | | |
| General and administrative | 22,195 | - | 22,195 |
| Fundraising | 10,750 | - | 10,750 |
| Total operating expenses | <u>141,445</u> | <u>-</u> | <u>141,445</u> |
| Change in Net Assets | (25,719) | 14,522 | (11,197) |
| Net Assets, Beginning of Year | <u>19,300</u> | <u>978</u> | <u>20,278</u> |
| Net Assets (Deficit), End of Year | <u>\$ (6,419)</u> | <u>\$ 15,500</u> | <u>\$ 9,081</u> |

The accompanying Notes are an integral
part of these financial statements

Focus Reentry

Statement of Functional Expenses

Year ended December 31, 2019

| | Program Services | | | | Supporting Services | | | Total Expenses |
|--------------------------|------------------|-----------|---------------|------------|----------------------------|-------------|-----------|----------------|
| | Mentoring | Team 72 | One Stop Shop | Total | General and Administrative | Fundraising | Total | |
| Salaries and wages | \$ 54,920 | \$ 14,978 | \$ 4,993 | \$ 74,891 | \$ 14,978 | \$ 9,985 | \$ 24,963 | \$ 99,854 |
| Payroll taxes | 4,209 | 1,148 | 383 | 5,740 | 1,148 | 765 | 1,913 | 7,653 |
| Total personnel costs | 59,129 | 16,126 | 5,376 | 80,631 | 16,126 | 10,750 | 26,876 | 107,507 |
| Mentoring program | 9,448 | - | - | 9,448 | - | - | - | 9,448 |
| Insurance | 4,113 | 881 | 294 | 5,288 | 588 | - | 588 | 5,876 |
| Occupancy | 3,819 | 818 | 273 | 4,910 | 546 | - | 546 | 5,456 |
| Accounting fees | - | - | - | - | 4,670 | - | 4,670 | 4,670 |
| Office expenses | 2,691 | - | - | 2,691 | - | - | - | 2,691 |
| Team 72 program | - | 1,276 | - | 1,276 | - | - | - | 1,276 |
| Information technology | 1,075 | - | - | 1,075 | - | - | - | 1,075 |
| Travel | 1,036 | - | - | 1,036 | - | - | - | 1,036 |
| Conference and meetings | 921 | - | - | 921 | - | - | - | 921 |
| One Stop Shop program | - | - | 744 | 744 | - | - | - | 744 |
| Miscellaneous | 387 | - | - | 387 | - | - | - | 387 |
| Bank and merchant fees | - | - | - | - | 185 | - | 185 | 185 |
| Professional development | 93 | - | - | 93 | - | - | - | 93 |
| Legal fees | - | - | - | - | 80 | - | 80 | 80 |
| Total expenses | \$ 82,712 | \$ 19,101 | \$ 6,687 | \$ 108,500 | \$ 22,195 | \$ 10,750 | \$ 32,945 | \$ 141,445 |

The accompanying Notes are an integral part of these financial statements

Focus Reentry

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year ended December 31, 2019

Cash Flows From Operating Activities

| | |
|---|------------------------|
| Change in net assets | \$ (11,197) |
| Adjustments to reconcile change in net assets to net cash used by operating activities | |
| Increase (decrease) from changes in assets and liabilities | |
| Grants and contributions receivable | (14,522) |
| Prepaid expenses | (77) |
| Accounts payable | 3,402 |
| Accrued compensation and benefits | (180) |
| Net cash used by operating activities | <u>(22,574)</u> |
| Net Decrease in Cash and Cash Equivalents | (22,574) |
| Cash and Cash Equivalents, Beginning of Year | <u>25,732</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 3,158</u></u> |

Focus Reentry

Notes to Financial Statements

December 31, 2019

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Focus Reentry (the "Organization") is a nonprofit corporation organized under the laws of the State of Colorado in 2018. The Organization's mission is to promote successful second chances, reduce recidivism, and enhance the well-being and safety our community.

Description of Program Services:

Mentoring Program - The Mentoring Program addresses recidivism risks by providing inmates with services that include pre-release mentoring for a minimum six weeks; the development of an Action Plan to identify critical and basic needs once released; immediate transportation the day of release to secure immediate shelter, obtain identification, access mental health services, locate substance abuse treatment, and report to all court-ordered appointments; and ongoing support and mentorship for a minimum of six months post-release.

Team 72 - Team 72 provides transportation to court obligations, shelter, and other critical services during the first three days after release.

One Stop Shop Program - Through the One Stop Shop (OSS), each person is given food, clothing vouchers, and hygiene items. OSS clients are referred to the local shelter if they have housing needs, need assistance in filling out forms for benefits, and need help with obtaining identification. Educational resources about mental health options, substance abuse services, and other community support is provided. OSS clients are given bus passes to access these critical services. All OSS clients can continue to contact staff for assistance with ongoing needs and other services.

Description of Supporting Services:

General and Administrative - Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Focus Reentry

Notes to Financial Statements

December 31, 2019

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Basis for Presentation (continued):

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, membership dues, and receiving investment and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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.

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Grants and Contributions Receivable. Grants and contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible amounts. The allowance for uncollectible amounts is estimated based on management's review of specific amounts outstanding. As of December 31, 2019, management believes all grants and contributions receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants and Contributions. Grants and contributions are recognized when the donations are received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grants and contributions are recognized.

Contributed Services. Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services received during the year ended December 31, 2019. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition.

Focus Reentry

Notes to Financial Statements

December 31, 2019

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 27, 2020, the date at which the financial statements were available for release.

Note 2 - Net Assets with Donor Restrictions

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

| | <u>January 1, 2019</u> | <u>Additions</u> | <u>Releases</u> | <u>December 31, 2019</u> |
|----------------------------|----------------------------|------------------|-----------------|------------------------------|
| Time restrictions | | | | |
| Colorado Health Foundation | \$ - | \$ 15,000 | \$ - | \$ 15,000 |
| Other Donors | 978 | 500 | 978 | 500 |
| | <u>\$ 978</u> | <u>\$ 15,500</u> | <u>\$ 978</u> | <u>\$ 15,500</u> |

Note 3 - Operating Leases

The Organization leases office space under a noncancelable operating lease, which requires monthly payments of \$500 through the expiration date of June 1, 2022. Rent expense under the lease totaled \$4,332 for the year ended December 31, 2019. On April 27, 2020, the Organization signed a one-year lease agreement to rent office space commencing on June 1, 2020.

Future annual minimum lease payments under operating leases are as follows at December 31, 2019:

| <u>Year</u> | <u>Facilities</u> |
|-------------|-------------------|
| 2020 | \$ 6,000 |
| 2021 | 6,000 |
| 2022 | 3,000 |
| | <u>\$ 15,000</u> |

Focus Reentry

Notes to Financial Statements

December 31, 2019

Note 4 – Special Event

The Organization derived net support from the following special fundraising event during the year ended December 31, 2019:

| | Second Chance Dance |
|-------------------------------|------------------------------------|
| Gross sales and contributions | <u>\$ 20,700</u> |
| Direct costs | <u>(4,912)</u> |
| Net support | <u>\$ 15,788</u> |

Note 5 - Liquidity and Availability of Resources

The Organization receives significant grants and contributions, some of which are occasionally restricted by donors. The Organization considers grants and contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity quarterly. The Organization had financial assets of \$19,102 available for general expenditures within one year at December 31, 2019.

Note 6 – Concentrations of Credit Risk

Major Donors. Approximately 84% of the Organization's total support was received from four grantors for the year ended December 31, 2019. In addition, approximately 97% of the Organization's total receivables was due from one grantor at December 31, 2019.

Geographical. The Organization receives a substantial amount of its operating support from within the Boulder, Colorado area.

Note 7 - Uncertainty Related to Virus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S, including Colorado, where the Organization is headquartered, have declared a state of emergency.

Potential impacts to the Organization include disruptions or restrictions on the Organization's ability to work which may include restrictions on its ability to provide services, raise funds, and perform necessary administrative tasks. The potential impacts of COVID-19 on the Organization's funders that may affect the funders' ability to continue supporting the Organization's operations are unknown.

Focus Reentry

Notes to Financial Statements

December 31, 2019

Note 7 - Uncertainty Related to Virus Pandemic (continued)

COVID-19 may also adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could adversely impact the Organization's operating results. Although management continues to monitor and assess the effects of the COVID-19 pandemic on its operations, the ultimate impact of the COVID-19 outbreak or a similar health endemic is highly uncertain and subject to change.

Note 8 - Paycheck Protection Program Loan

On May 1, 2020, the Organization was granted a loan (the "Loan") from First Western Trust Bank in the amount of \$27,027, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated May 1, 2020, matures on May 1, 2022 and bears interest at a rate of 1.00% per annum, payable in monthly installments of approximately \$1,513 commencing on November 1, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before June 26, 2020. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.