

SANDY HOOK PROMISE FOUNDATION, INC.

FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

SANDY HOOK PROMISE FOUNDATION, INC.

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Independent Auditors' Report

To the Board of Directors
Sandy Hook Promise Foundation, Inc.
Newtown, Connecticut

We have audited the accompanying financial statements of Sandy Hook Promise Foundation, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 auditors' 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 auditors consider 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 Sandy Hook Promise Foundation, Inc., as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Shelton, Connecticut
November 2, 2018

SANDY HOOK PROMISE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 6,800,959	\$ 1,874,276
Investments	40,469	11,807
Accounts receivable	196,525	158,603
Grants receivable	150,000	-
Due from related party	20,121	12,791
Inventory	2,692	3,173
Prepays and other assets	136,695	143,140
Property, furniture and equipment, net	<u>790,351</u>	<u>792,106</u>
Total Assets	\$ <u>8,137,812</u>	\$ <u>2,995,896</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 327,774	\$ 152,775
Deferred revenue	20,391	10,631
Mortgage payable	321,578	326,525
Note payable - related party	<u>40,000</u>	<u>40,000</u>
Total liabilities	<u>709,743</u>	<u>529,931</u>
Net Assets		
Unrestricted net assets	6,693,069	2,255,965
Temporarily restricted net assets	<u>735,000</u>	<u>210,000</u>
Total net assets	<u>7,428,069</u>	<u>2,465,965</u>
Total Liabilities and Net Assets	\$ <u>8,137,812</u>	\$ <u>2,995,896</u>

The accompanying notes are an integral part of the financial statements

SANDY HOOK PROMISE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Net Assets		
Revenue, support and other changes:		
Contributions and grants	\$ 10,695,395	\$ 5,033,136
In-kind contributions	43,540	3,910
Special events	2,329,560	691,235
Merchandise sales:		
Sales	234,691	21,909
Cost of sales	125,091	11,508
Net merchandise sales	<u>109,600</u>	<u>10,401</u>
Investment income	47,700	8,194
Other income	20,141	213,900
Net assets released from restrictions	<u>577,000</u>	<u>15,000</u>
Total revenues, support and other changes	<u>13,822,936</u>	<u>5,975,776</u>
Expenses:		
Program services	7,068,506	3,509,149
Management and general	366,950	263,757
Fundraising	<u>1,950,376</u>	<u>1,111,692</u>
Total expenses	<u>9,385,832</u>	<u>4,884,598</u>
Increase in unrestricted net assets	<u>4,437,104</u>	<u>1,091,178</u>
Changes in Temporarily Restricted Net Assets		
Contributions	1,102,000	210,000
Net assets released from restriction	<u>(577,000)</u>	<u>(15,000)</u>
Increase in temporarily restricted net assets	<u>525,000</u>	<u>195,000</u>
Increase in Net Assets	4,962,104	1,286,178
Net Assets - Beginning of Year	<u>2,465,965</u>	<u>1,179,787</u>
Net Assets - End of Year	<u>\$ 7,428,069</u>	<u>\$ 2,465,965</u>

The accompanying notes are an integral part of the financial statements

SANDY HOOK PROMISE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 4,962,104	\$ 1,286,178
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	30,373	12,491
Contributions of investment securities	(24,350)	(17,520)
Forgiveness of note payable in lieu of contribution	-	(40,000)
Net realized and unrealized gains on investments	(4,312)	(3,180)
Loss on disposal of property, furniture and equipment	-	17,326
(Increase) decrease in operating assets:		
Accounts receivable	(37,922)	(21,903)
Grants receivable	(150,000)	-
Due from related party	(7,330)	(12,791)
Inventory	481	1,143
Prepays and other assets	6,445	(114,708)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	174,999	91,204
Deferred revenue	9,760	10,631
Net cash provided by operating activities	<u>4,960,248</u>	<u>1,208,871</u>
Cash Flows from Investing Activities		
Proceeds from sales of investments	-	11,737
Purchases of property, furniture and equipment	(28,618)	(355,222)
Net cash used in investing activities	<u>(28,618)</u>	<u>(343,485)</u>
Cash Flows from Financing Activities		
Principal payments on mortgage payable	(4,947)	(4,675)
Net cash used in financing activities	<u>(4,947)</u>	<u>(4,675)</u>
Net Increase in Cash and Cash Equivalents	4,926,683	860,711
Cash and Cash Equivalents - Beginning of Year	<u>1,874,276</u>	<u>1,013,565</u>
Cash and Cash Equivalents - End of Year	<u>\$ 6,800,959</u>	<u>\$ 1,874,276</u>

The accompanying notes are an integral part of the financial statements

SANDY HOOK PROMISE FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs	\$ 1,808,957	\$ 306,684	\$ 526,414	\$ 2,642,055	\$ 1,203,946	\$ 231,055	\$ 302,427	\$ 1,737,428
Advertising	3,239,636	-	109,311	3,348,947	800,049	-	50,000	850,049
Program development	1,306,709	-	-	1,306,709	900,762	-	-	900,762
Contractual services	47,228	5,569	114,181	166,978	69,972	1,887	187,314	259,173
Special events	-	-	820,788	820,788	-	-	334,698	334,698
Travel and conferences	378,274	22,520	65,019	465,813	199,730	17,926	36,813	254,469
Office expenses	208,183	21,461	46,317	275,961	152,470	1,578	46,121	200,169
Business expenses	2,844	391	247,961	251,196	5,291	384	105,533	111,208
Facilities and maintenance	52,841	7,279	12,464	72,584	141,140	10,277	45,817	197,234
Depreciation	22,112	3,046	5,215	30,373	8,939	650	2,902	12,491
Other expenses	-	-	2,706	2,706	-	-	67	67
Awards and grants	1,722	-	-	1,722	26,850	-	-	26,850
	<u>\$ 7,068,506</u>	<u>\$ 366,950</u>	<u>\$ 1,950,376</u>	<u>\$ 9,385,832</u>	<u>\$ 3,509,149</u>	<u>\$ 263,757</u>	<u>\$ 1,111,692</u>	<u>\$ 4,884,598</u>

The accompanying notes are an integral part of the financial statements

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Sandy Hook Promise Foundation, Inc. (the Foundation) is a Connecticut nonstock, not-for-profit corporation. Sandy Hook Promise's mission is to prevent gun violence and other forms of violence and victimization BEFORE they happen by creating a culture of engaged youth and adults committed to identifying, intervening, and getting help for individuals who might be at risk of hurting themselves or others. The Foundation does this by providing free educational programs and anonymous reporting systems to schools and youth organizations throughout the United States.

Our four evidence-based Know the Signs programs include "Start With Hello", "Say Something", "Signs of Suicide" and "Safety Assessment and Intervention". We also sponsor SAVE Promise clubs at schools throughout the country which help promote and sustain our KTS programs. Sandy Hook Promise trained nearly 1.6 million and 1.1 million individuals in our programs for the years ended June 30, 2018 and 2017, respectively.

Our Say Something Anonymous Reporting System (SS-ARS) allows students and adults to easily and completely confidentially report safety concerns to help prevent violence and tragedies. SS-ARS allows for anonymous tips 24/7 through the website, app or by phone, a crisis center then reviews and sends all submissions to law enforcement and/or school administration for intervention.

During the year ended June 30, 2017, the Foundation received a contribution to continue the work of Dylan's Wings of Change as a program of the Foundation. Dylan's Wings of Change had previously been a fiscally-sponsored project of the New Venture Fund, a 501(c)(3) nonprofit organization located in Washington, D.C. Total assets related to Dylan's Wings of Change of approximately \$213,000 were contributed into the Foundation during the year ended June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (accounting standards). Accordingly, the accounts of the Foundation are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources that are free of donor-imposed restrictions. These resources may be expended at the discretion of the Board of Directors.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions which are restricted by the donor as to purpose or time of expenditure.

Permanently Restricted Net Assets

Permanently restricted net assets are subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation did not have any permanently restricted net assets as of June 30, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the date they are received. Realized and unrealized gains include the Foundation's gains and losses on investments bought and sold as well as held during the period.

The Board of Directors determines the Foundation's valuation policies and procedures utilizing information provided by asset custodians and fund managers.

Accounts Receivable

Accounts receivable consists of amounts due from special event attendees and unconditional pledges from grants. Accounts receivable balances are written off when management has concluded that all reasonable methods of collection have been exhausted. Based on management's assessment of outstanding balances, it has concluded that there is no reserve for uncollectible amounts at June 30, 2018 and 2017.

Inventory

Inventory consists of apparel and other merchandise that are held for resale and is stated at the lower of cost or market on the first-in first-out (FIFO) basis.

Property, Furniture and Equipment

Property, furniture and equipment acquisitions and improvements thereon that are \$1,000 or above are capitalized at cost, while repairs and maintenance are charged to expense as incurred. Depreciation and amortization are computed on the straight-line method based on estimated useful lives of the respective assets as follows:

Buildings and improvements	12-40 years
Furniture and equipment	3-5 years

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable expected to be collected in more than one period are discounted to their present value. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Donated Property and Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Donated property and the use of equipment and facilities are recorded as support and expenses at fair market value when determinable, otherwise at values indicated by the donor. While many individuals volunteer their time and perform a variety of tasks that assist the Foundation, no amounts have been recognized in the accompanying financial statements for such services because the criteria for recognition of such volunteer efforts have not been met.

Functional Expense Allocation

Expenses are charged directly to program services, management and general, and fundraising, based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Foundation.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through November 2, 2018, which represents the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATIONS

The Foundation's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments.

Cash and Cash Equivalents

The Foundation places its cash and cash equivalent deposits with high credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the period. However, management believes that these deposits are not subject to significant credit risk.

Investments

Investments are comprised of various common stocks. The value of investments is subject to fluctuations due to general market conditions and changes in interest rates.

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks

These items are valued at the closing price reported in the active market in which the individual securities are traded.

There have been no changes in the methodologies used at June 30, 2018 and 2017.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of all investments are determined using quoted prices for identical assets in active markets in which the Foundation has access (Level 1).

The Foundation had common stocks with a fair value of \$40,469 and \$11,807 as of June 30, 2018 and 2017, respectively.

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 264,970	\$ 264,970
Building and improvements	524,529	508,291
Furniture and equipment	<u>42,539</u>	<u>40,669</u>
	832,038	813,930
Less accumulated depreciation	<u>41,687</u>	<u>21,824</u>
Property, Furniture and Equipment, Net	<u>\$ 790,351</u>	<u>\$ 792,106</u>

NOTE 6 - MORTGAGE PAYABLE

The Foundation has a mortgage payable agreement with Newtown Savings Bank for a building owned in Newtown, Connecticut, with an original principal amount of \$332,000. The mortgage has a fixed interest rate of 5% per annum with monthly principal and interest payments of \$1,782 through April 27, 2046. The note is secured by the Foundation's property in Newtown, Connecticut. The Foundation had an outstanding balance of \$321,578 and \$326,525 on this mortgage payable as of June 30, 2018 and 2017, respectively. Interest expense totaled \$16,440 and \$16,712 for the years ended June 30, 2018 and 2017, respectively.

Aggregate principal maturities of the mortgage payable in subsequent years are as follows:

Year Ending June 30

2019	\$ 5,457
2020	5,737
2021	6,030
2022	6,339
2023	6,663
Thereafter	<u>291,352</u>
	<u>\$ 321,578</u>

NOTE 7 - NOTES PAYABLE - RELATED PARTIES

The Foundation had two \$40,000 noninterest-bearing notes with current Board members to assist with the purchase of real property. These notes had no set repayment terms. During the year ended June 30, 2017, one of the notes for \$40,000 was forgiven by a Board member as a contribution to the Foundation. The outstanding balance on the remaining note payable was \$40,000 as of June 30, 2018 and 2017.

SANDY HOOK PROMISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Say Something Anonymous Reporting System	\$ 575,000	\$ 210,000
Interactive Training Research Initiative - Say Something Training Platform	100,000	-
Prevention programs - Chicago Public Schools	35,000	-
Know the Signs Prevention Programs	<u>25,000</u>	<u>-</u>
Total Temporarily Restricted Net Assets	<u>\$ 735,000</u>	<u>\$ 210,000</u>

Net assets released from donor restrictions by incurring expenses satisfying the restrictions were \$577,000 for the year ended June 30, 2018, which were utilized for Know the Signs Prevention Programs on both a national and regional basis, Say Something Anonymous Reporting System expansion, support for SAVE Promise Clubs in the states of North Carolina and Mississippi, and the Los Angeles Unified School District Research Program.

Net assets released from donor restrictions by incurring expenses satisfying the restrictions were \$15,000 for the year ended June 30, 2017, which was utilized for the Promise Communities - Ohio Conference.

NOTE 9 - RELATED PARTY TRANSACTIONS

Foundation expenses of \$92,220 and \$89,250 incurred per the cost-sharing agreement were charged to the Sandy Hook Promise Action Fund, Inc. (Action Fund) for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, the amount due from the Action Fund was \$20,121 and \$12,791, respectively.

As discussed in Note 7, the Foundation had two, \$40,000, noninterest-bearing notes for the purchase of 13 Church Hill Road, Newtown, Connecticut, with two current Board members. During the year ended June 30, 2017, one of the notes for \$40,000 was forgiven by a Board member as a contribution to the Foundation.