# 1st Step Male Diversion Program, Inc.
# Tulsa, Oklahoma

*As of and for the Year Ended December 31, 2020*

MURETCPA PLLC
ACCOUNTING, PAYROLL & TAX SERVICES

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# INDEPENDENT AUDITOR'S REPORT

Board of Directors
1st Step Male Diversion Program, Inc.
Tulsa, Oklahoma

We have audited the accompanying financial statements of 1st Step Male Diversion Program, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, statement of 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.

**Auditor's 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 1st Step Male Diversion Program, Inc. 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.

Muret CPA, PLLC
Tulsa, Oklahoma
January 5, 2022

# 1st Step Male Diversion Program, Inc.
## Statement of Financial Position
### As of December 31, 2020

| Assets | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Current Assets** | | | |
| Cash & Cash Equivalents | $ 23,627 | $ - | $ 23,627 |
| TCF Investments | 43,639 | - | 43,639 |
| Deposits | 2,200 | - | 2,200 |
| **Total Current Assets** | 69,466 | - | 69,466 |
| **Property and Equipment** | | | |
| Property | 210,297 | - | 210,297 |
| Equipment | 10,302 | - | 10,302 |
| Furniture | 3,056 | - | 3,056 |
| Less: Accumulated Depreciation | (15,448) | - | (15,448) |
| **Net Property and Equipment** | 208,207 | - | 208,207 |
| **Total Assets** | **277,673** | - | **277,673** |
| **Liabilities and Net Assets** | | | |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts Payable | 1,099 | - | 1,099 |
| Accrued Interest | 107 | - | 107 |
| Payroll Liabilities | 3,571 | - | 3,571 |
| Deferred Revenue | 2,500 | - | 2,500 |
| Refundable Advance | 14,900 | - | 14,900 |
| **Total Current Liabilities** | 22,177 | - | 22,177 |
| **Total Liabilities** | 22,177 | - | 22,177 |
| **Net Assets** | | | |
| Without Donor Restrictions | 255,496 | - | 255,496 |
| With Donor Restrictions | - | - | - |
| **Total Net Assets** | 255,496 | - | 255,496 |
| **Total Liabilities and Net Assets** | **$ 277,673** | **$ -** | **$ 277,673** |

*The accompanying notes are an integral part of the financial statements.*

# 1st Step Male Diversion Program, Inc.
## Statement of Activities
### For the Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Support and Revenues | | | |
| Contributions and Grants | $ 278,106 | $ - | $ 278,106 |
| In-Kind Donations | 600 | - | 600 |
| Other Revenue | 172 | - | 172 |
| Investment Income | 16,789 | - | 16,789 |
| **Total Support and Revenues** | **295,667** | **-** | **295,667** |
| Expenses | | | |
| Program Services | 314,877 | - | 314,877 |
| Supporting Services | | | |
| General & Administrative | 54,558 | - | 54,558 |
| Fundraising | 40,154 | - | 40,154 |
| **Total Expenses** | **409,588** | **-** | **409,588** |
| **Increase/(Decrease) in Net Assets** | **(113,921)** | **-** | **(113,921)** |
| **Net Assets, Beginning of Year** | **369,417** | **-** | **369,417** |
| **Net Assets, End of Year** | **$ 255,496** | **$ -** | **$ 255,496** |

*The accompanying notes are an integral part of the financial statements.*

# 1st Step Male Diversion Program, Inc.
## Statement of Functional Expenses
### For the Year Ended December 31, 2020

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | General & Administrative | Fundraising | Total |
| Expenses | | | | |
| Salaries & Wages | $ 87,967 | $ 21,937 | $ 7,559 | $ 117,463 |
| Payroll Taxes | 9,246 | - | - | 9,246 |
| Client Services | 89,120 | - | - | 89,120 |
| Professional Services | 7,904 | 6,113 | 13,075 | 27,092 |
| Supplies | 10,500 | 8,167 | 4,667 | 23,333 |
| Telephone & Utilities | 15,091 | 3,773 | - | 18,864 |
| Maintenance & Repairs | 24,324 | - | - | 24,324 |
| Rent | 22,708 | 7,569 | 7,569 | 37,846 |
| In-Kind Services | 600 | - | - | 600 |
| Training | 510 | 40 | - | 550 |
| Office Expenses | 2,533 | 109 | 3,672 | 6,314 |
| Taxes | 4,515 | - | - | 4,515 |
| Security | 22,413 | - | - | 22,413 |
| Office Equipment | 2,688 | - | 3,612 | 6,300 |
| Insurance | 7,942 | 6,743 | - | 14,685 |
| Interest Expense | - | 107 | - | 107 |
| Depreciation | 6,816 | - | - | 6,816 |
| **Total Expenses** | **$ 314,877** | **$ 54,558** | **$ 40,154** | **$ 409,588** |

*The accompanying notes are an integral part of the financial statements.*

# 1st Step Male Diversion Program, Inc.
## Statement of Cash Flows
### For the Year Ended December 31, 2020

| | | |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Increase/(Decrease) in Net Assets | $ | (113,921) |
| Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by /(Used in) Operating Activities: | | |
| Depreciation | | 6,816 |
| Changes in Operating Assets and Liabilities: | | |
| Investments | | 121,420 |
| Deposits | | 2,775 |
| Acounts Payable | | 1,099 |
| Accrued Interest | | 107 |
| Payroll Liabilities | | 1,937 |
| Deferred Revenue | | (30,802) |
| **Net Cash Provided by /(Used in) Operating Activities** | | **(10,569)** |
| **Cash Flows Used in Investing Activities:** | | |
| Purchase of Fixed Assets | | (2,344) |
| **Net Cash Provided by /(Used in) Investing Activities** | | **(2,344)** |
| **Cash Flows Used in Financing Activites** | | |
| Refundable Advance | | 14,900 |
| **Net Cash Provided by/(Used in) Financing Activities** | | 14,900 |
| **Net Increase/(Decrease) in Cash and Cash Equivalents** | | **1,987** |
| **Cash and Cash Equivalents at Beginning of Year** | | 21,640 |
| **Cash and Cash Equivalents at End of Year** | **$** | **23,627** |
| Interest Expense Paid | $ | 107 |

*The accompanying notes are an integral part of the financial statements.*

**Note 1 — Summary of Significant Accounting Policies**
**Organization and Activities**
1st Step Male Diversion Program, Inc. (Organization) was incorporated in the State of Oklahoma. The Organization is a holistic diversion program for penitentiary bond, nonviolent criminal offenders. It is an 18–24-month treatment regimen designed to treat and support offenders and offer them a chance to change their lives. The Organization's mission is to keep young men from prison by helping them build better lives.

**Significant Accounting Policies**
***Basis of Presentation***
The financial statements are presented on the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, "Presentation of Financial Statements of Not-For-Profit Entities." Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- **Net Assets without donor restrictions**: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization and the board of directors.
- **Net Assets with donor restrictions**: Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restriction will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

***Functional Allocation of Expenses***
The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***New Accounting Pronouncement***
The FASB issued Accounting Standards Update ("ASU") 2014-09 – Revenue from Contracts with Customers in May 2014, along with a series of amendments. This guidance establishes principles for an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to receive in exchange for those goods and services. It also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. Due to the COVID-19 pandemic, the effective date of ASU 2014-09 was extended for non-public companies who have not yet issued financial statements reflecting its adoption. The new standard became effective for the Organization January 1, 2020. The Organization determined there was no impact from the new standard to its financial results.

**Note 1 — Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases those net asset classes. When a donor restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support that satisfies its restriction in the same accounting period received is recorded as unrestricted support for reporting purposes.

***Cash and Cash Equivalents***

For purposes of reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less at acquisition as cash and cash equivalents in the accompanying statement of financial position. The Organization has interest in bearing deposits in financial institutions that maintained federal insurance in full for accounts and limited coverage up to $250,000 per financial institution. At times, balances held at financial institutions may exceed $250,000, which represents a credit risk to the Organization, as the portion of the deposits in excess of this amount is not subject to such insurance. At December 31, 2020, there were no uninsured deposits.

***Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies as a public charity. As a result, there is no provision for income taxes. No portion of the Organizations' revenue is derived from unrelated business activities. The Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue code. The Organization is required to file an annual information return. Returns open for examination include years 2018, 2019, and 2020.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

***Property and Equipment***

It is the Organization's policy to capitalize property and equipment over $300 with an estimated useful life in excess of one year. Purchased property and equipment are capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date of donation. Property and equipment is depreciated on a straight-line basis over the estimated service life of 5 to 40 years for property and equipment. Depreciation expense for the year ended December 31, 2020, totaled $6,816. The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

**Note 1 — Summary of Significant Accounting Policies (Continued)**

***Governing Board Designations***

There were no amounts designated or appropriated by the governing board which resulted in self-imposed limits on the use of resources without donor-imposed restrictions as of December 31, 2020.

**Note 2 — Concentration of Risk**

The Organization received a total of $410,000 from three donors in the year ended 2020. The Organization expects significant donations from these donors to continue for the foreseeable future.

**Note 3 — Beneficial Interest in Assets held by Tulsa Community Foundation**

The Organization transferred funds to the Tulsa Community Foundation ("TCF") and named itself the beneficiary. The Organization executed an "Agency Fund Agreement" with TCF, creating an agency fund. The Board of Trustees of TCF shall have the power to modify any restriction or condition on distributions from the Fund for any specific charitable purposes or to specific organizations, if in the sole judgment of the Board of Trustees the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by TCF. All contributions to this fund shall be irrevocable once accepted by TCF. In accordance with FASB ASC 958-605-25, these funds have been recorded as an asset at fair market value. At December 31, 2020 the Organization had $43,639, in assets with TCF. The Foundation has also received contributions for the benefit of the Organization that are not recorded in the Organization's financial statements, because they were contributed by third parties directly to the Foundation. The fair value of funds held by the Foundation for the benefit of the Organization, but not reported as an asset, was $401,078 at December 31, 2020.

**Note 4— Fair Value of Financial Instruments**

As of the beginning of the year ended December 31, 2020, the Organization implemented FASB ASC 820, "Fair Value Measurements and Disclosures." FASB ASC 820 defines fair value and establishes 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).

Accounting principles require disclosures that categorize assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels of the fair value hierarchy under FASB ASC 820 are described below:

*Basis of Fair Value Measurement*

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Note 4— Fair Value of Financial Instruments (Continued)**
The following tables presents by level, within the fair value hierarchy, the investment assets at fair value, as of December 31, 2020.

| | | Fair Value Measurements at December 31, 2020 | | |
|---|---|---|---|---|
| **Description** | **Total Investments** | **Quoted Prices In Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **Investments at Fair Value** | | | | |
| Benefical interest in assets held by Tulsa Community Foundation | $ 43,639 | $ - | $ - | $ 43,639 |
| Total Plan Investments in the Fair Value Hierarchy | 43,639 | - | - | 43,639 |
| **Investments Measured at Net Asset Value** | | | | |
| Fixed Income Pooled Separate Accounts | - | | | |
| Total Plan Investments Measured at NAV | - | | | |
| **Total Plan Investments** | **$ 43,639** | | | |

In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented on the statement of net assets available for benefits.

There have been no changes in the methodologies used at December 31, 2020, and no transfers of financial instruments into or out of Level 3. Following is a description of the valuation methodologies used for assets measured at fair value:

*Money Markets & Equivalents* – Valued at daily quoted closing prices in active markets.
*Fixed Income Pooled Investments* – Consists of pools of investments used by institutional investors to obtain fixed income market exposures by investing in funds which are intended to mirror indices such as the Standard & Poor's 500 Index. Valued based on the relative interest of each participating investor in the fair value of the underlying assets of each respective pooled investment. The underlying assets are valued based on the NAV as provided by the investment account manager.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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 carrying amounts of the Organization's cash and cash equivalents, accounts payable, and accrued expenses corresponds to their fair value.

**Note 5 — Current Liabilities**
As of December 31, 2020, current liabilities consisted of accounts payable totaling $1,099 incurred in December 2020, but not paid until January 2021 and payroll liabilities (Note 7) of $3,571, deferred revenue totaling $2,500, accrued interest on the PPP loan of $107 and current portion of PPP loan (Note 10) totaling $3,697.

**Note 6 — Leases and Commitments**
On June 26, 2019, the Organization signed a lease agreement with Quincy Square Eastoak LLC, to lease apartment units. The lease agreement is effective July 1, 2019, expiring June 30, 2022, with the following lease commitment amounts. The Organization also signed a new office space lease agreement with Main Square Properties, Inc., to rent office space beginning January 1, 2021, and expiring December 31, 2023 (Note 11). The Organization current lease agreement for office space at S. Frankfort expired on December 31, 2020.

Total lease commitments for the next five years are as follows:

| | |
|---|---|
| 2021 | 50,400 |
| 2022 | 38,400 |
| 2023 | 26,400 |
| 2024 | - |
| 2025 | - |
| Thereafter | - |
| | 115,200 |

Total rent expense paid for 2020 was $37,846.

**Note 7 – Payroll Liabilities**
As of December 31, 2020, accrued payroll expense was $3,571 which consisted of salaries, wages, and payroll taxes incurred in December 2020, but not paid until January 2021.

**Note 8 – Liquidity and Availability**
Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | |
|---|---|
| Cash & Cash Equivalents | $ 23,627 |
| Deposits | 2,200 |
| | $ 25,827 |

As part of its liquidity management, the Organization maintains its unrestricted financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 9 – Risks and Uncertainties**
Governments and citizens continue to take significant, unprecedented measures to mitigate the COVID-19 health crisis, and the pandemic continues to disrupt economic markets. It is anticipated its impact will continue for some time, though the duration and full economic impact is difficult to predict. The Organization is carefully monitoring the situation and continues to evaluate its potential impacts. No adjustments have been made to these financial statements as a result of the uncertainty surrounding this event.

**Note 10 – Refundable Advance**
On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. In April 2020, the Organization received proceeds of $14,900 from a bank under the Paycheck Protection Program (PPP), which was established as part of the CARES Act. Under the PPP, the Small Business Administration (SBA) will forgive the proceeds received and accrued interest if eligibility and certain other criteria are met related to the use of funds. The portion of the proceeds received that is not forgiven, if any, is converted to an unsecured term note payable in equal installments, including interest at 1%, through April 2022.

**Note 10 – Refundable Advance (Continued)**
The Organization determined it has met forgiveness requirements and recorded the $14,900 in PPP proceeds as a refundable advance at December 31, 2020. Subsequent to year end, on June 9, 2021, the Organization's PPP funding, along with all accrued interest, was forgiven and no payment is due. Therefore, the proceeds for $14,900 will be recorded as grant revenue in the 2021 financial statements under ASC 958-605, Not-for Profit Entities, Revenue Recognition.

**Note 11 — Subsequent Events**
The Organization has evaluated all events subsequent to the balance sheet date of December 31, 2020, through January 5, 2022, the date the financial statements were available to be issued and determined there were two subsequent event requiring additional disclosure.

The Organization will begin a new lease agreement with Main Square Properties, Inc. The lease agreement is for 3 years, beginning January 1, 2021.

The PPP proceeds received in 2020 were fully forgiven in June 2021, as discussed in Note 10.