

SHAREFEST COMMUNITY DEVELOPMENT, INC.

**CERTIFIED PUBLIC ACCOUNTANT'S
AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2016

SHAREFEST COMMUNITY DEVELOPMENT, INC.

DECEMBER 31, 2016

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Independent Auditor's Report

To the Board of Directors
Sharefest Community Development, Inc.

We have audited the accompanying financial statements of Sharefest Community Development, Inc., which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows 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.

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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sharefest Community Development, Inc. as of December 31, 2016 and 2015, 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.

Stephens, Reidinger + Beller LLP

Newport Beach, California
May 22, 2017

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash	\$ 605,772	\$ 413,072
Receivables	61,017	38,154
Event deposits	<u>14,159</u>	<u>1,000</u>
Total current assets	<u>680,948</u>	<u>452,226</u>
Property and equipment		
Office equipment	12,213	12,213
Less: accumulated depreciation	<u>(8,184)</u>	<u>(6,546)</u>
Net property and equipment	<u>4,029</u>	<u>5,667</u>
Total assets	<u><u>\$ 684,977</u></u>	<u><u>\$ 457,893</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 10,686	\$ 5,490
Accrued paid time off	8,737	12,393
Deferred revenue	<u>-</u>	<u>52,500</u>
Total liabilities	<u>19,423</u>	<u>70,383</u>
Net assets		
Unrestricted	<u>665,554</u>	<u>387,510</u>
Total net assets	<u>665,554</u>	<u>387,510</u>
Total liabilities and net assets	<u><u>\$ 684,977</u></u>	<u><u>\$ 457,893</u></u>

The accompanying notes are an integral part of these financial statements.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED REVENUE AND SUPPORT		
Public support		
Contributions	\$ 371,670	\$ 160,978
Corporate/foundation grants	445,096	487,500
Government grants	13,803	13,939
In-kind donations	<u>149,427</u>	<u>796,066</u>
Subtotal public support	979,996	1,458,483
Special fund-raising events		
Revenue	427,078	315,209
Expenses	<u>(131,357)</u>	<u>(141,141)</u>
Net support from fund-raising events	<u>295,721</u>	<u>174,068</u>
Total revenue and support	1,275,717	1,632,551
Expenses		
Program services	781,145	1,390,031
Supporting services	111,964	44,619
Fundraising	<u>104,564</u>	<u>110,142</u>
Total expenses	<u>997,673</u>	<u>1,544,792</u>
Increase in net assets	278,044	87,759
Net assets at beginning of year	<u>387,510</u>	<u>299,751</u>
Net assets at end of year	<u>\$ 665,554</u>	<u>\$ 387,510</u>

The accompanying notes are an integral part of these financial statements.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Youth Development Academy						Total				
	Workday	Summer		Year Round		Total		Program Services	Support Services	Fundraising	Total
		YDA	YDA	YDA	YDA						
Personnel expenses											
Salaries and wages	\$ 79,486	\$ 104,776	\$ 105,587	\$ 210,363	\$ 289,849	\$ 46,124	\$ 43,870	\$ 379,843			
Payroll taxes and benefits	9,602	12,527	11,385	23,912	33,514	8,476	4,931	46,921			
Travel and training	-	-	-	-	-	780	-	780			
Total personnel expenses	89,088	117,303	116,972	234,275	323,363	55,380	48,801	427,544			
Operating expenses											
Program supplies and educational materials	82,916	45,201	12,744	57,945	140,861	-	-	140,861			
Telephone and utilities	1,220	1,204	1,326	2,530	3,750	852	395	4,997			
Insurance	5,763	5,763	5,762	11,525	17,288	517	1,023	18,828			
Outside services	200,853	25,885	31,302	57,187	258,040	33,993	29,172	321,205			
Rent	2,278	2,278	2,279	4,557	6,835	1,139	1,073	9,047			
Transportation costs	437	7,071	-	7,071	7,508	-	-	7,508			
Meetings & promotions	1,081	1,201	807	2,008	3,089	2,969	2,223	8,281			
Total operating expenses	294,548	88,603	54,220	142,823	437,371	39,470	33,886	510,727			
General expenses											
Automotive	560	840	914	1,754	2,314	593	551	3,458			
Bank and merchant fees	17	18	17	35	52	2,225	5,768	8,045			
Printing and publications	2,810	494	28	522	3,332	353	6,413	10,098			
Office supplies and expenses	-	-	-	-	-	4,944	1,301	6,245			
Postage and shipping	19	82	23	105	124	281	3,171	3,576			
Professional fees	4,432	4,432	4,433	8,865	13,297	5,006	3,416	21,719			
Payroll processing	214	214	214	428	642	1,173	107	1,922			
Dues and subscriptions	35	35	-	35	70	635	1,044	1,749			
Licenses and permits	172	172	236	408	580	266	106	952			
Depreciation	-	-	-	-	-	1,638	-	1,638			
Total general expenses	8,259	6,287	5,865	12,152	20,411	17,114	21,877	59,402			
Total expenses	\$ 391,895	\$ 212,193	\$ 177,057	\$ 389,250	\$ 781,145	\$ 111,964	\$ 104,564	\$ 997,673			

The accompanying notes are an integral part of these financial statements.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Youth Development Academy						Total			
	Summer		Year Round		Total	Program Services		Support Services	Fundraising	Total
	Workday	YDA	YDA	YDA						
Personnel expenses	\$ 70,365	\$ 98,847	\$ 72,680	\$ 171,527	\$ 241,892	\$ 27,568	\$ 46,540	\$ 316,000		
Salaries and wages	8,583	11,807	9,459	21,266	29,849	4,526	5,971	40,346		
Payroll taxes and benefits	-	-	-	-	-	36	-	36		
Travel and training	-	-	-	-	-	-	-	-		
Total personnel expenses	78,948	110,654	82,139	192,793	271,741	32,130	52,511	356,382		
Operating expenses	72,430	42,250	16,206	58,456	130,886	-	-	130,886		
Program supplies and educational materials	843	981	1,341	2,322	3,165	441	439	4,045		
Telephone and utilities	3,710	3,703	3,704	7,407	11,117	-	-	11,117		
Insurance	607,871	162,419	128,639	291,058	898,929	53	40,413	939,395		
Outside services	4,781	4,781	4,781	9,562	14,343	2,391	2,390	19,124		
Rent	-	5,974	-	5,974	5,974	-	-	5,974		
Transportation costs	2,144	1,341	1,191	2,532	4,676	174	2,424	7,274		
Conferences, conventions and meetings	-	-	-	-	-	-	-	-		
Total operating expenses	691,779	221,449	155,862	377,311	1,069,090	3,059	45,666	1,117,815		
General expenses	770	977	1,922	2,899	3,669	277	446	4,392		
Automotive	358	357	278	635	993	225	590	1,808		
Bank and merchant fees	3,205	720	115	835	4,040	34	1,180	5,254		
Printing and publications	-	-	-	-	-	760	470	1,230		
Office supplies and expenses	67	392	68	460	527	35	232	794		
Postage and shipping	12,263	12,262	12,262	24,524	36,787	5,931	7,231	49,949		
Professional fees	757	1,098	756	1,854	2,611	379	378	3,368		
Payroll processing	52	52	53	105	157	35	1,331	1,523		
Dues and subscriptions	139	139	138	277	416	116	107	639		
Licenses and permits	-	-	-	-	-	1,638	-	1,638		
Depreciation	-	-	-	-	-	-	-	-		
Total general expenses	17,611	15,997	15,592	31,589	49,200	9,430	11,965	70,595		
Total expenses	\$ 788,338	\$ 348,100	\$ 253,593	\$ 601,693	\$ 1,390,031	\$ 44,619	\$ 110,142	\$ 1,544,792		

The accompanying notes are an integral part of these financial statements.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 278,044	\$ 87,759
Adjustments to reconcile net cash provided by excess of public support and revenue over expenses:		
Depreciation	1,638	1,638
Increase (decrease) in cash resulting from changes in:		
Receivables	(22,863)	(14,368)
Other assets	(13,159)	-
Accounts payable	5,196	(11,863)
Accrued paid time off	(3,656)	(782)
Deferred revenue	<u>(52,500)</u>	<u>52,500</u>
Net cash provided by operating activities	<u>192,700</u>	<u>114,884</u>
Net increase in cash	192,700	114,884
Cash, beginning of year	<u>413,072</u>	<u>298,188</u>
Cash, end of year	<u><u>\$ 605,772</u></u>	<u><u>\$ 413,072</u></u>

The accompanying notes are an integral part of these financial statements.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: ORGANIZATION AND NATURE OF SERVICES

Sharefest Community Development, Inc. (the Organization) is a non-profit benefit corporation formed in 2006 for charitable purposes.

The Organization focuses on mentoring youth to develop the leaders of tomorrow, fostering volunteerism in the community through service projects in specific points of influence including schools, parks and community programs, and establishing working coalitions made up of city leaders, schools, businesses and the faith community.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Organization.

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a purpose of the restriction is accomplished or a stipulated time restriction ends), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Organization had net assets classified as unrestricted in the amount of \$665,554 at December 31, 2016 and \$387,510 at December 31, 2015. There were no temporarily or permanently restricted net assets as of December 31, 2016 and 2015.

Allowance for Doubtful Accounts

The Organization uses the allowance method to determine uncollectible receivables. Based on prior years' experience and an analysis of account balances at December 31, 2016 and 2015, management believes that all receivables are collectible and therefore no allowance for doubtful accounts has been made.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Functional Allocation of Expense

The costs of providing programs and services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code. Therefore no provision for income taxes has been included in the accompanying financial statements.

Donated Services and Materials

When donated materials are received they are included in the accompanying financial statements where estimates of market value are available to measure the value of such materials. Contributed facilities are reported as in-kind contributions and expenses based upon the estimated usage value of the premises. Donated services are recognized when a non-financial asset is created or specialized skills are required and the Organization would otherwise need to purchase the services.

Property and Equipment

The Organization records purchased property and equipment at cost. Donated property is capitalized at its estimated fair market value at the time of donation. Depreciation of property and equipment is recorded on the straight-line basis over five years. Repairs and maintenance are expensed as incurred.

Accrued Vacation

The Organization accrues for any unused vacation time at the end of the year. The amount of accrued employee vacation at December 31, 2016 and 2015 was \$8,737 and \$12,393, respectively.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Concentration of Credit Risk

The Organization's cash balances in financial institutions at times may exceed the Federal Deposit Insurance Corporation's (FDIC) insurance limit. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk for cash balances in excess of the FDIC insurance limit.

Subsequent Events

Management has evaluated subsequent events through May 22, 2017, the date which the financial statements were available for issue.

Deferred Revenues

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed. There was no deferred revenue balance at December 31, 2016. Deferred revenue at December 31, 2015 was \$52,500.