

SHAREFEST COMMUNITY DEVELOPMENT, INC.

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

Year Ended December 31, 2017 and 2016

SHAREFEST COMMUNITY DEVELOPMENT, INC.

December 31, 2017 and 2016

TABLE OF CONTENTS

Independent Auditor’s Report.....1-2

Financial Statements

 Statements of Financial Position..... 3

 Statements of Activities 4

 Statements of Functional Expenses5 - 6

 Statements of Cash Flows..... 7

 Notes to Financial Statements.....8 - 11

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, 2017 and 2016, 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, 2017 and 2016, 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
April 20, 2018

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash	\$ 717,354	\$ 605,772
Receivables	37,357	61,017
Deposits	<u>10,534</u>	<u>14,159</u>
Total current assets	<u>765,245</u>	<u>680,948</u>
Property and equipment		
Office equipment	12,213	12,213
Less: accumulated depreciation	<u>(9,822)</u>	<u>(8,184)</u>
Net property and equipment	<u>2,391</u>	<u>4,029</u>
Total assets	<u><u>\$ 767,636</u></u>	<u><u>\$ 684,977</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 11,884	\$ 10,686
Accrued paid time off	<u>12,730</u>	<u>8,737</u>
Total liabilities	<u>24,614</u>	<u>19,423</u>
Net assets		
Unrestricted	593,022	665,554
Temporarily restricted	<u>150,000</u>	<u>-</u>
Total net assets	<u>743,022</u>	<u>665,554</u>
Total liabilities and net assets	<u><u>\$ 767,636</u></u>	<u><u>\$ 684,977</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS REVENUES		
Public support		
Contributions	\$ 450,117	\$ 371,670
Corporate/foundation grants	199,107	445,096
Government grants	42,814	13,803
In-kind donations	177,927	149,427
Subtotal public support	<u>869,965</u>	<u>979,996</u>
Special fund-raising events		
Revenue	376,108	427,078
Expenses	<u>(153,988)</u>	<u>(131,357)</u>
Net support from fund-raising events	<u>222,120</u>	<u>295,721</u>
Total revenue and support	1,092,085	1,275,717
Expenses		
Program services	950,838	781,145
Supporting services	126,289	111,964
Fundraising	87,490	104,564
Total expenses	<u>1,164,617</u>	<u>997,673</u>
Increase/(decrease) in unrestricted net assets	(72,532)	278,044
TEMPORARILY RESTRICTED NET ASSETS		
Grants	125,000	-
Contributions	25,000	-
Increase in temporarily restricted net assets	<u>150,000</u>	<u>-</u>
Increase in net assets	77,468	278,044
Net assets at beginning of year	<u>665,554</u>	<u>387,510</u>
Net assets at end of year	<u><u>\$ 743,022</u></u>	<u><u>\$ 665,554</u></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, 2017

	Youth Development Academy				Total Program Services	Support Services	Fundraising	Total
	Corporate Service Workday	Summer YDA	Year Round YDA	Total				
Personnel expenses								
Salaries and wages	\$ 98,780	\$ 124,480	\$ 135,231	\$ 259,711	\$ 358,491	\$ 54,145	\$ 52,410	\$ 465,046
Payroll taxes and benefits	18,449	19,554	21,108	40,662	59,111	8,476	8,156	75,743
Travel and training	-	-	-	-	-	692	231	923
Total personnel expenses	117,229	144,034	156,339	300,373	417,602	63,313	60,797	541,712
Operating expenses								
Program supplies and educational materials	75,395	29,729	25,297	55,026	130,421	-	-	130,421
Telephone and utilities	1,398	1,398	1,398	2,796	4,194	356	641	5,191
Insurance	5,847	5,847	5,847	11,694	17,541	986	987	19,514
Outside services	192,057	14,103	12,244	26,347	218,404	36,048	5,324	259,776
Rent	19,235	72,674	19,608	92,282	111,517	9,616	9,616	130,749
Transportation costs	-	12,187	24	12,211	12,211	-	-	12,211
Special events costs	-	-	-	-	-	-	-	-
Meetings & promotions	2,051	237	1,824	2,061	4,112	2,305	2,477	8,894
Total operating expenses	295,983	136,175	66,242	202,417	498,400	49,311	19,045	566,756
General expenses								
Automotive	1,128	775	20	795	1,923	48	-	1,971
Bank and merchant fees	80	-	-	-	80	2,127	146	2,353
Printing and publications	2,278	473	677	1,150	3,428	432	989	4,849
Office supplies and expenses	-	-	-	-	-	5,510	1,738	7,248
Postage and shipping	119	109	-	109	228	589	558	1,375
Professional fees	2,875	2,875	2,875	5,750	8,625	1,438	1,438	11,501
Payroll processing	-	-	-	-	-	1,218	-	1,218
Dues and subscriptions	205	762	3,856	4,618	4,823	636	2,648	8,107
Licenses and permits	38	38	653	691	729	29	131	889
Bad debt	-	15,000	-	15,000	15,000	-	-	15,000
Depreciation	-	-	-	-	-	1,638	-	1,638
Total general expenses	6,723	20,032	8,081	28,113	34,836	13,665	7,648	56,149
Total expenses	\$ 419,935	\$ 300,241	\$ 230,662	\$ 530,903	\$ 950,838	\$ 126,289	\$ 87,490	\$ 1,164,617

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 Program Services	Support Services	Fundraising	Total
	Workday	Summer YDA	Year Round YDA	Total				
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.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 77,468	\$ 278,044
Adjustment to reconcile changes in net assets		
Depreciation	1,638	1,638
Increase (decrease) in cash resulting from changes in:		
Receivables	23,660	(22,863)
Deposits	3,625	(13,159)
Accounts payable	1,198	5,196
Accrued paid time off	3,993	(3,656)
Deferred revenue	-	(52,500)
Net cash provided by operating activities	<u>111,582</u>	<u>192,700</u>
Net increase in cash	111,582	192,700
Cash, beginning of year	<u>605,772</u>	<u>413,072</u>
Cash, end of year	<u><u>\$ 717,354</u></u>	<u><u>\$ 605,772</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 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 \$593,022 at December 31, 2017 and \$665,554 at December 31, 2016. At December 31, 2017, the Organization had assets classified as temporarily restricted in the amount of \$150,000 and there were no temporarily restricted net assets as of December 31, 2016. There were no permanently restricted net assets as of December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 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 statements 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.

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, 2017 and 2016 was \$12,730 and \$8,737, respectively.

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.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 April 20, 2018, the date which the financial statements were available for issue.

Donated Services and Material and Facilities

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. The total in-kind contributions were as follows:

	<u>2017</u>	<u>2016</u>
Supplies	\$ 42,819	\$ 69,928
Labor	14,968	79,499
Rent	120,140	-
	<u>\$ 177,927</u>	<u>\$ 149,427</u>

NOTE 3: FUNDRAISING

The Organization holds fundraising activities and special events in order to assist in program operations. All revenues received from such events in excess of expenses are used for current program operations. Direct fundraising expenses incurred in connection with these events for the years ended December 31, 2017 and 2016 was \$153,988 and \$131,357, respectively.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017 and 2016

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

There were no temporarily restricted net assets at December 31, 2016. Temporarily restricted net assets at December 31, 2017 were available for the following purposes:

	<u>2017</u>
Youth Development Academy	\$ 130,000
Workday	15,000
Fundraising	<u>5,000</u>
	<u>\$ 150,000</u>