

**SHAREFEST COMMUNITY DEVELOPMENT, INC.**

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

**Year Ended December 31, 2018 and 2017**

SHAREFEST COMMUNITY DEVELOPMENT, INC.

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 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.

*Stephens, Reidinger + Beller LLP*

Newport Beach, California  
April 18, 2019

SHAREFEST COMMUNITY DEVELOPMENT, INC.

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 582,624	\$ 717,354
Receivables	152,317	37,357
Prepays	6,131	-
Deposits	<u>22,431</u>	<u>10,534</u>
Total current assets	<u>763,503</u>	<u>765,245</u>
Property and equipment		
Office equipment	12,213	12,213
Construction in progress	360,451	-
Less: accumulated depreciation	<u>(11,461)</u>	<u>(9,822)</u>
Net property and equipment	<u>361,203</u>	<u>2,391</u>
Total assets	<u><u>\$ 1,124,706</u></u>	<u><u>\$ 767,636</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 51,545	\$ 11,884
Accrued paid time off	<u>15,325</u>	<u>12,730</u>
Total current liabilities	<u>66,870</u>	<u>24,614</u>
Net assets		
Without donor restrictions	905,336	593,022
With donor restrictions	<u>152,500</u>	<u>150,000</u>
Total net assets	<u>1,057,836</u>	<u>743,022</u>
Total liabilities and net assets	<u><u>\$ 1,124,706</u></u>	<u><u>\$ 767,636</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Public support			
Contributions	\$ 466,944	\$ 75,000	\$ 541,944
Corporate/foundation grants	258,640	-	258,640
Government grants	17,147	10,000	27,147
In-kind donations	567,413	-	567,413
Interest income	18	-	18
Net assets released from restrictions	82,500	(82,500)	-
Subtotal public support	1,392,662	2,500	1,395,162
Special fund-raising events			
Revenue	472,437	-	472,437
Expenses	(225,136)	-	(225,136)
Net support from fund-raising events	247,301	-	247,301
Total revenue and support	1,639,963	2,500	1,642,463
Expenses			
Program services	1,089,162	-	1,089,162
Management and general	126,620	-	126,620
Fundraising	111,867	-	111,867
Total expenses	1,327,649	-	1,327,649
Increase in net assets	312,314	2,500	314,814
Net assets at beginning of year	593,022	150,000	743,022
Net assets at end of year	\$ 905,336	\$ 152,500	\$ 1,057,836

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2017 Total
Public support			
Contributions	\$ 450,117	\$ 25,000	\$ 475,117
Corporate/foundation grants	199,107	125,000	324,107
Government grants	42,814	-	42,814
In-kind donations	177,927	-	177,927
Subtotal public support	869,965	150,000	1,019,965
Special fund-raising events			
Revenue	376,108	-	376,108
Expenses	(153,988)	-	(153,988)
Net support from fund-raising events	222,120	-	222,120
Total revenue and support	1,092,085	150,000	1,242,085
Expenses			
Program services	950,838	-	950,838
Management and general	126,289	-	126,289
Fundraising	87,490	-	87,490
Total expenses	1,164,617	-	1,164,617
(Decrease) Increase in net assets	(72,532)	150,000	77,468
Net assets at beginning of year	665,554	-	665,554
Net assets at end of year	<u>\$ 593,022</u>	<u>\$ 150,000</u>	<u>\$ 743,022</u>

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

## STATEMENT OF FUNCTIONAL EXPENSES

	Youth Development Academy					Total				
	Corporate Service Workday	Summer		Year Round		Total	Program Services	Management & General	Fundraising	Total
		YDA		YDA						
Personnel expenses										
Salaries and wages	\$ 108,124	\$ 136,087	\$ 191,222	\$ 327,309	\$ 435,433	\$ 44,394	\$ 51,964	\$ 531,791		
Payroll taxes and benefits	17,416	20,574	27,334	47,908	65,324	7,389	7,997	80,710		
Travel and training	-	195	20	215	215	78	305	598		
Total personnel expenses	125,540	156,856	218,576	375,432	500,972	51,861	60,266	613,099		
Operating expenses										
Program supplies and educational materials	117,169	59,237	6,756	65,993	183,162	-	-	183,162		
Telephone and utilities	1,486	1,486	1,647	3,133	4,619	453	-	5,072		
Insurance	4,825	4,826	4,826	9,652	14,477	3,734	2,175	20,386		
Outside services	187,354	36,271	9,864	46,135	233,489	37,087	37,399	307,975		
Rent	19,319	72,273	19,670	91,943	111,262	18,426	892	130,580		
Transportation costs	-	11,478	213	11,691	11,691	-	-	11,691		
Meetings & promotions	1,441	1,092	3,101	4,193	5,634	3,932	3,812	13,378		
Total operating expenses	331,594	186,663	46,077	232,740	564,334	63,632	44,278	672,244		
General expenses										
Automotive	1,573	886	1,458	2,344	3,917	86	48	4,051		
Bank and merchant fees	17	9	-	9	26	1,293	426	1,745		
Printing and publications	2,012	5,458	48	5,506	7,518	439	1,734	9,691		
Office supplies and expenses	-	-	-	-	-	1,882	2,251	4,133		
Postage and shipping	478	383	130	513	991	1,127	128	2,246		
Professional fees	2,993	2,994	2,994	5,988	8,981	1,497	1,497	11,975		
Payroll processing	-	-	-	-	-	1,584	-	1,584		
Dues and subscriptions	180	205	933	1,138	1,318	1,531	1,200	4,049		
Licenses and permits	38	38	1,029	1,067	1,105	49	39	1,193		
Depreciation	-	-	-	-	-	1,639	-	1,639		
Total general expenses	7,291	9,973	6,592	16,565	23,856	11,127	7,323	42,306		
Total expenses	\$ 464,425	\$ 353,492	\$ 271,245	\$ 624,737	\$ 1,089,162	\$ 126,620	\$ 111,867	\$ 1,327,649		

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SHAREFEST COMMUNITY DEVELOPMENT, INC.

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2017

	Youth Development Academy					Total		
	Corporate Service Workday	Summer YDA	Year Round YDA	Total	Program Services	Management & General	Fundraising	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
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.

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 314,814	\$ 77,468
Adjustment to reconcile changes in net assets		
Depreciation	1,639	1,638
Donated construction of Youth Center	(265,078)	-
Decrease (increase) in operating assets		
Receivables	(114,960)	23,660
Prepays	(6,131)	-
Deposits	(11,897)	3,625
Increase (decrease) in operating liabilities		
Accounts payable	39,661	1,198
Accrued paid time off	2,595	3,993
Net cash (used) provided by operating activities	<u>(39,357)</u>	<u>111,582</u>
Cash flows from investing activities		
Construction in progress	<u>(95,373)</u>	<u>-</u>
Net cash used in investing activities	<u>(95,373)</u>	<u>-</u>
Net (decrease) increase in cash	(134,730)	111,582
Cash, beginning of year	<u>717,354</u>	<u>605,772</u>
Cash, end of year	<u><u>\$ 582,624</u></u>	<u><u>\$ 717,354</u></u>
Supplemental Disclosure		
Noncash investing transaction		
Total construction in progress	\$ 360,451	\$ -
Less: amount paid by Organization	(95,373)	-
Donated construction of Youth Center	<u><u>\$ 265,078</u></u>	<u><u>\$ -</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**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.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**New Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications, and requires both quantitative and qualitative disclosures about liquidity and availability of financial resources among other provisions. ASU 2016-14 became effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management elected to adopt ASU 2016-14 as of and for the year ending December 31, 2018 and applied the changes retrospectively.

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or nonexistence of restrictions on use that are placed by its donors. The two classes of net assets are as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support the Organization's operations. The only limits on the use of these net assets, if any, are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net Assets (continued)**

Support that is restricted by a donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction.

Net Assets With Donor Restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a specified purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature and the Organization must continue to use these resources in accordance with donor's restrictions.

The Organization's unspent contributions are included in this class if the donor has limited their use. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Classification of Transactions**

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resource for a specified purpose or for a future period. All expenses are reported as decreases in net assets without donor restrictions.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization maintains its cash with commercial banks, which at times may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. Management believes all cash funds are maintained in high quality financial institutions, which limit its risk. As of December 31, 2018 and 2017, the Organization has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

**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, 2018 and 2017, 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, 2018 and 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Functional Allocation of Expenses**

The costs of providing programs and services have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or service are charged directly to that program or service. Costs common to multiple functions have been allocated among various functions benefited using a reasonable allocation method that is consistently applied as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on hours spent on each program.
- Rent, utilities, and general administrative costs are allocated based on the number of days in a year the Organization spends on each program and supporting activity.

General and administrative expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising expenses are expensed as incurred and are charged to the respective fundraising cost center. When the Organization incurs shared costs that are both fundraising and general and administrative, the costs are allocated based on the methods described above.

**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 Paid Time Off**

The Organization accrues for any unused vacation time at the end of the year. The amount of accrued employee vacation at December 31, 2018 and 2017 was \$15,325 and \$12,730, respectively.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

**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.

**Advertising Costs**

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2018 and 2017 were \$14,989 and \$6,744, respectively.

**Donated Materials, Facilities, and Services**

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:

	2018	2017
Supplies	\$ 117,470	\$ 42,819
Labor	64,725	14,968
Rent	120,140	120,140
Construction in progress - Youth Center	265,078	-
	<u>\$ 567,413</u>	<u>\$ 177,927</u>

**Subsequent Events**

Management has evaluated subsequent events through April 18, 2019, the date which the financial statements were available for issue.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

**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, 2018 and 2017 was \$225,136 and \$153,988, respectively.

**NOTE 4: LIQUIDITY AND AVAILABILITY**

Financial assets without donor or other restrictions limiting their use within one year of December 31, 2018, which are available for general expenditures are as follows:

Financial assets:

Cash and cash equivalents	\$ 582,624
Accounts receivable	152,317
Total financial assets	<u>734,941</u>

Less financial assets held to meet donor-imposed restrictions:

Donor-restricted assets	<u>(152,500)</u>
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Amount available for general expenditures within one year \$ 582,441

Based on the table above, the Organization has \$582,441 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. The Organization receives approximately \$100,000 monthly in contributions and grant revenue to help offset operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

**NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2018 and 2017 consist of the following and were restricted for the following purposes:

	2018	2017
Youth Development Academy	\$ 67,500	\$ 130,000
Workday	85,000	15,000
Fundraising	-	5,000
	<u>\$ 152,500</u>	<u>\$ 150,000</u>

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2018 and 2017

**NOTE 6: RETROSPECTIVE CHANGE IN NET ASSET CLASSIFICATIONS**

The Organization has adopted FASB ASU No. 2016-14 in the current year and has applied the changes retrospectively. The new standard changed the net asset classifications as follows:

- Temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net class has been renamed to net assets without donor restrictions.

The adoption of ASU No. 2016-14 has the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted	\$ 593,022	\$ -
Temporarily restricted	150,000	-
Net assets without donor restrictions	-	593,022
Net assets with donor restrictions	-	150,000
Net assets at beginning of year	<u>\$ 743,022</u>	<u>\$ 743,022</u>