

SHAREFEST COMMUNITY DEVELOPMENT, INC.

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

Year Ended December 31, 2019 and 2018

SHAREFEST COMMUNITY DEVELOPMENT, INC.

December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 13, 2020

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash	\$ 228,155	\$ 582,624
Receivables	30,611	152,317
Prepays	8,054	6,131
Deposits	<u>14,453</u>	<u>22,431</u>
Total current assets	<u>281,273</u>	<u>763,503</u>
Property and equipment		
Office equipment	12,213	12,213
Youth Center	854,608	-
Construction in progress	-	360,451
Less: accumulated depreciation	<u>(33,578)</u>	<u>(11,461)</u>
Net property and equipment	<u>833,243</u>	<u>361,203</u>
Total assets	<u><u>\$ 1,114,516</u></u>	<u><u>\$ 1,124,706</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 33,352	\$ 51,545
Accrued paid time off	<u>19,792</u>	<u>15,325</u>
Total current liabilities	<u>53,144</u>	<u>66,870</u>
Net assets		
Without donor restrictions	1,056,372	905,336
With donor restrictions	<u>5,000</u>	<u>152,500</u>
Total net assets	<u>1,061,372</u>	<u>1,057,836</u>
Total liabilities and net assets	<u><u>\$ 1,114,516</u></u>	<u><u>\$ 1,124,706</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Public support			
Contributions	\$ 380,807		\$ 380,807
Corporate/foundation grants	278,253	5,000	283,253
Government grants	38,400		38,400
In-kind donations	619,095		619,095
Interest income	226		226
Net assets released from restrictions	<u>152,500</u>	<u>(152,500)</u>	<u>-</u>
Subtotal public support	1,469,281	(147,500)	1,321,781
Special fund-raising events			
Revenue	515,975	-	515,975
Expenses	<u>(250,815)</u>	<u>-</u>	<u>(250,815)</u>
Net support from fund-raising events	<u>265,160</u>	<u>-</u>	<u>265,160</u>
Total revenue and support	1,734,441	(147,500)	1,586,941
Expenses			
Program services	1,267,982	-	1,267,982
Management and general	127,979	-	127,979
Fundraising	<u>187,444</u>	<u>-</u>	<u>187,444</u>
Total expenses	<u>1,583,405</u>	<u>-</u>	<u>1,583,405</u>
Increase (decrease) in net assets	151,036	(147,500)	3,536
Net assets at beginning of year	<u>905,336</u>	<u>152,500</u>	<u>1,057,836</u>
Net assets at end of year	<u>\$ 1,056,372</u>	<u>\$ 5,000</u>	<u>\$ 1,061,372</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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
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	<u>\$ 905,336</u>	<u>\$ 152,500</u>	<u>\$ 1,057,836</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, 2019

	Youth Development Academy				Total Program Services	Management & General	Fundraising	Total
	Corporate Service Workday	Summer YDA	Year Round YDA	Total				
Personnel expenses								
Salaries and wages	\$ 100,533	\$ 110,825	\$ 230,559	\$ 341,384	\$ 441,917	\$ 32,087	\$ 129,554	\$ 603,558
Payroll taxes and benefits	16,915	17,092	28,332	45,424	62,339	11,785	16,604	90,728
Travel and training	-	-	-	-	-	1,457	105	1,562
Total personnel expenses	117,448	127,917	258,891	386,808	504,256	45,329	146,263	695,848
Operating expenses								
Program supplies and educational materials	165,244	12,992	204,831	217,823	383,067	-	-	383,067
Telephone and utilities	1,550	1,550	1,550	3,100	4,650	629	616	5,895
Insurance	8,200	8,200	7,964	16,164	24,364	1,486	2,170	28,020
Outside services	209,230	5,100	15,291	20,391	229,621	43,620	26,270	299,511
Rent	19,377	19,456	19,376	38,832	58,209	18,456	921	77,586
Transportation costs	1,316	14,858	5,919	20,777	20,777	-	-	20,777
Meetings & promotions	-	139	578	717	2,033	1,752	4,084	7,869
Total operating expenses	404,917	62,295	255,509	317,804	722,721	65,943	34,061	822,725
General expenses								
Automotive	1,628	641	1,346	1,987	3,615	144	330	4,089
Bank and merchant fees	165	15	2	17	182	1,013	991	2,186
Printing and publications	2,347	664	384	1,048	3,395	554	688	4,637
Office supplies and expenses	-	-	115	115	115	8,003	1,119	9,237
Postage and shipping	70	110	8	118	188	697	662	1,547
Professional fees	3,225	3,225	3,225	6,450	9,675	1,613	1,613	12,901
Payroll processing	-	-	-	-	-	1,774	0	1,774
Dues and subscriptions	903	230	910	1,140	2,043	2,081	1,678	5,802
Licenses and permits	38	38	398	436	474	29	39	542
Depreciation	-	-	21,318	21,318	21,318	799	-	22,117
Total general expenses	8,376	4,923	27,706	32,629	41,005	16,707	7,120	64,832
Total expenses	\$ 530,741	\$ 195,135	\$ 542,106	\$ 737,241	\$ 1,267,982	\$ 127,979	\$ 187,444	\$ 1,583,405

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, 2018

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

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 3,536	\$ 314,814
Adjustment to reconcile changes in net assets		
Depreciation	22,117	1,639
Donated construction of Youth Center	(323,837)	(265,078)
Decrease (increase) in operating assets		
Receivables	121,706	(114,960)
Prepays	(1,923)	(6,131)
Deposits	7,978	(11,897)
Increase (decrease) in operating liabilities		
Accounts payable	(18,193)	39,661
Accrued paid time off	4,467	2,595
Net cash used by operating activities	<u>(184,149)</u>	<u>(39,357)</u>
Cash flows from investing activities		
Construction of Youth Center	<u>(170,320)</u>	<u>(95,373)</u>
Net cash used in investing activities	<u>(170,320)</u>	<u>(95,373)</u>
Net decrease in cash	(354,469)	(134,730)
Cash, beginning of year	<u>582,624</u>	<u>717,354</u>
Cash, end of year	<u><u>\$ 228,155</u></u>	<u><u>\$ 582,624</u></u>
Supplemental Disclosure		
Noncash investing transaction		
Total leasehold improvements	\$ 854,608	\$ -
2018 construction in progress	(360,451)	360,451
Less: amount paid by Organization	(170,320)	(95,373)
Donated construction of Youth Center	<u><u>\$ 323,837</u></u>	<u><u>\$ 265,078</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. ASU 2014-09 became effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Management elected to adopt ASU 2014-09 as of and for the year ending December 31, 2019.

Revenue Recognition

The primary source for Sharefest Community Development, Inc.'s revenue is through public support. Public support comes mostly in the form of contributions from individuals and corporations, and foundation and government grants. Contribution income is recognized either when it is received or a pledge is determined to be certain and eminent. Grant income is recognized as the related service obligation is completed.

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:

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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.

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, 2019 and 2018, the Organization has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019 and 2018, management believes that all receivables are collectible and therefore no allowance for doubtful accounts has been made.

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 office equipment is recorded on the straight-line basis over five years. The youth center is being depreciated over 20 years on a straight line basis. Repairs and maintenance are expensed as incurred.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019 and 2018 was \$19,792 and \$15,325, 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.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$9,523 and \$14,989, 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:

	2019	2018
Supplies	\$ 195,917	\$ 117,470
Labor	29,200	64,725
Rent	70,140	120,140
Leasehold improvements	323,838	-
Construction in progress - Youth Center	-	265,078
	<u>\$ 619,095</u>	<u>\$ 567,413</u>

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

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, 2019 and 2018 was \$250,815 and \$225,136, respectively.

NOTE 4: LIQUIDITY AND AVAILABILITY

Financial assets without donor or other restrictions limiting their use within one year of December 31, 2019, which are available for general expenditures are as follows:

Financial assets:		
Cash and cash equivalents	\$	228,155
Accounts receivable		30,611
Total financial assets		<u>258,766</u>
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted assets		<u>(5,000)</u>
Amount available for general expenditures within one year	\$	<u>253,766</u>

Based on the table above, the Organization has \$253,766 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, 2019 and 2018 consist of the following and were restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Youth Development Academy	\$ 5,000	\$ 67,500
Workday	-	85,000
	<u>\$ 5,000</u>	<u>\$ 152,500</u>

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2019 and 2018

NOTE 6: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2020, the date which the financial statements were available for issue. In 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 pandemic. The Organization may be adversely affected in its operations by the resulting economic downturn. Management is currently evaluating the impact this will have on future operations.