

SHAREFEST COMMUNITY DEVELOPMENT, INC.

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

Year Ended December 31, 2021 and 2020

SHAREFEST COMMUNITY DEVELOPMENT, INC.

December 31, 2021 and 2020

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Independent Auditor's Report

To the Board of Directors
Sharefest Community Development, Inc.

Opinion

We have audited the accompanying financial statements of Sharefest Community Development, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sharefest Community Development, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharefest Community Development, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sharefest Community Development, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sharefest Community Development, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Stephens, Reidinger + Beller LLP

Newport Beach, California
June 8, 2022

SHAREFEST COMMUNITY DEVELOPMENT, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	ASSETS	
	<u>2021</u>	<u>2020</u>
Current assets		
Cash	\$ 1,576,049	\$ 1,025,043
Receivables	226,833	40,948
Deposits	-	22,503
	<u>1,802,882</u>	<u>1,088,494</u>
Total current assets		
Property and equipment		
Office equipment	12,213	12,213
Youth Center	854,608	854,608
Less: accumulated depreciation	<u>(119,038)</u>	<u>(76,308)</u>
Net property and equipment	<u>747,783</u>	<u>790,513</u>
Total assets	<u><u>\$ 2,550,665</u></u>	<u><u>\$ 1,879,007</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 26,822	\$ 15,523
Accrued paid time off	22,704	18,017
Deferred revenue	<u>209,801</u>	<u>195,284</u>
Total current liabilities	<u>259,327</u>	<u>228,824</u>
Net assets		
Without donor restrictions	2,176,578	1,611,933
With donor restrictions	<u>114,760</u>	<u>38,250</u>
Total net assets	<u>2,291,338</u>	<u>1,650,183</u>
Total liabilities and net assets	<u><u>\$ 2,550,665</u></u>	<u><u>\$ 1,879,007</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Public support			
Contributions	\$ 319,242	\$ 41,661	\$ 360,903
Corporate/Foundation grants	336,747	572,064	908,811
Government grants	(7,866)	261,650	253,784
In-kind donations	122,684	-	122,684
Interest income	995	-	995
Net assets released from restrictions	<u>798,865</u>	<u>(798,865)</u>	<u>-</u>
Subtotal public support	1,570,667	76,510	1,647,177
Special fund-raising events			
Revenue	294,742	-	294,742
Expenses	<u>(146,493)</u>	<u>-</u>	<u>(146,493)</u>
Net support from fund-raising events	<u>148,249</u>	<u>-</u>	<u>148,249</u>
Total revenue and support	1,718,916	76,510	1,795,426
Expenses			
Program services	1,010,970	-	1,010,970
Management and general	81,206	-	81,206
Fundraising	<u>62,095</u>	<u>-</u>	<u>62,095</u>
Total expenses	<u>1,154,271</u>	<u>-</u>	<u>1,154,271</u>
Increase in net assets	564,645	76,510	641,155
Net assets at beginning of year	<u>1,611,933</u>	<u>38,250</u>	<u>1,650,183</u>
Net assets at end of year	<u>\$ 2,176,578</u>	<u>\$ 114,760</u>	<u>\$ 2,291,338</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Public support			
Contributions	\$ 446,829	\$ 108,250	\$ 555,079
Corporate/foundation grants	278,216	69,995	348,211
Government grants	126,880	190,000	316,880
In-kind donations	75,716	-	75,716
Interest income	260	-	260
Net assets released from restrictions	334,995	(334,995)	-
Subtotal public support	1,262,896	33,250	1,296,146
Special fund-raising events			
Revenue	159,132	-	159,132
Expenses	(33,554)	-	(33,554)
Net support from fund-raising events	125,578	-	125,578
Total revenue and support	1,388,474	33,250	1,421,724
Expenses			
Program services	680,951	-	680,951
Management and general	61,598	-	61,598
Fundraising	90,364	-	90,364
Total expenses	832,913	-	832,913
Increase in net assets	555,561	33,250	588,811
Net assets at beginning of year	1,056,372	5,000	1,061,372
Net assets at end of year	<u>\$ 1,611,933</u>	<u>\$ 38,250</u>	<u>\$ 1,650,183</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, 2021

	Corporate Services	Youth Leadership Academy	Total Program Services	Management & General	Fundraising	Total
Personnel expenses						
Salaries and wages	\$ 63,871	\$ 440,511	\$ 504,382	\$ 43,304	\$ 41,901	\$ 589,587
Payroll taxes and benefits	10,942	71,136	82,078	7,429	8,244	97,751
Travel and training	-	335	335	350	-	685
Total personnel expenses	74,813	511,982	586,795	51,083	50,145	688,023
Operating expenses						
Program supplies and educational materials	26,953	37,362	64,315	-	-	64,315
Telephone and utilities	770	3,850	4,620	257	257	5,133
Insurance	423	21,936	22,359	351	-	22,710
Outside services	94,748	88,209	182,957	13,535	2,726	199,218
Rent	11,583	57,915	69,498	3,861	3,861	77,220
Meetings & promotions	-	8,364	8,364	2,758	1,865	12,987
Total operating expenses	134,477	217,636	352,113	20,762	8,709	381,583
General expenses						
Automotive	43	1,313	1,356	-	43	1,399
Bank and merchant fees	414	2	416	660	875	1,951
Printing and publications	-	1,593	1,593	71	237	1,901
Office supplies and expenses	-	953	953	4,969	84	6,006
Postage and shipping	-	542	542	229	55	826
Professional fees	2,325	11,626	13,951	775	775	15,501
Payroll processing	-	735	735	1,521	-	2,256
Dues and subscriptions	105	9,600	9,705	986	1,173	11,864
Licenses and permits	-	81	81	150	-	231
Depreciation	-	42,730	42,730	-	-	42,730
Total general expenses	2,887	69,175	72,062	9,361	3,242	84,665
Total expenses	\$ 212,177	\$ 798,793	\$ 1,010,970	\$ 81,206	\$ 62,096	\$ 1,154,271

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, 2020

	Corporate Services	Youth Leadership Academy	Total Program Services	Management & General	Fundraising	Total
Personnel expenses						
Salaries and wages	\$ 92,471	\$ 254,822	\$ 347,293	\$ 13,952	\$ 61,758	\$ 423,003
Payroll taxes and benefits	14,606	39,094	53,700	11,202	8,851	73,753
Travel and training	-	1,146	1,146	189	464	1,799
Total personnel expenses	107,077	295,062	402,139	25,343	71,073	498,555
Operating expenses						
Program supplies and educational materials	1,329	28,546	29,875	-	-	29,875
Telephone and utilities	1,390	2,782	4,172	695	695	5,562
Insurance	3,828	20,645	24,473	172	650	25,295
Outside services	23,478	75,002	98,480	1,687	11,379	111,546
Rent	19,417	38,836	58,253	18,476	941	77,670
Transportation costs	-	2,582	2,582	-	-	2,582
Meetings & promotions	622	64	686	1,896	1,581	4,163
Total operating expenses	50,064	168,457	218,521	22,926	15,246	256,693
General expenses						
Automotive	608	412	1,020	41	69	1,130
Bank and merchant fees	234	390	624	1,124	782	2,530
Printing and publications	-	3,970	3,970	2,085	-	6,055
Office supplies and expenses	-	-	-	5,134	132	5,266
Postage and shipping	-	24	24	292	1,008	1,324
Professional fees	3,430	6,864	10,294	1,716	1,716	13,726
Payroll processing	-	-	-	1,444	-	1,444
Dues and subscriptions	59	1,440	1,499	1,333	338	3,170
Licenses and permits	-	130	130	160	-	290
Depreciation	-	42,730	42,730	-	-	42,730
Total general expenses	4,331	55,960	60,291	13,329	4,045	77,665
Total expenses	\$ 161,472	\$ 519,479	\$ 680,951	\$ 61,598	\$ 90,364	\$ 832,913

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 641,155	\$ 588,811
Adjustment to reconcile changes in net assets		
Depreciation	42,730	42,730
Decrease (increase) in operating assets		
Receivables	(185,885)	(10,337)
Prepays	-	8,054
Deposits	22,503	(8,050)
Increase (decrease) in operating liabilities		
Accounts payable	11,299	(17,829)
Accrued paid time off	4,687	(1,775)
Deferred revenue	14,517	195,284
Net cash provided by operating activities	<u>551,006</u>	<u>796,888</u>
Net increase in cash	551,006	796,888
Cash, beginning of year	<u>1,025,043</u>	<u>228,155</u>
Cash, end of year	<u><u>\$ 1,576,049</u></u>	<u><u>\$ 1,025,043</u></u>

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

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 delivers hope to disconnected youth by giving them the skills, resources, support and connections they need to mobilize from poverty.

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).

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:

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.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

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, Cash Equivalents, and Concentration of Credit Risk

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 high-credit quality financial institutions, which at times may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. As of December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020

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.

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.

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, 2021 and 2020 was \$22,704 and \$18,017, 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, 2021 and 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2021 and 2020 were \$12,762 and \$9,355, 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:

	2021	2020
Supplies	\$ 52,544	\$ 5,576
Rent	70,140	70,140
	<u>\$ 122,684</u>	<u>\$ 75,716</u>

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.

NOTE 3: SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 8, 2022, the date which the financial statements were available for issue, and no events occurred that required adjustments to the accompanying financial statements.

NOTE 4: 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, 2021 and 2020 was \$146,493 and \$33,554, respectively.

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2021 and 2020

NOTE 5: LIQUIDITY AND AVAILABILITY

Financial assets without donor or other restrictions limiting their use within one year of December 31, 2021, which are available for general expenditures are as follows:

Financial assets:		
Cash and cash equivalents		\$ 1,576,049
Accounts receivable		226,833
Total financial assets		<u>1,802,882</u>
Less financial assets held to meet donor-imposed restrictions:		
Donor-restricted assets		<u>(114,760)</u>
Amount available for general expenditures within one year		<u>\$ 1,688,122</u>

Based on the table above, the Organization has \$1,688,122 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 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 consist of the following and were restricted for the following purposes:

	<u>2021</u>	<u>2020</u>
Youth Leadership Academy	\$ 114,760	\$ 38,250
	<u>\$ 114,760</u>	<u>\$ 38,250</u>

SHAREFEST COMMUNITY DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2021 and 2020

NOTE 7: PAYCHECK PROTECTION PROGRAM CONTRIBUTION

In May 2020, the Organization was granted a “loan” from Malaga Bank for \$126,880, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted on March 27, 2020 in response to the coronavirus pandemic (see Note 8). Under the CARES Act, the PPP funds are intended to allow businesses to cover eligible expenses including payroll, benefits, rents, and utilities within a specified time period per program requirements. In December of 2020, the PPP loan was paid in full by the Small Business Administration (SBA) and the Organization had no further obligation to the bank as of December 31, 2020.

The Organization was granted a second PPP “loan” on January 29, 2021, from Malaga Bank for \$121,685 under the same PPP program. This loan was paid in full by the SBA on August 16, 2021 and the Organization has no further obligation to the bank as of December 31, 2021.

The Organization has elected to account for the PPP loans in accordance with the guidance under FASB ASC 958-605 as conditional contributions. The Organization initially recorded the amounts received as refundable advances, followed by a reduction in the advances and recognition of revenue as the conditions of the loans were met. As of December 31, 2021 and 2020, the Organization has substantially met all the conditions of the PPP program and therefore has recognized in full both PPP grant amounts in the accompanying statement of operations as contribution income, respectively.

NOTE 8: RISKS AND UNCERTANTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States and worldwide. The coronavirus outbreak resulted in federal, state and local governments and private entities mandating various restrictions, including travel, in public gatherings, stay at home orders and quarantining of people who may have been exposed to the virus. In response to the pandemic and the various restrictions, Sharefest Community Development, Inc. has adjusted its operations to protect its employees and program participants from the virus while effectively providing services via virtual platforms when possible. As management continues to evaluate the impact that this global pandemic will have on future operations, management believes that Sharefest Community Development, Inc. can continue its operations, as the funding from various sources has not been affected by the coronavirus pandemic.