

CHARITABLE VENTURES  
OF  
ORANGE COUNTY  
( a nonprofit corporation )  
FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

## CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets:	
For the Year Ended December 31, 2017	4
For the Year Ended December 31, 2016	5
Statements of Cash Flows	6
Statements of Functional Expenses:	
For the Year Ended December 31, 2017	7
For the Year Ended December 31, 2016	8
Notes to Financial Statements	9 - 13

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Charitable Ventures of  
Orange County

We have audited the accompanying financial statements of Charitable Ventures of Orange County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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.

### **Auditors' 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 from 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (Continued)

**Auditors' Responsibility (Continued)**

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 Charitable Ventures of Orange County as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



GUZMAN & GRAY  
Long Beach, CA  
August 2, 2018

CHARITABLE VENTURES OF ORANGE COUNTY  
(a nonprofit corporation)  
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	December 31,	
	2017	2016
ASSETS		
Cash	\$ 2,654,599	\$ 2,162,120
Contracts and grants receivable	297,789	137,911
Pledges receivable	9,852	64,116
Deposits	14,668	18,905
	2,976,908	2,383,052
PROPERTIES AND EQUIPMENT, Net of \$2,441 of accumulated depreciation	12,205	
TOTAL ASSETS	\$ 2,989,113	\$ 2,383,052

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 86,993	\$ 82,644
Accrued expenses	161,228	107,215
Grant advance	1,692,848	1,345,795
	1,941,069	1,535,654
TOTAL LIABILITIES	1,941,069	1,535,654
NET ASSETS		
Unrestricted	83,423	83,202
Temporarily restricted	964,621	764,196
	1,048,044	847,398
TOTAL NET ASSETS	1,048,044	847,398
TOTAL LIABILITIES AND NET ASSETS	\$ 2,989,113	\$ 2,383,052

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHARITABLE VENTURES OF ORANGE COUNTRY  
(a nonprofit corporation)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 2,062	\$ 258,588	\$ 260,650
Contract		68,250	68,250
Program	364,241	851,639	1,215,880
Grants	57,703	3,345,105	3,402,808
Membership		164,628	164,628
Special events, net of direct donor benefits worth \$114,988		370,307	370,307
In-kind contributions	43,340	905	44,245
Other	18	1,134	1,152
	467,364	5,060,556	5,527,920
NET ASSETS RELEASED FROM RESTRICTIONS	4,860,131	(4,860,131)	
TOTAL SUPPORT AND REVENUES	5,327,495	200,425	5,527,920
 EXPENSES			
Program	4,380,516		4,380,516
General and administrative	866,155		866,155
Fundraising	80,603		80,603
TOTAL EXPENSES	5,327,274		5,327,274
CHANGE IN NET ASSETS	221	200,425	200,646
BEGINNING NET ASSETS	83,202	764,196	847,398
ENDING NET ASSETS	\$ 83,423	\$ 964,621	\$ 1,048,044

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHARITABLE VENTURES OF ORANGE COUNTRY  
(a nonprofit corporation)  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 1,850	\$ 222,673	\$ 224,523
Program	281,961	854,747	1,136,708
Grants	73,531	3,361,675	3,435,206
Membership		15,815	15,815
Special events, net of direct donor benefits worth \$28,704		158,698	158,698
In-kind contributions	62,135		62,135
Other	18	1,132	1,150
	419,495	4,614,740	5,034,235
NET ASSETS RELEASED FROM RESTRICTIONS	4,182,326	(4,182,326)	
TOTAL SUPPORT AND REVENUES	4,601,821	432,414	5,034,235
EXPENSES			
Program	3,851,639		3,851,639
General and administrative	793,878		793,878
Fundraising	32,125		32,125
TOTAL EXPENSES	4,677,642		4,677,642
CHANGE IN NET ASSETS	(75,821)	432,414	356,593
BEGINNING NET ASSETS	159,023	331,782	490,805
ENDING NET ASSETS	\$ 83,202	\$ 764,196	\$ 847,398

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHARITABLE VENTURES OF ORANGE COUNTY  
(a nonprofit corporation)  
STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 200,646	\$ 356,593
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,441	
(Increase) decrease in contracts and grants receivables	(159,878)	(34,995)
(Increase) decrease in pledges receivables	54,264	(47,376)
(Increase) decrease in deposits	4,237	(15,764)
Increase (decrease) in payables	4,349	(46,140)
Increase (decrease) in accrued expenses	54,013	30,804
Increase (decrease) in grant advance	347,053	(304,753)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>507,125</b>	<b>(61,631)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(14,646)	
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(14,646)</b>	
<b>NET INCREASE (DECREASE) IN CASH</b>	492,479	(61,631)
<b>BEGINNING CASH</b>	<b>2,162,120</b>	<b>2,223,751</b>
<b>ENDING CASH</b>	<b>\$ 2,654,599</b>	<b>\$2,162,120</b>
 <b><u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u></b>		
<b>INTEREST PAID</b>	<b>NONE</b>	<b>NONE</b>
<b>TAXES PAID</b>	<b>NONE</b>	<b>NONE</b>

See Independent Auditors' Report and Accompanying Notes to Financial Statement



CHARITABLE VENTURES OF ORANGE COUNTY  
(a nonprofit corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting		\$ 13,496		\$ 13,496
Advertising	\$ 29,949		\$ 4,479	34,428
Bank charges		2,109		2,109
Conferences, convention, and meetings	32,924			32,924
Depreciation		2,441		2,441
Donations, pledges, and scholarships	629,982			629,982
Dues and subscriptions		1,042		1,042
Employee benefits	109,355	11,258		120,613
Equipment and equipment repair	24,401	2,624		27,025
Fiscal sponsorship		355,978		355,978
Incentives and rewards	29,519			29,519
In-kind services	44,245			44,245
Insurance		38,490		38,490
Payroll tax	253,671	15,885		269,556
Postage and shipping		1,532		1,532
Printing	18,411	2,042	5,508	25,961
Professional services	577,323	139,011	65,171	781,505
Program	196,132			196,132
Promotional products	4,552			4,552
Rent and leases	477,018	21,220		498,238
Salaries	1,812,160	213,793		2,025,953
Supplies	60,903	7,004		67,907
Tax and licenses		1,224		1,224
Telephone	10,201	21,254		31,455
Training	28,992			28,992
Travel, meals, and entertainment	21,425	3,422		24,847
Utilities	9,817			9,817
Website	9,536			9,536
Other		12,330	5,445	17,775
	<u>\$ 4,380,516</u>	<u>\$ 866,155</u>	<u>\$ 80,603</u>	<u>\$ 5,327,274</u>

CHARITABLE VENTURES OF ORANGE COUNTY  
(a nonprofit corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting		\$ 13,125		\$ 13,125
Advertising	\$ 6,113			6,113
Bank charges		4,092		4,092
Conferences, convention, and meetings	41,518			41,518
Donations, pledges, and scholarships	553,130			553,130
Dues and subscriptions		4,813		4,813
Employee benefits	80,146	11,420		91,566
Equipment and equipment repair	13,113	5,150		18,263
Fiscal sponsorship		281,861		281,861
Incentives and rewards	44,151			44,151
In-kind services	62,135			62,135
Insurance		33,359		33,359
Payroll tax	113,140	37,225	\$ 254	150,619
Postage and shipping		1,900		1,900
Printing	16,941	5,120		22,061
Professional services	789,337	154,615	26,654	970,606
Program	159,351			159,351
Promotional products	6,745			6,745
Rent and leases	441,289	23,714		465,003
Salaries	1,322,966	195,931	2,906	1,521,803
Supplies	40,100	7,779		47,879
Tax and licenses		896		896
Telephone		1,226		1,226
Training	22,916			22,916
Travel, meals, and entertainment	49,069	4,466		53,535
Utilities	11,504	133		11,637
Website	6,114			6,114
Other	71,861	7,053	2,311	81,225
	<u>\$3,851,639</u>	<u>\$ 793,878</u>	<u>\$ 32,125</u>	<u>\$ 4,677,642</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statement

CHARITABLE VENTURES OF ORANGE COUNTY, INC.  
(a nonprofit corporation)  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Charitable Ventures of Orange County, Inc. (the "Organization") was incorporated May 2007 as a California nonprofit corporation. The Organization enables nonprofit groups to effectively build capacity by providing a comprehensive array of business services, including fiscal sponsorship, accounting, strategic planning, marketing, and training. The Organization's facilities are located in Orange County, California.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting, with net assets categorized as unrestricted, temporarily restricted, or permanently restricted, a description of which is as follows:

- *Unrestricted net assets* is utilized to record contributions, special events, fees and other forms of unrestricted revenue and expenditures related to the general operations and special events efforts of the organization that are not restricted by the donor through uses or time restrictions.
- *Temporarily restricted net assets* are utilized to record resources received that are temporarily restricted as to use or expiration of time. Contributions whose restrictions are met in the same reporting period are recorded as a release from restriction. Funds received from fiscal sponsorship agreements with Organizations are restricted for the purpose indicated in the agreement.
- *Permanently restricted net assets* are utilized to record resources received that are permanently restricted as to use by the donor or grantor. The Organization does not currently have any such resources.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Cash and Cash Equivalents

All highly-liquid debt instruments purchased with original maturities of three months or less are considered to be cash equivalents.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.  
(a nonprofit corporation)  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables are recorded when collectability is reasonably assured.

No allowance for uncollectable amounts has been established as management believes the total receivables to be fully collectible.

Property and Equipment

Properties and equipment are purchased and capitalized at cost. Donated properties and equipment are capitalized at fair market value on the date of the gift. Property and equipment is being depreciated using the straight-line method over its estimated useful life as follows:

Leasehold improvements	39 years
Land improvements	39 years
Furniture and equipment	5 years
Vehicles	5 years

Grant Advance

The Organization received an advance to reimburse program specific expenses. Grant advance liability will be reduced as proper expenses are incurred during operations.

Donated Services and Materials

The contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet the criteria shall not be recognized. Donated materials and assets are recorded at fair market value at the date of the gift.

For the years ended December 31, 2017 and 2016, the Organization recognized donated services of \$44,245 and \$62,135, respectively.

Allocation of Functional Expenses

Expenses relating directly to program services, management, and fundraising have been allocated as such. Expenses that relate both to program, management, or fundraising have been allocated among the programs and services benefited.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.  
(a nonprofit corporation)  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

The Organization is exempt from California franchise tax and Federal income tax under the provisions of Section 23701(d) of the California Revenue Code and Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as a public charity. Income for certain activities not directly related the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Income Taxes

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$34,428 and \$6,113 for the years ended December 31, 2017 and 2016, respectively.

Recently Issued Accounting Pronouncements

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), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles of the United States when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.  
(a nonprofit corporation)  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In August 2016, the FASB released ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT, net

Property, equipment and the related accumulated depreciation consist of the following as of December 31, 2017:

Furniture and fixtures	\$ 14,646
Less: accumulated depreciation	<u>( 2,441)</u>
	<u>\$ 12,205</u>

Depreciation expense was \$2,441 and \$0 for the year ended December 31, 2017 and 2016, respectively.

There Organization had no property, equipment and related accumulated depreciation as of December 31, 2016.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include the following as of December 31:

	<u>2017</u>	<u>2016</u>
Project restrictions	<u>\$ 946,621</u>	<u>\$ 764,196</u>

Net assets were released from donor restrictions either by incurring expenses, which satisfied the restricted purposes or by the occurrences of other events specified by donors for the year ended December 31, 2017 and 2016, were \$4,860,131 and \$4,182,326, respectively.

CHARITABLE VENTURES OF ORANGE COUNTY, INC.  
(a nonprofit corporation)  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 4 – RETIREMENT PLAN

Effective August 2015, the Organization adopted a noncontributory profit sharing and retirement savings 401(k) plan. Employees 18 years or older are eligible to participate on the first of the month following nine months of employment. The annual employee contribution limit is \$24,500 for all employees age 50 and up and all other employees are limited to \$18,500.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Organization operates in Orange County, California, and is dependent upon the local economy.

Cash deposits in financial institutions may exceed federally insured limits at times during the year. Charitable Ventures of Orange County maintains cash in several accounts in financial institutions which are presently insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year the FDIC limit has been exceeded. At year ended December 31, 2017 and 2016, \$2,006,530 and \$1,485,067 respectively, of cash was over the FDIC limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

Grants received have various objectives and compliance requirements. Management believes that all objectives and requirements have been met.

NOTE 6 – RELATED PARTY TRANSACTION

During 2017 and 2016, the Organization received donated services from a Board member with a value of \$44,245 and \$62,135, respectively, which included strategic support, grant writing, program development, strategic planning, project management, marketing, editorial services, and use of office space.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through August 2, 2018, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or additional disclosure in the financial statements.