

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

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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, 2016, 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
July 17, 2017

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

DECEMBER 31, 2016 AND 2015

ASSETS

	December 31,	
	2016	2015
ASSETS		
Cash	\$ 2,162,120	\$ 2,223,751
Contracts and grants receivable	137,911	102,916
Pledges receivable	64,116	16,740
Deposits	18,905	3,141
 TOTAL ASSETS	 \$ 2,383,052	 \$ 2,346,548

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 82,644	\$ 88,784
Accrued expenses	107,215	76,411
Loan payable		40,000
Grant advance	1,133,431	1,650,548
 TOTAL LIABILITIES	 1,323,290	 1,855,743
 NET ASSETS		
Unrestricted	83,202	159,023
Temporarily restricted	976,560	331,782
 TOTAL NET ASSETS	 1,059,762	 490,805
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,383,052	 \$ 2,346,548

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	3,574,039	3,647,570
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	4,827,104	5,246,599
NET ASSETS RELEASED FROM RESTRICTIONS	4,182,326	(4,182,326)	
TOTAL SUPPORT AND REVENUES	4,601,821	644,778	5,246,599
 EXPENSES			
Program	3,851,639		3,851,639
General and administrative	793,878		793,878
Fundraising	32,125		32,125
	4,677,642		4,677,642
TOTAL EXPENSES	4,677,642		4,677,642
CHANGE IN NET ASSETS	(75,821)	644,778	568,957
BEGINNING NET ASSETS	159,023	331,782	490,805
ENDING NET ASSETS	\$ 83,202	\$ 976,560	\$1,059,762

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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 737	\$ 150,813	\$ 151,550
Program	305,088	776,593	1,081,681
Grants	31,415	2,254,870	2,286,285
Membership		10,870	10,870
Special events, net of direct donor benefits worth \$8,572		39,440	39,440
In-kind contributions	45,765		45,765
Other	11	330	341
	<u>383,016</u>	<u>3,232,916</u>	<u>3,615,932</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>3,336,730</u>	<u>(3,336,730)</u>	
TOTAL SUPPORT AND REVENUES	<u>3,719,746</u>	<u>(103,814)</u>	<u>3,615,932</u>
 EXPENSES			
Program	3,035,033		3,035,033
General and administrative	545,944		545,944
Fundraising	33,169		33,169
	<u>3,614,146</u>		<u>3,614,146</u>
TOTAL EXPENSES	<u>3,614,146</u>		<u>3,614,146</u>
CHANGE IN NET ASSETS	105,600	(103,814)	1,786
BEGINNING NET ASSETS	<u>53,423</u>	<u>435,596</u>	<u>489,019</u>
ENDING NET ASSETS	<u>\$ 159,023</u>	<u>\$ 331,782</u>	<u>\$ 490,805</u>

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, 2016 AND 2015

	December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 568,957	\$ 1,786
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in contracts and grants receivables	(34,995)	13,936
(Increase) decrease in pledges receivables	(47,376)	(16,740)
(Increase) decrease in deposits	(15,764)	35,359
(Increase) decrease in prepaid		896
Increase (decrease) in payables	(46,140)	56,319
Increase (decrease) in accrued expenses	30,804	40,447
Increase (decrease) in grant advance	(517,117)	703,362
NET CASH PROVIDED BY OPERATING ACTIVITIES	(61,631)	835,365
NET INCREASE (DECREASE) IN CASH	(61,631)	835,365
BEGINNING CASH	2,223,751	1,388,386
ENDING CASH	\$ 2,162,120	\$2,223,751
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
INTEREST PAID	NONE	NONE
TAXES PAID	NONE	NONE

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, 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	507,865			507,865
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
Program distributions	45,265			45,265
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
(a nonprofit corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting		\$ 6,957		\$ 6,957
Advertising	\$ 1,048		\$ 300	1,348
Bank charges		3,691		3,691
Conferences, convention, and meetings	10,783			10,783
Donations, pledges, and scholarships	528,858			528,858
Dues and subscriptions		1,267		1,267
Employee benefits	67,689	10,942		78,631
Equipment and equipment repair	11,118	538		11,656
Fiscal sponsorship		295,326		295,326
Incentives and rewards	39,050			39,050
In-kind rents and services	45,765			45,765
Insurance	5,748	23,800		29,548
Payroll tax	80,554	12,198		92,752
Postage and shipping		1,239		1,239
Printing	9,937	1,697	582	12,216
Professional services	750,036	35,871	32,287	818,194
Program	217,569			217,569
Rent and leases	435,228	7,805		443,033
Salaries	746,033	132,895		878,928
Supplies		6,018		6,018
Tax and licenses		380		380
Telephone		751		751
Training	15,203			15,203
Travel, meals, and entertainment	21,002	2,051		23,053
Utilities	6,287	83		6,370
Website	4,207			4,207
Other	38,918	2,435		41,353
	<u>\$3,035,033</u>	<u>\$ 545,944</u>	<u>\$ 33,169</u>	<u>\$ 3,614,146</u>

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

DECEMBER 31, 2016 AND 2015

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 unrestricted. 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, 2016 AND 2015

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.

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, 2016 and 2015, the Organization recognized donated services of \$62,135 and \$45,765, 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.

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.

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

DECEMBER 31, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$6,113 and \$1,348 for the years ended December 31, 2016 and 2015, respectively.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Project restrictions	\$ 976,560	\$ 331,782

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, 2016 and 2015, were \$4,182,326 and \$3,336,730, respectively.

NOTE 3 - 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, 2016 and 2015, \$1,485,067 and \$1,561,205 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.

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

DECEMBER 31, 2016 AND 2015

NOTE 4 – RELATED PARTY TRANSACTION

During 2016 and 2015, the Organization received donated services from a Board member with a value of \$62,135 and \$45,765, respectively, which included strategic support, grant writing, program development, strategic planning, project management, marketing, editorial services, and use of office space.

NOTE 5 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to December 31, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through July 17, 2017, 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.