

FOCUSING PHILANTHROPY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

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YH ADVISORS
THE EXEMPT ORG EXPERTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Focusing Philanthropy, Inc.:

We have audited the accompanying financial statements of Focusing Philanthropy, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year 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 auditors' consider 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.

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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 Focusing Philanthropy, Inc. as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Focusing Philanthropy's financial statements for the year ended December 31, 2017 and we expressed an unmodified opinion on those statements dated April 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
April 24, 2019

**FOCUSING PHILANTHROPY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 745,686	\$ 704,887
Other receivable	--	1,081
Total Current Assets	745,686	705,968
PROPERTY AND EQUIPMENT, NET	39,116	52,364
NON CURRENT ASSETS		
Investments	680,503	579,255
Security deposit	7,484	7,484
Total Non Current Assets	687,987	586,739
TOTAL ASSETS	\$ 1,472,789	\$ 1,345,071
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,440	\$ 5,156
Credit card payable	7,903	3,649
Accrued payroll	5,157	6,955
Total Current Liabilities	23,500	15,760
NON CURRENT LIABILITIES		
Deferred rent	21,658	28,044
Total Non Current Liabilities	21,658	28,044
COMMITMENTS (Note 7)		
TOTAL LIABILITIES	45,158	43,804
NET ASSETS		
Without donor restrictions	(12,764)	(51,879)
With donor restrictions	1,440,395	1,353,146
TOTAL NET ASSETS	1,427,631	1,301,267
TOTAL LIABILITIES AND NET ASSETS	\$ 1,472,789	\$ 1,345,071

FOCUSING PHILANTHROPY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>December 31,</u>	
			<u>2018</u>	<u>2017</u>
REVENUE AND SUPPORT				
Contributions	\$ 596,411	\$ 7,489,858	\$ 8,086,269	\$ 5,498,902
Investment income, net	11,172	--	11,172	95,298
Net assets released from restrictions	<u>7,402,609</u>	<u>(7,402,609)</u>	<u>--</u>	<u>--</u>
TOTAL REVENUE AND SUPPORT	8,010,192	87,249	8,097,441	5,594,200
EXPENSES				
Program services	7,764,986	--	7,764,986	4,822,261
Supporting services:				
General and administrative	133,515	--	133,515	147,239
Fundraising	<u>72,576</u>	<u>--</u>	<u>72,576</u>	<u>261,432</u>
TOTAL EXPENSES	<u>7,971,077</u>	<u>--</u>	<u>7,971,077</u>	<u>5,230,932</u>
CHANGE IN NET ASSETS	39,115	87,249	126,364	363,268
NET ASSETS AT BEGINNING OF YEAR	<u>(51,879)</u>	<u>1,353,146</u>	<u>1,301,267</u>	<u>937,999</u>
NET ASSETS AT END OF YEAR	<u>(\$ 12,764)</u>	<u>\$ 1,440,395</u>	<u>\$ 1,427,631</u>	<u>\$ 1,301,267</u>

FOCUSING PHILANTHROPY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 126,364	\$ 363,268
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	16,597	15,913
Contribution of securities	(1,467,681)	(1,262,247)
Realized gains on sale of securities	(262,841)	(83,934)
Unrealized losses on sale of securities	266,439	8,984
Change in operating assets and liabilities:		
Contributions receivable	--	93,799
Other receivable	1,081	(1,023)
Accounts payable	5,284	(25,402)
Credit card payable	4,254	(6,434)
Accrued payroll	(1,798)	316
Deferred rent	(6,386)	(3,895)
Net Cash Used In Operating Activities	(1,318,687)	(900,655)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,349)	(1,973)
Purchases of investments	(1,499,014)	(856,897)
Proceeds from sale of securities	2,861,849	2,093,293
Net Cash Provided By Investing Activities	<u>1,359,486</u>	<u>1,234,423</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	40,799	333,768
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>704,887</u>	<u>371,119</u>
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 745,686</u>	<u>\$ 704,887</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	NONE	NONE
Income taxes paid	NONE	NONE
Noncash investing transactions	NONE	NONE

FOCUSING PHILANTHROPY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>December 31,</u>	
				<u>2018</u>	<u>2017</u>
PERSONNEL EXPENSES					
Salaries and wages	\$ 120,297	\$ 19,067	\$ 18,375	\$ 157,739	\$ 105,804
Payroll taxes and benefits	9,709	--	1,298	11,007	11,282
TOTAL PERSONNEL EXPENSES	<u>130,006</u>	<u>19,067</u>	<u>19,673</u>	<u>168,746</u>	<u>117,086</u>
OTHER EXPENSES					
Grants	7,402,609	--	--	7,402,609	4,446,706
Professional services:					
Accounting	--	39,030	--	39,030	40,119
Consultants	57,515	48,770	25,002	131,287	375,738
Office expenses	23,158	--	3,096	26,254	26,780
Travel	26,743	--	3,575	30,318	14,666
Depreciation and amortization	14,640	--	1,957	16,597	15,913
Bank & merchant fees	--	18,859	--	18,859	19,840
Dues & subscriptions	2,118	--	283	2,401	3,706
Hardware & software	8,242	--	1,102	9,344	7,359
Insurance	--	7,789	--	7,789	7,543
Advertising & outreach	--	--	4,527	4,527	36,231
Occupancy	92,456	--	12,359	104,815	97,606
Repairs & maintenance	7,499	--	1,002	8,501	7,902
TOTAL OTHER EXPENSES	<u>7,634,979</u>	<u>114,448</u>	<u>52,903</u>	<u>7,802,331</u>	<u>5,100,109</u>
TOTAL EXPENSES	<u>\$ 7,764,986</u>	<u>\$ 133,515</u>	<u>\$ 72,576</u>	<u>\$ 7,971,077</u>	<u>\$ 5,217,195</u>

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 1 – Organization and Nature of Activities

Focusing Philanthropy, Inc. (the Organization) is a nonprofit corporation that identifies, evaluates and presents opportunities for personal philanthropy, all from the perspective of donors who wish to be confident that funds contributed are achieving the greatest possible impact. The Organization supports organizations and programs which address one or more of its three areas of focus:

Increasing Income programs that provide the equipment, personnel or financing to permit an individual, family or community to increase their income, and therefore their standard of living, on a sustainable basis.

Building Community Infrastructure programs that help communities create or acquire the assets needed to improve the quality of life of all residents; community needs may include clean water, access to basic health services, electricity, locally managed credit facilities, etc.

Achieving Self-Sufficiency programs that encourage and facilitate individual initiative to address serious challenges and improve oneself through access to education, training, improved living conditions, mental health initiatives and the like.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Significant estimates include the allowance for doubtful accounts, depreciation and allocation of functional expenses. Actual results could differ from such estimates.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor-imposed restrictions are temporary in nature, for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

As of December 31, 2018 and 2017, the Organization had \$1,440,395 and \$1,353,146 of net assets with donor restrictions, respectively.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest, is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Goods and Services

Contributed goods received during the years ended December 31, 2018 and 2017 totaled \$1,467,681 and \$1,190,654, respectively, and included donated securities. During the year ended December 31, 2017, the Organization recognized contributed services \$13,738. The Organization did not receive donated professional services during the year ended December 31, 2018.

Cash and Cash Equivalents

All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. As of both December 31, 2018 and 2017, and at various times during said years, the Organization maintained cash balances in excess of federally insured limits. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk related to cash.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Investments

Generally accepted accounting principles require nonprofit organizations to report certain investments at fair value. In accordance with that guidance, the Organization accounts for its equity securities that have readily determinable market values by recording and reporting those securities at fair value. Information about the fair value of investments and the unrealized gains is discussed in Note 4.

Property and Equipment

Property and equipment purchases as well as leasehold improvements greater than \$500 are capitalized and stated at cost. Depreciation is calculated using the straight-line method over the useful life of the assets, which range from 5 to 7 years. Amortization is calculated using the straight-line method over the shorter of the lease term or expected useful life. Expenditures for repairs and maintenance are expensed as incurred.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. The Organization allocates costs based on time spent by key management personnel.

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service and the Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounting Pronouncement Adopted

During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities*. This ASU amended the current reporting model for nonprofit organizations and enhances required disclosures including net asset classification, the functional allocation of expenses and information about liquidity, financial performance, and cash flows.

Recent Accounting Pronouncements

In June of 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for years beginning after December 15, 2018. The Organization is still evaluating the effects, if any, that adoption of this guidance will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02 Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12-months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee will be required to initially measure the right-of-use assets and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Reclassifications

Certain amounts in the prior fiscal year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through April 24, 2019, which is the date the financial statements were available to be issued for the year ended December 31, 2018 and determined there are no items to disclose.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 3 – Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 745,686	\$ 704,887
Investments	<u>680,503</u>	<u>579,255</u>
	<u>\$ 1,426,189</u>	<u>\$ 1,284,142</u>

As part of the Organization’s liquidity management plan, stock investments are sold in time to cover grant disbursements.

NOTE 4 – Investments

The Organization reports its investments using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- *Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3* inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. All investments shown at December 31, 2018 and 2017 are considered Level 1 investments.

NOTE 5 – Concentrations and Related Risks

Concentrations for contributions received fell as 17% and 24% of the Organization’s contributions received came from three and one donor for the years ended December 31, 2018 and 2017, respectively.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2018</u>	<u>2017</u>
Office equipment and furniture	\$ 42,958	\$ 40,059
Leasehold improvements	50,335	49,885
Less accumulated depreciation and amortization	(54,177)	(37,580)
Total	<u>\$ 39,116</u>	<u>\$ 52,364</u>

Depreciation and amortization expenses totaled \$16,597 and \$15,913 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 – Commitments

Operating Lease

The Organization is committed under a real property lease for premises in Santa Monica, California, which began in September 2015. The lease expires January 31, 2021. Future minimum lease payments are as follows:

<u>For the Year Ending December 31,</u>	
2019	\$ 88,058
2020	90,700
2021	<u>7,708</u>
Total	<u>\$ 186,466</u>

Rent expense was \$98,538 and \$94,852 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – Net Assets With Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished in 2018 and 2017 totaled \$7,402,609 and \$340,676, respectively. As of December 31, 2018 and 2017, the balance of net assets with donor restrictions totaled \$1,440,395 and \$1,353,146, respectively.

NOTE 9 – Related Party Transactions

The Organization received contributions totaling \$1,336,872 and \$1,286,917 from the Chairman of the Board, other board members and staff for the years ended December 31, 2018 and 2017, respectively.