

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Financial Statements

With Independent Auditors' Report

**December 31, 2015
(With Comparative Totals for 2014)**

ACADEMY FOR GRASSROOTS ORGANIZATIONS

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December 31, 2015**

(With Comparative Totals for December 31, 2014)

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Independent Auditors' Report

To the Board of Directors
Academy for Grassroots Organizations
Phelan, California

We have audited the accompanying financial statements of Academy for Grassroots Organizations (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2015, and the related statements of activities 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 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 Academy for Grassroots Organizations as of December 31, 2015, and the changes in its net assets 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 the Academy for Grassroots Organizations' 2014 financial statements, and in our report dated July 29, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Starbuck Walsh, LLP

Starbuck Walsh, LLP

June 23, 2016

Apple Valley, CA 92307

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Statement of Financial Position

December 31, 2015

(With Comparative Totals for December 31, 2014)

| ASSETS | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Beneficial interest in assets held by others | \$ 420,085 | \$ 466,527 |
| Property and equipment, net | <u>3,282</u> | <u>1,193</u> |
| Total Assets | <u>423,367</u> | <u>467,720</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | - | 199 |
| Payroll payable | 7,604 | 7,589 |
| Payroll taxes payable | - | 1,760 |
| Accrued compensated absences | 19,166 | 16,122 |
| Administrative fees payable | <u>1,971</u> | <u>2,325</u> |
| Total Current Liabilities | <u>28,741</u> | <u>27,995</u> |
| Net Assets | | |
| Board designated | - | 19,131 |
| Undesignated | <u>315,876</u> | <u>305,260</u> |
| Total Unrestricted Net Assets | <u>315,876</u> | <u>324,391</u> |
| Temporarily restricted | <u>78,750</u> | <u>115,334</u> |
| Total Net Assets | <u>394,626</u> | <u>439,725</u> |
| Total Liabilities and Net Assets | <u>\$ 423,367</u> | <u>\$ 467,720</u> |

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2015 Totals</u> | <u>2014 Totals</u> |
|---|---------------------|-----------------------------------|------------------------|------------------------|
| Support, Revenue and Reclassifications | | | | |
| Contributions | \$ 142,444 | \$ 50,000 | \$ 192,444 | \$ 221,399 |
| Program service fees | 30,547 | - | 30,547 | 21,237 |
| Interest income | - | - | - | 1,921 |
| In(de)crease in value of beneficial interest | (5,895) | - | (5,895) | 1,473 |
| Other income | - | - | - | 3,399 |
| Net assets released from restriction Passage of time | <u>86,584</u> | <u>(86,584)</u> | <u>-</u> | <u>-</u> |
| Total Support, Revenue and Reclassifications | <u>253,680</u> | <u>(36,584)</u> | <u>217,096</u> | <u>249,429</u> |
| Expenses | | | | |
| Program services | 204,513 | - | 204,513 | 201,262 |
| General and administrative | 31,466 | - | 31,466 | 30,963 |
| Fundraising | <u>26,216</u> | <u>-</u> | <u>26,216</u> | <u>25,803</u> |
| Total Expenses | <u>262,195</u> | <u>-</u> | <u>262,195</u> | <u>258,028</u> |
| Increase (Decrease) in Net Assets | (8,515) | (36,584) | (45,099) | (8,599) |
| Net Assets – Beginning | <u>324,391</u> | <u>115,334</u> | <u>439,725</u> | <u>448,324</u> |
| Net Assets – Ending | \$ <u>315,876</u> | \$ <u>78,750</u> | \$ <u>394,626</u> | \$ <u>439,725</u> |

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

| | <u>Program Services</u> | <u>General & Admin</u> | <u>Fund Raising</u> | <u>2015 Total</u> | <u>2014 Total</u> |
|----------------------------------|-----------------------------|--------------------------------|-------------------------|-----------------------|-----------------------|
| Salaries and wages | \$ 137,301 | \$ 21,123 | \$ 17,603 | \$ 176,027 | \$ 175,278 |
| Payroll costs and benefits | <u>13,113</u> | <u>2,017</u> | <u>1,682</u> | <u>16,812</u> | <u>20,856</u> |
| Total salaries and payroll costs | 150,414 | 23,140 | 19,285 | 192,839 | 196,134 |
| Contract services | 9,723 | 1,496 | 1,246 | 12,465 | 13,946 |
| Conferences and meetings | 10,195 | 1,569 | 1,307 | 13,071 | 13,140 |
| Depreciation | 1,031 | 159 | 131 | 1,321 | 753 |
| Insurance | 2,311 | 356 | 296 | 2,963 | 2,307 |
| Marketing | 3,125 | 481 | 400 | 4,006 | 3,820 |
| Office administration | 18,945 | 2,915 | 2,428 | 24,288 | 16,781 |
| Professional fees | 4,212 | 648 | 540 | 5,400 | 5,350 |
| Postage and printing | 348 | 54 | 44 | 446 | 338 |
| Programs and activities | <u>4,209</u> | <u>648</u> | <u>539</u> | <u>5,396</u> | <u>5,459</u> |
| | \$ <u>204,513</u> | \$ <u>31,466</u> | \$ <u>26,216</u> | \$ <u>262,195</u> | \$ <u>258,028</u> |

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2015

Note 1: Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Academy for Grassroots Organizations is a nonprofit corporation organized in California in August 2000 as High Desert Community Coalitions. In August 2005 the Organization changed its name to High Desert Resource Network. In March 2014 the Organization changed its name to Academy for Grassroots Organizations. The Organization is governed by a volunteer board of directors and its primary function is to support and strengthen the social service sector in San Bernardino County. Its activities include technical assistance, training, resource development, collaboration building, networking, and community education. Its primary sources of revenue are from contributions and grants and fees related to the training and educational services it provides.

Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Fair Value Measurements

Generally accepted accounting principles (GAAP) provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

- Level 1 inputs – quoted prices in active markets for identical assets (highest priority)
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets; net asset value as calculated by investment managers
- Level 3 inputs – estimates using the best information available when there is little or no market (lowest priority)

The Organization is required to measure the following financial elements at fair value: beneficial interest in assets held by others and donated goods and services.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2015

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Concentrations of Credit and Market Risk

The Organization's beneficial interest in assets held by others constitutes a concentration of credit and market risk.

Property and Equipment

Acquisitions of property and equipment with a per-unit value of \$1,000 or more are capitalized. Property and equipment are stated at cost or at the fair value at the date of donation in the case of donated assets. The Organization provides for depreciation of property and equipment by use of the straight-line method over the estimated useful lives as follows:

| | |
|------------------|--------------|
| Office equipment | 5 to 7 years |
|------------------|--------------|

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Services, Supplies, and Facilities

Some volunteers have donated significant amounts of effort, services, supplies, and facilities in advancing the Organization's programs and objectives. These donations have included staff offices, equipment and supplies, meeting space, printing, publications, utilities, telephone, and travel costs. Management estimates that the value of these contributions was approximately \$70,000 for 2015. Because of the uncertainty of measuring the value of these donations, they have not been recorded in the financial statements.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted to be used for operating costs. These were promises made to provide support for multi-year periods. GAAP requires that the Organization record these promises in full in the years the promises are received as temporarily restricted, for both the purpose and the time restriction. As the funds are collected and used in operations, the promises are released from temporary restriction for use in operations. In this way, the annual portion of the contribution is recorded in operations each year, and the temporarily restricted portion is carried over for use in the later years. The annual reduction of temporarily restricted net assets represents the annual usage of the promise in the reporting period operations. Information about temporarily restricted net assets is discussed in Note 4.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2015

Note 1: Nature of Activities and Summary of Significant Accounting Policies (continued)

Designation of Unrestricted Net Assets

The Board of Directors of the Organization designated a portion of unrestricted net assets to support sustaining the Organization's future operations.

Income Taxes

Since the Organization is exempt from income taxes, no provision is made for current or deferred income tax expense. Annual income returns are filed with state and federal taxing authorities using the same accounting methods as those used for financial reporting.

Generally accepted accounting principles (GAAP) require that management consider possible uncertainties in the tax positions taken in its annual tax filings. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state Exempt Organization Income Tax returns are more likely than not to be sustained upon examination. The Organization's returns for 2012, 2013, 2014 and 2015 are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three and four years, respectively, after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the period. Actual results could differ from those estimates.

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by function, based on estimates developed by management.

Subsequent Events

Management has evaluated subsequent events through June 23, 2016 the date on which the financial statements were available to be issued.

Advertising

Advertising costs are charged to expense as incurred. Costs of \$4,006 were incurred during 2015.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Notes to Financial Statements
December 31, 2015**

Note 2: Beneficial Interest in Assets Held by Others

The Organization's cash and investments are held by The Community Foundation ("TCF"). The Organization directs the classification of support and revenues at the time cash receipts are deposited with TCF. Similarly, the Organization directs the classification of expenses and payment of liabilities made and recorded by TCF. TCF pools the Organization's cash and investments with its own and those of other organizations. Investment allocations are made in accordance with terms in the agreement between the Organization and TCF. TCF withdraws administrative fees from the Organization's deposits. The Organization may elect to withdraw any money held by TCF with written notice.

The Organization reports its beneficial interest in the assets of TCF at fair value. The change in fair value at each reporting date is reflected in the Statement of Activities as an increase or decrease in the value of the beneficial interest.

Information about the inputs to the recurring fair value measurement of the Organization's beneficial interest in assets held by TCF is as follows:

| | <u>Level 2</u> |
|---|-------------------|
| Beneficial interest in assets held by TCF | \$ <u>420,085</u> |

The Level 2 assets are reported at net asset value as calculated by the investment manager.

Note 3: Property and Equipment

Property and equipment consist of the following at December 31, 2015:

| | |
|-----------------------------------|-----------------|
| Office equipment | \$ 7,177 |
| Less accumulated depreciation | <u>(3,895)</u> |
| Total property and equipment, net | \$ <u>3,282</u> |

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Notes to Financial Statements
December 31, 2015**

Note 4: Net Assets

At December 31, 2015, net assets were restricted by donors or designated by the board as follows:

Unrestricted net assets:

| | |
|-------------------------------|----------------|
| Undesignated | <u>315,876</u> |
| Total unrestricted net assets | <u>315,876</u> |

Temporarily restricted net assets:

| | |
|--|---------------|
| Comprehensive Training Program – The Community Foundation, September 1, 2015 – August 31, 2016 | 10,000 |
| Comprehensive Training Program – The Community Foundation- Willmas Trust August 1, 2015 – July 31, 2016 | 8,750 |
| Core support – The Weingart Foundation, October 1, 2015 – September 30, 2016 | 41,667 |
| Learning Opportunities – San Manuel Band of Mission Indians, December 1, 2015 – November 30, 2016 | <u>18,333</u> |
| Total temporarily restricted net assets | <u>78,750</u> |

| | |
|------------------|-------------------|
| Total net assets | \$ <u>394,626</u> |
|------------------|-------------------|

Note 5: Related Party Transactions

The President/CEO's husband is the Administrative Assistant for the organization. The Organization paid him a salary of \$23,468 and made retirement contributions on his behalf that amounted to \$704.

A company partially owned by a staff member who is an officer was paid \$483 for printing, mailing services, postage and a donor recognition banner.

A company partially owned by a board member was paid \$450 for insurance brokerage services.

The Community Foundation was paid \$11,591 for accounting and administrative services.

Note 6: Defined Contribution Plan

The Organization maintains a defined contribution plan for its employees. For the year ended December 31, 2015, the Organization contributed \$3,215 towards its employees' retirement accounts.