

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Financial Statements

With Independent Auditors' Report

December 31, 2019

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Table of Contents
December 31, 2019**

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Notes to Financial Statements	5-9



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 comprise the statement of financial position as of December 31, 2019 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.

Auditor's 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, 2019 and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of audit opinion.

Rick Ardito, CPA
Apple Valley, CA 92307
July 28, 2020

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Statement of Financial Position
December 31, 2019**

ASSETS

Current Assets

Beneficial interest in assets held by others	\$ 569,443
Contributions receivable	<u>2,085</u>
Total Current Assets	571,528
Property and equipment, net	<u>114</u>
Total Assets	<u>571,642</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Payroll payable	6,324
Payroll taxes payable	1,722
Accrued compensated absences	25,182
Administrative fees payable	<u>1,423</u>
Total Current Liabilities	<u>34,651</u>

Net Assets

Without donor restrictions	335,845
With donor restrictions	<u>201,146</u>
Total Net Assets	<u>536,991</u>
Total Liabilities and Net Assets	<u>\$ 571,642</u>

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Statement of Activities
For the Year Ended December 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Support, Revenue and Reclassifications			
Contributions	\$ 112,475	\$ 208,500	\$ 320,975
Program service fees	31,321	-	31,321
In(de)crease in value of beneficial interest	19,680	-	19,680
Net assets released from restriction	<u>124,854</u>	<u>(124,854)</u>	<u>-</u>
Total Operating Support, Revenue and Reclassifications	<u>288,330</u>	<u>83,646</u>	<u>371,976</u>
Operating Expenses			
Program services:			
Training & education	215,598	-	215,598
General and administrative	33,168	-	33,168
Fundraising	<u>27,642</u>	<u>-</u>	<u>27,642</u>
Total Operating Expenses	<u>276,408</u>	<u>-</u>	<u>276,408</u>
Change in Net Assets	11,922	83,646	95,568
Net Assets – Beginning	<u>323,923</u>	<u>117,500</u>	<u>441,423</u>
Net Assets – Ending	<u>\$ 335,845</u>	<u>\$ 201,146</u>	<u>\$ 536,991</u>

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Statement of Functional Expenses
For the Year Ended December 31, 2019**

	<u>Program Activities</u>	<u>Supporting Activities</u>		
	<u>Training & Education</u>	<u>General & Admin</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 147,092	\$ 22,629	\$ 18,858	\$ 188,579
Payroll costs and benefits	<u>15,134</u>	<u>2,328</u>	<u>1,941</u>	<u>19,403</u>
Total salaries and payroll costs	162,226	24,957	20,799	207,982
Contract services	13,217	2,033	1,695	16,945
Conferences and meetings	7,715	1,187	989	9,891
Depreciation	532	82	68	682
Insurance	2,155	332	276	2,763
Marketing	4,019	618	516	5,153
Office administration	18,611	2,863	2,386	23,860
Professional fees	4,290	660	550	5,500
Postage and printing	277	43	35	355
Programs and activities	<u>2,556</u>	<u>393</u>	<u>328</u>	<u>3,277</u>
	\$ <u>215,598</u>	\$ <u>33,168</u>	\$ <u>27,642</u>	\$ <u>276,408</u>

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2019

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 2012 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 convene, equip, and guide community leaders in San Bernardino and Riverside Counties. Its activities include technical assistance, training, resource development, fostering collaboration, resource sharing, and community education. The organization serves circa 6,000 nonprofit professionals and volunteers annually. 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 financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Information about net assets with donor restrictions is discussed in Note 6.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2019

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.

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. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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 \$96,200 for 2019. Because of the uncertainty of measuring the value of these donations, they have not been recorded in the financial statements.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

Notes to Financial Statements December 31, 2019

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

Functional Expense Reporting

The costs of providing program and supporting services have been summarized by function, based on estimates developed by management using time and effort for all expenses.

Adoption of New Accounting Standard

Commencing on January 1, 2018, the organization adopted the provisions of FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which became effective. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Advertising

Advertising costs are charged to expense as incurred. Costs of \$5,153 were incurred during 2019.

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 2016, 2017, 2018 and 2019 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.

Subsequent Events

Management has evaluated subsequent events through July 28, 2020 the date on which the financial statements were available to be issued.

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.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Notes to Financial Statements
December 31, 2019**

Note 2: Beneficial Interest in Assets Held by Others (Continued)

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>569,443</u>

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

Note 3: Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Beneficial interest in assets held by TCF	\$ <u>368,297</u>
-------------------------------------------	-------------------

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

Note 4: Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Office equipment	\$ 7,177
Less accumulated depreciation	<u>(7,063)</u>
Total property and equipment, net	\$ <u>114</u>

Note 5: Related Party Transactions

The President/CEO's husband is the Executive Assistant for the organization. The Organization paid him a salary of \$24,796.

The Community Foundation was paid \$14,474 for accounting and administrative services.

ACADEMY FOR GRASSROOTS ORGANIZATIONS

**Notes to Financial Statements
December 31, 2019**

Note 6: Net Assets

At December 31, 2019, net assets were restricted by donors or designated by the board as follows:

Net assets without donor restrictions:

Undesignated	\$ <u>335,845</u>
Total net assets without donor restrictions	<u>335,845</u>

Net assets with donor restrictions:

Training Program – The Community Foundation-Willmas Trust <i>August 15, 2019 – August 15, 2020</i>	11,563
Training Program – San Manuel Band of Mission Indians, <i>November 1, 2019 – October 31, 2020</i>	33,333
General – The Weingart Foundation, <i>October 1, 2018 – October 1, 2020</i>	37,500
General – The Wellness Foundation, <i>August 1, 2019 – July 31, 2020</i>	<u>118,750</u>
Total net assets with donor restrictions:	<u>201,146</u>

Total net assets	\$ <u><u>536,991</u></u>
------------------	--------------------------

Note 7: Net Assets Release from Restrictions

During the years ended December 31, 2019, net assets with donor restrictions were released for the following purposes:

Releases from restrictions:

Training Program	\$ 43,604
General	<u>81,250</u>

Total Releases from restrictions	\$ <u><u>124,854</u></u>
----------------------------------	--------------------------

Note 8: Defined Contribution Plan

The Organization maintains a defined contribution plan for its employees. For the year ended December 31, 2019, the Organization contributed \$3,581 towards its employees' retirement accounts.