

FOCUSING PHILANTHROPY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

WITH SUMMARY COMPARATIVE INFORMATION FOR 2015

CONTENTS

Independent Auditors' Report	1-2
Statements of Financial Position	3
Statement of Activities	4
Statements of Cash Flows.....	5
Notes to the Financial Statements	6-11



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, 2016, and the related statements of activities and cash flows 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, 2016, 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

The financial statements for the year ended December 31, 2015 were audited by a predecessor auditor who expressed an unmodified opinion on those statements dated June 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
April 25, 2017

**FOCUSING PHILANTHROPY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

	December 31,	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 371,119	\$ 859,237
Contributions receivable	93,799	239,451
Other receivable	58	2,276
Total Current Assets	464,976	1,100,964
PROPERTY AND EQUIPMENT, NET	66,304	74,106
NON CURRENT ASSETS		
Investments	478,454	511,290
Security deposit	7,484	7,484
Total Non Current Assets	485,938	518,774
TOTAL ASSETS	\$ 1,017,218	\$ 1,693,844
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 30,558	\$ 37,990
Credit card payable	10,083	6,542
Accrued payroll	6,639	6,850
Total Current Liabilities	47,280	51,382
NON CURRENT LIABILITIES		
Deferred rent	31,939	19,720
Total Non Current Liabilities	31,939	19,720
COMMITMENTS (Note 6)		
TOTAL LIABILITIES	79,219	71,102
NET ASSETS		
Unrestricted	(74,471)	(71,123)
Temporarily restricted	1,012,470	1,693,865
TOTAL NET ASSETS	937,999	1,622,742
TOTAL LIABILITIES AND NET ASSETS	\$ 1,017,218	\$ 1,693,844

FOCUSING PHILANTHROPY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARY COMPARATIVE TOTALS FOR 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>December 31,</u>	
			<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT				
Contributions	\$ 3,330,559	\$ --	\$ 3,330,559	\$ 4,640,752
In-kind contributions	1,074,766	--	1,074,766	815,035
Investment income, net	10,947	--	10,947	(11,334)
Net assets released from restrictions	<u>681,395</u>	<u>(681,395)</u>	<u>--</u>	<u>--</u>
TOTAL REVENUE AND SUPPORT	5,097,667	(681,395)	4,416,272	5,444,453
EXPENSES				
Program services	4,767,267	--	4,767,267	4,220,929
Supporting services:				
General and administrative	132,308	--	132,308	49,421
Fundraising	<u>201,440</u>	<u>--</u>	<u>201,440</u>	<u>107,404</u>
TOTAL EXPENSES	<u>5,101,015</u>	<u>--</u>	<u>5,101,015</u>	<u>4,377,754</u>
CHANGE IN NET ASSETS (3,348)	(681,395)	(684,743)	1,066,699
NET ASSETS AT BEGINNING OF YEAR	<u>(71,123)</u>	<u>1,693,865</u>	<u>1,622,742</u>	<u>556,043</u>
NET ASSETS AT END OF YEAR	<u><u>(\$ 74,471)</u></u>	<u><u>\$ 1,012,470</u></u>	<u><u>\$ 937,999</u></u>	<u><u>\$ 1,622,742</u></u>

FOCUSING PHILANTHROPY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 684,743)	\$ 1,066,699
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,657	4,870
Contribution of securities	(1,074,766)	(815,035)
Realized (gains) losses on sale of securities	(63,637)	10,272
Unrealized losses on sale of securities	64,220	2,399
Change in operating assets and liabilities:		
Contributions receivable	145,652	(235,327)
Other receivable	2,218	(2,276)
Security deposit	--	(7,484)
Accounts payable	(7,432)	26,642
Credit card payable	3,541	--
Accrued payroll	(211)	--
Accrued expenses	--	(2,210)
Deferred rent	12,219	19,720
Net Cash (Used In) Provided By Operating Activities	(1,588,282)	68,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,855)	(76,504)
Proceeds from sale of securities	1,107,019	291,931
Net Cash Provided By Investing Activities	1,100,164	215,427
NET CHANGE IN CASH & CASH EQUIVALENTS	(488,118)	283,697
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	859,237	575,540
CASH & CASH EQUIVALENTS AT END OF YEAR	\$ 371,119	\$ 859,237
SUPPLEMENTAL DISCLOSURES		
Interest paid	NONE	NONE
Income taxes paid	NONE	NONE
Noncash investing transactions	NONE	NONE

**FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

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.

Classification of Net Assets

The Organization reports its information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – includes unrestricted funds for general operations, support used in operations after meeting initial grantor or donor restrictions.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

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

Classification of Net Assets (continued)

Temporarily restricted net assets – includes funds subject to donor imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When donor imposed restrictions expire due to accomplishing the stipulated purpose or through passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – are subject to donor imposed restrictions that do not expire. Funds are held in perpetuity, while the income is available for general or designated program use.

At December 31, 2016 and 2015, the Organization did not have any permanently restricted net assets.

Liquidity

Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

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.

Revenue Recognition

The Organization recognizes contributions received as revenues in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation. Contributions received are reported as unrestricted support, temporarily restricted support or permanently restricted support. Temporarily restricted net assets become unrestricted when donor imposed time restrictions expire or when the contributions are used for their restricted purpose, at which time they are reported in the Statement of Activities as satisfied of restrictions. Expenses are reported as decreases in unrestricted net assets.

Contributed Goods

Contributed goods received during the years ended December 31, 2016 and 2015 totaled \$1,074,766 and \$815,035, respectively, and included securities.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

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

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 year ends December 31, 2016 and 2015, and at various times during the year, 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.

Contributions Receivable

Contributions receivable are stated net of an allowance for doubtful accounts. The Organization estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. There was no allowance for doubtful accounts at either December 31, 2016 or 2015.

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 3.

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.

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 23701(d), 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, 2016
WITH COMPARATIVE TOTALS FOR 2015

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

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Reclassifications

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

Subsequent Events

The Organization has evaluated subsequent events through April 25, 2017, which is the date the financial statements were available to be issued for the year ended December 31, 2016 and determined there are no other items to disclose.

NOTE 3 – 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, 2016 and 2015 are considered level 1 investments.

**FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

NOTE 4 – Concentrations and Related Risks

Concentrations for contributions received arose as 20% and 34% of the Organization’s contributions received came from one and two donors for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows at December 31:

		<u>2016</u>		<u>2015</u>
Office Equipment and Furniture	\$	38,086	\$	34,566
Leasehold Improvements		49,885		46,550
Less: Accumulated Depreciation	(<u>21,667</u>	(<u>7,010</u>
	\$	<u>66,304</u>	\$	<u>74,106</u>

Depreciation expense totaled \$14,657 and \$5,726 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 – 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>	
2017	83,003
2018	85,494
2019	88,058
2020	90,700
Thereafter	<u>7,708</u>
Total	<u>\$ 354,963</u>

Rent expense was \$93,807 and \$50,605 for the years ended December 31, 2016 and 2015, respectively.

FOCUSING PHILANTHROPY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015

NOTE 7 – Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished in 2016 and 2015 totaled \$681,395 and \$3,882,663, respectively. As of December 31, 2016 and 2015, the balance of temporarily restricted net assets totaled \$1,012,470 and \$1,693,865, respectively.

NOTE 8 – Related Party Transactions

The Organization received contributions totaling \$1,156,042 and \$1,124,730 from the chairman of the board, other board members and staff for the years ended December 31, 2016 and 2015, respectively.