

WHITE PONY EXPRESS
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

June 23, 2021

Board of Directors
White Pony Express
Pleasant Hill, California

Report on the Financial Statements

I have audited the accompanying financial statements of White Pony Express (a nonprofit public benefit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of White Pony Express as of December 31, 2019, 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.

Healy and Associates

Healy and Associates
Concord, California

WHITE PONY EXPRESS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 289,450
Investments	500,839
Grants and contributions receivable	61,515
Donated goods on hand	116,830
Prepaid expenses	<u>40,453</u>

Total current assets 1,009,087

Deposits	5,000
Fixed assets, net	<u>285,072</u>

TOTAL ASSETS \$ 1,299,159

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 29,644
Accrued PTO payable	16,018
Accrued payroll payable	<u>39,442</u>

TOTAL LIABILITIES 85,104

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions	1,166,055
With donor restrictions	<u>48,000</u>

TOTAL NET ASSETS 1,214,055

TOTAL LIABILITIES AND NET ASSETS \$ 1,299,159

WHITE PONY EXPRESS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:			
In-kind food	\$ 4,571,089	\$ -	\$ 4,571,089
Contributions	1,761,836	231,325	1,993,161
In-kind clothing and goods	595,642	-	595,642
In-kind services	587,581	-	587,581
Government contract	105,378	-	105,378
In-kind use of vehicles	22,440	-	22,440
Interest income	8,361	-	8,361
Other income	3,329	-	3,329
Investment unrealized loss	(6,837)	-	(6,837)
	<u>7,648,819</u>	<u>231,325</u>	<u>7,880,144</u>
Net assets released from restriction	<u>358,346</u>	<u>(358,346)</u>	<u>-</u>
Total revenue and support	<u>8,007,165</u>	<u>(127,021)</u>	<u>7,880,144</u>
EXPENSES:			
Program	7,032,772	-	7,032,772
General and administrative	566,277	-	566,277
Fundraising	208,478	-	208,478
Total expenses	<u>7,807,527</u>	<u>-</u>	<u>7,807,527</u>
Change in net assets	199,638	(127,021)	72,617
NET ASSETS, beginning of year	<u>966,417</u>	<u>175,021</u>	<u>1,141,438</u>
NET ASSETS, end of year	<u>\$ 1,166,055</u>	<u>\$ 48,000</u>	<u>\$ 1,214,055</u>

See Notes to Financial Statements

WHITE PONY EXPRESS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program	General and Administrative	Fundraising	Total
EXPENSES:				
In-kind food distributed	\$ 4,571,089	\$ -	\$ -	\$ 4,571,089
Payroll and benefits	775,745	254,858	-	1,030,603
Professional services	291,670	211,190	100,140	603,000
Clothing and goods distributed	600,800	-	-	600,800
Occupancy	206,282	2,796	-	209,078
Depreciation and amortization	166,601	2,773	-	169,374
Advertising and promotion	5,551	4,396	105,838	115,785
Consulting	77,418	31,609	-	109,027
Supplies and equipment	76,039	7,917	-	83,956
Auto expense	60,985	-	-	60,985
Other expenses	37,521	17,838	2,500	57,859
Fuel and gasoline	46,062	-	-	46,062
Insurance	36,540	4,449	-	40,989
Utilities and telephone	30,982	1,500	-	32,482
Information technology	4,276	18,673	-	22,949
Janitorial	19,240	-	-	19,240
White Pony Inn	18,707	-	-	18,707
Registration and license fees	7,264	8,278	-	15,542
TOTAL EXPENSES	\$ 7,032,772	\$ 566,277	\$ 208,478	\$ 7,807,527

WHITE PONY EXPRESS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 72,617

Adjustments to reconcile change in net assets to
cash provided by operating activities:

Depreciation and amortization 169,374
Unrealized loss on investments 6,837

CHANGES IN ASSETS AND LIABILITIES:

Grants and contributions receivable 246,531
Prepaid expenses (2,269)
Donated goods on hand (72,994)
Accounts payable and accrued expenses (14,394)
Accrued payroll and related expenses 25,106
Deferred revenue (40,617)

NET CASH PROVIDED BY OPERATING ACTIVITIES 390,191

CASH FLOWS FROM INVESTING ACTIVITIES:

Change in investments (249,256)
Purchase of fixed assets (90,507)

NET CASH USED BY INVESTING ACTIVITIES (339,763)

NET INCREASE IN CASH AND CASH EQUIVALENTS 50,428

CASH AND CASH EQUIVALENTS, beginning of year 239,022

CASH AND CASH EQUIVALENTS, end of year \$ 289,450

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE A – NATURE OF ACTIVITIES

White Pony Express (Organization) is a California nonprofit public benefit corporation, founded in 2014 with its principal office in Pleasant Hill, California. The Organization's mission is to relay food, clothing and other goods in accordance with its founding mission: "To help eliminate hunger and poverty in Contra Costa County, California by delivering the abundance all around us to those in need with love." All goods and services are provided free of charge and each of its programs are operated primarily by dedicated volunteers.

The Organization serves its beneficiaries through the following programs:

Food Rescue – Rescues high-quality surplus foods and delivers it to nonprofit organizations serving those in need.

White Pony General Store – The White Pony General Store freely distributes new and gently used clothing, toys, and books. To maximize accessibility, the Organization brings its "Mobile Boutique" events to impoverished neighborhoods.

White Pony Inn – White Pony Inn is a pilot program in which volunteers use professional skills, life experiences, and loving kindness for those facing homelessness. Personalized assistance provided includes food and clothing, help in applying for social services benefits, locating affordable housing, finding employment, obtaining needed support for physical and mental health, or other needs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

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 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments, if any, with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Grants and Contributions Receivable

Grants and contributions receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. All grants and contributions receivable at December 31, 2019 are expected to be paid within one year. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2019.

Donated Goods on Hand

Donated goods on hand consist principally of clothing held for distribution. The Organization uses guidelines established by the Salvation Army and Goodwill Industries to value clothing donations. As food is distributed on the same day as it is collected, there is no food inventory. Management evaluates the condition of inventory assets and does not consider an allowance for obsolescence necessary as of December 31, 2019.

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization's financial instruments include cash, cash equivalents, and investments measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Fixed Assets

Fixed asset additions, in excess of \$2,500, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally three to five years. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Donated Food, Clothing, and Goods

The Organization recognizes donated food, clothing and goods as revenue at fair value when received and distributed. Food is generally distributed on the same day received and is valued at industry rate per pound distributed. Clothing and goods are generally distributed soon after receipt and are valued at industry rate per unit distributed for used goods. Donated food, clothing and goods are those items that are distributed to beneficiaries of the programs described in Note A.

Other In-Kind Donations

Other in-kind donations are those resources used by the Organization in fulfilling its mission and consist primarily of donated facilities rent, use of vehicles, and professional services. Donated use of vehicles is valued at fair value based on current market rates for similar items in the same geographic area. Donated services are recognized if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are valued at fair value at the time provided.

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Revenue Recognition

The Organization is supported primarily through in-kind donations and contributions. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited are allocated among the various functions benefited, either using square feet of space or personnel time records.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Newly Adopted Accounting Principles

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard on January 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Relevant Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization plans to adopt the standard on January 1, 2020. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard establishes a comprehensive new lease accounting model. The standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE C – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents accounts in financial institutions. Cash and cash equivalents, exceeding federally insured limits totaled \$56,284 at December 31, 2019. To date, the Organization has not experienced losses in any of these accounts, and the liquidity of the financial institution is monitored by management.

The Organization derived a significant portion (73%) of its revenue from donated food, clothing, use of facilities, and services. Any loss of those donations could have an impact on the Organization's ability to provide services.

NOTE D – INVESTMENTS

The composition and fair value of cash and investments held in investment accounts at December 31, 2019, is as follows:

<u>Short Term Investments</u>	<u>Level 1</u>
Cash held in investment accounts	\$ 100,446
Fixed income - CDs	400,393
Total investments	<u>\$ 500,839</u>

Investment activity for the year ended December 31, 2019, is as follows:

Investments, beginning of year	\$ 258,420
Additions, net of withdrawals	240,895
Unrealized gain (loss)	(6,837)
Interest and dividends	8,361
Investments, end of year	<u>\$ 500,839</u>

NOTE E – DONATED GOODS ON HAND

Donated goods on hand as of December 31, 2019 is comprised of the following:

Adult clothing	\$ 91,738
Children's clothing	11,126
Books and games	8,855
Miscellaneous inventory	5,111
Total donated goods on hand	<u>\$ 116,830</u>

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE F – FIXED ASSETS

Fixed assets at December 31, 2019 are comprised of the following:

Vehicles	\$ 619,452
Industrial appliances	105,843
Office furniture and equipment	24,347
Leasehold improvements	106,505
Software	4,000
Accumulated depreciation and amortization	<u>(575,075)</u>
Total fixed assets	<u><u>\$ 285,072</u></u>

Depreciation and amortization expense are \$150,160 and \$19,214, respectively, for a total of \$169,374 for the year ended December 31, 2019.

NOTE G – LINE OF CREDIT

The Organization has a \$150,000 unsecured revolving line of credit with a financial institution, which renewed in January 2021 and extends through October 2022. Borrowings bear interest at the prime rate (set by the funder) plus 2.75%, with a floor of 8%. There was \$0 drawn under the line of credit at December 31, 2019.

NOTE H – EMPLOYEE BENEFITS

The Organization's employees are entitled to paid time off. The amount of paid time off liability at December 31, 2019 is \$16,018 and is reflected in the accompanying financial statements.

During the year ended December 31, 2018, the Organization adopted a 401(K) plan for eligible employees. The plan allows for employer matching of the employee salary deferral. Retirement expense for the year ended December 31, 2019 is \$16,742.

NOTE I – IN-KIND DONATIONS

For the year ended December 31, 2019, donations of food, clothing, use of facilities, and services were received as follows:

<u>Category</u>	<u>Valuation Technique</u>	<u>Quantity</u>	<u>Total Received</u>
Food	≈\$1.939/lb	2,357,466 lbs	\$ 4,571,089
Services	FMV of services		587,581
Clothing and goods	Thrift store value		595,642
Use of vehicles	FMV of use		<u>22,440</u>
Total in-kind donations			<u><u>\$ 5,776,752</u></u>

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE J – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 289,450
Investments	500,839
Grants and contributions receivable	61,515
Total financial assets	<u>851,804</u>
Less:	
Net assets with purpose restrictions to be met in one year	<u>(48,000)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 803,804</u>
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As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements, if available, in short-term investments.

To help manage liquidity needs, the Organization has a committed line of credit in the amount of \$150,000 which it could draw upon.

NOTE K – COMMITMENTS AND CONTINGENCIES

The Organization leases its office and warehouse space in Pleasant Hill, California which runs through December 2024 at a rate of approximately \$16,000 per month from a Board member (see Note M). Rental expense for the year ended December 31, 2019 was \$186,638. Future commitments under these leases as of December 31, are as follows:

<u>Year Ended</u>	
2020	\$ 178,640
2021	\$ 187,572
2022	\$ 196,950
2023	\$ 206,798
2024	\$ 217,138

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. Management believes the Organization has complied with the terms of all grants.

WHITE PONY EXPRESS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2019, net assets with donor restrictions had the following activity:

<u>Nature of Restriction</u>	<u>Beginning Balance</u>	<u>Income and Contribution</u>	<u>Released from Restriction</u>	<u>Ending Balance</u>
Purpose	\$ 175,021	\$ 231,325	(\$358,346)	\$ 48,000
Total	<u>\$175,021</u>	<u>\$231,325</u>	<u>(\$358,346)</u>	<u>\$ 48,000</u>

NOTE M – RELATED PARTY TRANSACTION

As discussed in Note K, the Organization leases its office and warehouse space from a member of the Board of Directors. The total rent expenses paid to the board member for the year ended December 31, 2019 was \$186,638.

NOTE N – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter could negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Organization received a loan of \$213,250 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The loan carries an interest rate of 1% and becomes payable two years after issuance. The Organization received forgiveness of the small business loan of \$213,250, plus \$1,473 in interest, in December 2020.

In February 2021, the Organization received a second loan of \$218,293 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The loan carries an interest rate of 1% and becomes payable five years after issuance. The Organization is seeking forgiveness of the small business loans in the fiscal year ended December 31, 2021, however the amount of forgiveness is not known at December 31, 2019.

The Organization has evaluated subsequent events for recognition and disclosure through June 23, 2021, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2019, that required recognition or disclosure in the financial statements.