

WHITE PONY EXPRESS

Financial Statements

For the year ended December 31, 2018

(with summarized financial information for the year ended December 31, 2017)

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Independent Auditor's Report

**To the Board of Directors
White Pony Express
Pleasant Hill, California**

We have audited the accompanying financial statements of White Pony Express (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 White Pony Express as of December 31, 2018 and 2017, 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.

A handwritten signature in black ink that reads "Sweeney Kovar LLP".

*Danville, California
August 20, 2019*

WHITE PONY EXPRESS

Statement of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 243,526	\$ 346,121
Pledges and grants receivable	292,671	101,337
Other receivable	13,383	5,758
Accrued interest	1,993	794
Inventory	43,836	6,606
Prepaid expenses	38,184	29,687
Investments	253,918	212,045
Vehicle deposits	-	155,717
Total Current Assets	<u>887,511</u>	<u>858,065</u>
Other Assets		
Property and equipment, net	363,936	203,699
Other deposits	5,000	5,000
Total Other Assets	<u>368,936</u>	<u>208,699</u>
Total Assets	<u><u>\$ 1,256,447</u></u>	<u><u>\$ 1,066,764</u></u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	44,038	25,090
Accrued payroll	30,354	35,013
Deferred revenue	40,617	-
Total liabilities	<u>115,009</u>	<u>60,103</u>
Net Assets		
Without Donor Restrictions	966,417	1,004,230
With Donor Restrictions	175,021	2,431
Total Net Assets	<u>1,141,438</u>	<u>1,006,661</u>
Total Liabilities and Net Assets	<u><u>\$ 1,256,447</u></u>	<u><u>\$ 1,066,764</u></u>

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Activities

For the year ended December 31, 2018

(with summarized financial information for the year ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
Donated food, clothing & goods	\$ 4,708,020	\$ -	\$ 4,708,020	\$ 3,566,117
Cash contributions and pledges	1,328,792	347,353	1,676,145	1,276,339
Other in-kind donations	341,744	-	341,744	266,704
Government contract	111,425	-	111,425	24,125
Other revenue	8,628	-	8,628	3,068
Net assets released from restrictions:	174,763	(174,763)	-	-
Total revenues	6,673,372	172,590	6,845,962	5,136,353
Expenses				
Functional activities				
Program services	6,234,608	-	6,234,608	4,704,914
Support services	334,717	-	334,717	99,121
Fundraising	152,296	-	152,296	24,421
Total expenses	6,721,621	-	6,721,621	4,828,456
Change in Net Assets Before Nonoperating Activities	(48,249)	172,590	124,341	307,897
Nonoperating Activities				
Unrealized gain/(loss) on investments	(82)	-	(82)	(62)
Realized gain/(loss) on sale of investments	(3,154)	-	(3,154)	(255)
Realized gain/(loss) on sale of property and equipment	13,672	-	13,672	-
Total nonoperating activities	10,436	-	10,436	(317)
Increase (Decrease) in Net Assets	(37,813)	172,590	134,777	307,580
Net Assets, beginning of year	1,004,230	2,431	1,006,661	699,081
Net Assets, end of year	\$ 966,417	\$ 175,021	\$ 1,141,438	\$ 1,006,661

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Functional Expenses

For the year ended December 31, 2018
(with summarized financial information for the year ended December 31, 2017)

	2018			2017 Total	
	Program Services	Support Services	Fundraising		Total
Food Distributed	\$ 4,278,053	\$ -	\$ -	\$ 4,278,053	\$ 2,763,828
Clothing Distributed	440,958	-	-	440,958	870,540
	<u>4,719,011</u>	<u>-</u>	<u>-</u>	<u>4,719,011</u>	<u>3,634,368</u>
Operating expenses:					
Payroll and benefits	657,072	75,466	82,839	815,377	278,133
Professional fees	157,500	180,653	-	338,153	39,316
Depreciation and amortization	183,728	7,098	-	190,826	116,480
Occupancy	151,428	2,670	-	154,098	136,922
Advertising and promotion	33,243	19,183	69,457	121,883	24,864
Auto expenses	74,022	-	-	74,022	79,705
Supplies and equipment	56,205	6,040	-	62,245	41,856
Other expenses	36,717	8,973	-	45,690	53,180
Insurance	35,767	2,399	-	38,166	28,774
Fuel and gasoline	37,571	-	-	37,571	27,842
Utilities and telephone	30,541	-	-	30,541	16,714
Information technology	14,795	10,587	-	25,382	234,269
Janitorial	19,610	-	-	19,610	19,765
Printing	6,124	13,033	-	19,157	5,941
Registration and license fees	10,753	4,200	-	14,953	11,533
White Pony Inn	10,036	-	-	10,036	20,028
Grants and donations	-	4,415	-	4,415	27,021
Dispatchers and drivers	485	-	-	485	31,745
Total operating expenses	<u>1,515,597</u>	<u>334,717</u>	<u>152,296</u>	<u>2,002,610</u>	<u>1,194,088</u>
Total Functional Expenses	<u>\$ 6,234,608</u>	<u>\$ 334,717</u>	<u>\$ 152,296</u>	<u>\$ 6,721,621</u>	<u>\$ 4,828,456</u>

WHITE PONY EXPRESS

Statement of Cash Flows

For the years ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 134,777	\$ 307,580
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	190,826	116,480
Realized gain/(loss) on sale of property and equipment	(13,672)	255
Unrealized gain/loss	2,127	62
Changes in assets and liabilities:		
Accrued interest	(1,199)	(794)
Pledges and grants receivable	(191,334)	(100,494)
Other receivable	(7,625)	6,944
Inventory	(37,230)	(1,007)
Prepaid expenses	(8,497)	(6,546)
Deposits	155,717	(155,567)
Accounts payable	18,948	10,808
Accrued payroll	(4,659)	35,013
Deferred revenue	40,617	-
Net cash used by operating activities	278,796	212,734
Cash Flows From Investing Activities		
Proceeds from sale of investment	1,012,000	3,338
Proceeds from sale of property and equipment	22,915	-
Purchase of investments	(1,056,000)	(210,287)
Purchase of property and equipment	(360,306)	(74,898)
Net cash used by investing activities	(381,391)	(281,847)
Net Change in Cash and Cash Equivalents	(102,595)	(69,113)
Cash and Cash Equivalents, beginning of year	346,121	415,234
Cash and Cash Equivalents, end of year	\$ 243,526	\$ 346,121
Supplementary Information		
Cash paid for interest expense	\$ 239	\$ 356
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Notes to Financial Statements

For the years ended December 31, 2018 and 2017

1. Organization

White Pony Express (WPE) relays 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.” All goods and services are provided free of charge and each of its programs are operated primarily by dedicated volunteers.

WPE serves its beneficiaries through the following programs:

Food Rescue – WPE rescues high-quality surplus foods and delivers it to nonprofit organizations serving those in need. WPE has built a base of more than 400 volunteers, partnered with more than 85 food donors and more than 86 nonprofit organizations through which WPE has served more than 60,000 people. During the year ended December 31, 2018, WPE rescued and delivered more than 2,200,000 pounds of food valued at approximately \$4.3 million.

White Pony General Store – The White Pony General Store freely distributes new and gently used clothing, toys and books. To maximize accessibility, WPE brings its “Mobile Boutique” events to impoverished neighborhoods. To date, WPE has held 54 boutique events serving more than 14,000 people. During the year ended December 31, 2018, WPE distributed approximately 80,000 items of clothing, toys and books valued at approximately \$440,900.

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.

2. Summary of Significant Accounting Policies and Procedures

Recent Accounting Pronouncements

In August 2016, FASB issued Accounting Standards Update No. 2016-14 (“ASU 2016-14”), *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 eliminates the distinction between permanent and temporary restrictions and requires not-for-profit entities to report net assets under two classes (net assets with donor restrictions and net assets without donor restrictions) instead of three classes and requires enhanced disclosures regarding management’s self-imposed restrictions on resources without donor restrictions, composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources, among other changes. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. WPE has elected early adoption. The Organization does not believe the adoption of this guidance will have a material impact on the financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for WPE for fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU No. 2015-14, Deferral of Effective Date). WPE has not yet completed its assessment of the impact of the new standard on its financial statements.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

2. Summary of Significant Accounting Policies and Procedures (continued)

Recent Accounting Pronouncements (continued)

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Liabilities (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. The new standard impacts financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. WPE has not yet determined the impact of the new standard on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, Leases, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for WPE's fiscal year 2020. WPE has not yet determined the impact of the new standard on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). ASU 2018-08 was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are intended 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. The ASU is effective for years beginning after December 15, 2018 (WPE's 2019 fiscal year). WPE has not yet determined the impact of the new standard on its consolidated financial statements.

Basis of Accounting

WPE maintains its books and prepares its financial statements on the accrual basis of accounting, under which revenues are recognized when earned, and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

WPE prepares its financial statements following professional accounting standards where the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without Donor Restrictions

Net assets are not subject to donor-imposed stipulations. Net assets without donor restrictions amounted to \$966,417 in 2018 (\$1,004,230 in 2017).

With Donor Restrictions

Net assets represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be met by actions of the WPE pursuant to those stipulations. Net assets with donor restrictions amounted to \$175,021 in 2018 (\$2,431 in 2017).

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

2. Summary of Significant Accounting Policies and Procedures (continued)

Cash and Cash Equivalents

WPE considers all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents. Cash is insured by the Federal Depository Insurance Corporation up to \$250,000 per banking institution. Cash and cash equivalents with specified donor restrictions totaled \$175,021.

Investments

WPE reports investments with readily determinable fair values at their fair values in the statement of financial position. Donated investments received are recorded as contributions at the fair value of the investment as of the date of donation. Gains and losses and investment income derived from investments are accounted for as unrestricted.

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques 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 measurement). As of December 31, 2018, WPE's investments consisted solely of three certificates of deposit (level 2 measurement), valued at \$253,918. The Organization did not have level 1 or level 3 investments at December 31, 2018.

Pledges and Grants Receivable

Pledges and grants receivable (unconditional promises to give) that are expected to be collected within one year are recorded at net realizable value. All pledges and grants receivable at December 31, 2018 are expected to be paid within one year. There was one grant and three unconditional pledges totaling \$292,671 as of December 31, 2018 (\$101,337 in 2017). One grant in connection with Heart's Path Foundation comprised 39% of the overall receivables balance.

Inventory

Inventory consists principally of clothing held for distribution. WPE uses guidelines established by the Salvation Army and Goodwill Industries to value used clothing donations. New clothing and other new goods donations are recorded at fair value which approximate retail prices for similar goods in the geographic area. As food is distributed on the same day as it is collected, there is no food inventory.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at estimated fair value at the date of donation. WPE capitalizes all such acquisition with a value greater than \$2,500. Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets. Depreciation has been provided using the straight line method. The useful lives of the assets are three years for vehicles and five years for equipment.

Leasehold improvements are depreciated over the lesser of the lease term or the estimated useful life of the asset.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

2. **Summary of Significant Accounting Policies and Procedures (continued)**

Support and Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contribution with donor restrictions whose restrictions are satisfied during the same reporting period are shown as without donor restrictions.

Contribution revenue is recognized in the period received or promised, including unconditional pledges, at fair value. Conditional pledges are recognized when the conditions on which they depend on are substantially met.

Other In-Kind Donations

Other in-kind donations are those resources used by WPE in fulfilling its mission and consist primarily of donated facilities rent, use of vehicle and professional services. Donated use of vehicles are 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 WPE. Donated services are valued at fair value at the time provided.

Other in-kind donations consist of the following for the year ended December 31, 2018 and 2017:

	2018	2017
Food Rescue:		
Use of Vehicles	\$ 16,744	\$ 16,744
Management & General:		
IT Services	-	249,960
Accounting/Operations	325,000	-
Total Other In-Kind	\$ 341,744	\$ 266,704

Many individuals volunteer their time and perform a variety of tasks essential for WPE to perform its mission. However, the monetary value of these services is not recognized in the financial statements as these services do not meet the recognition criteria mentioned above.

Concentrations

Financial instruments that potentially subject WPE to credit risk consist primarily of cash and cash equivalents. WPE maintains cash and cash equivalents with major financial institutions, which may exceed federally and privately insured amounts at times. WPE does not believe that it is exposed to any significant credit risk on uninsured amounts. As of December 31, 2018, WPE did not exceed the FDIC limit of \$250,000 per banking institution. Total uninsured cash balances at December 31, 2018 totaled \$-0- (\$62,260 in 2017).

Two donors contributed more than 10% of total contributions for December 31, 2018 (three donors in 2017).

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

2. Summary of Significant Accounting Policies and Procedures (continued)

Donated Food, Clothing and Goods

WPE recognized 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. New goods that are donated are valued at retail prices. Donated food, clothing and goods are those items that are distributed to beneficiaries of the programs described above.

Functional Allocation of Expenses

Costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Salaries and related expenses are allocated based on the actual time spent by employees on various activities. Occupancy and general expense are allocated based on the space usage by each function. Direct costs are allocated to the function that received the incurred expense. Accordingly, certain costs have been allocated among the programs and supporting services (fundraising and management and general) benefited.

Income Tax Status

WPE has been granted tax-exempt status by the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

WPE recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefits is recognized. As of December 31, 2018, management has determined WPE has no uncertain tax positions. WPE recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense (none in 2018 and 2017). Income tax returns for the years prior to 2015 for Federal (and 2014 for California) are no longer subject to examination by tax authorities. WPE is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

Operating and Non-operating Activities

All activities of WPE are considered operating except for gains and losses on the disposal of assets.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates and assumptions 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 may differ from those estimates.

3. Line of Credit

In September 2017, WPE entered into a \$50,000 revolving line of credit with a bank. It was raised to \$150,000 in November, 2018. The line of credit bears interest at 2.75% over the bank’s prime rate (4.25% prime in 2018). No amounts were outstanding in connection with the respective line of credit as of December 31, 2018 and 2017. All loan covenants were satisfied for the period then ended. \$50,000 was drawn and repaid on the line in 2018 (\$-0- drawn in 2017).

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

4. Government Contracts

In 2016, WPE entered into a grant contract with Contra Costa County. The contract with Contra Costa County is deemed an exchange transaction (cost reimbursement grant) and, accordingly, revenue is recognized by WPE as earned when allowable expenses are incurred. Under the terms of the contract, WPE is required to distribute fresh food to organizations serving the homeless in Contra Costa County. In 2018, revenue in connection with the contract totaled \$37,042 (\$24,125 in 2017).

In 2018, WPE entered into a cost reimbursement grant with the California Department of Resources Recycling and Recovery (CalRecycle). The purpose of the grant is to provide WPE with funding to continue its food rescue operations with the understanding that costs incurred, up to \$115,000, will be reimbursed by CalRecycle. WPE incurred costs of \$74,383 in connection with the purchase of vehicles for its Food Rescue program and was reimbursed for such costs as of December 31, 2018. WPE has a remaining limit of \$40,616 on the grant (expiring in April 2020) which can be used for additional Food Rescue administrative costs as well as equipment and vehicles. The remaining \$40,616 has been recorded on the financial statements as deferred revenue and will be recognized as revenue when eligible costs are incurred.

5. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

	2018	2017
School Pantry	\$ 150,000	\$ -
Cold Weather Clothing	12,071	-
White Pony Inn	8,000	1,598
Free General Store	4,000	509
Camp Fire relief	950	-
Developmental Toys	-	324
	\$ 175,021	\$ 2,431

Net assets released from restrictions because their donor-restricted purposes has been met total \$174,763 for 2018 (\$327,830 in 2017).

6. Collaborative Arrangement

In 2018, WPE entered into a collaborative arrangement with Loaves and Fishes of Contra Costa County (“LFCC”). The goal of the arrangement is to allow LFCC to assume the administrative, program, financial and legal responsibility in funding specified projects within the Food Rescue Program. Costs for the arrangement totaled \$500,000, however, these costs were fully offset by the grant received from the Thomas J. Long Foundation.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

7. Property and Equipment

Property and equipment balances are summarized below as of December 31, 2018 and 2017:

	2018	2017
Vehicle	\$ 620,364	\$ 329,377
Equipment	88,935	96,798
Leasehold Improvements	56,340	40,497
Software	4,000	4,000
	769,639	470,672
Less: accumulated depreciation	(405,703)	(266,973)
	\$ 363,936	\$ 203,699

8. Operating Lease

WPE leases its office and warehouse space from a board member under the terms of an operating lease agreement that expires on December 31, 2024, with increases in base rent each year. Total expenses under the operating lease was \$154,098 for the year ended December 31, 2018 (\$146,760 for 2017).

As of December 31, 2018, future minimum lease payments required under the operating lease are as follows:

2019	\$	161,803
2020		169,893
2021		178,388
2022		187,307
2023		196,672
Thereafter		206,506
		\$ 1,100,569

9. Related Party Transactions

In 2017, a Board member donated \$115,846 in IT services to WPE (\$0- donated in 2018).

As discussed in Note 8, WPE leases its office and warehouse space from a board member. The total rent expenses paid to the board member for the year ended December 31, 2018 was \$154,098 (\$146,760 for 2017).

10. Fraud

In May 2017, management discovered that a cyber-criminal had infiltrated WPE's online accounts and wire-transferred \$6,303 in funds from the accounts. As of the current period, management was able to recover all of the misappropriated funds from the bank.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2018 and 2017

11. Liquidity and Availability

Financial assets available for general expenditure within one year of December 31, 2018 are as follows:

Total Assets	\$ 1,256,447
Less:	
Net assets with donor restriction	(175,021)
Land, buildings and equipment, net	<u>(363,936)</u>
Financial assets available within one year	<u>\$ 717,490</u>

White Pony Express is substantially supported by unrestricted contributions. That is, contributions have not been restricted by donors for a specified purpose or use within a specified time frame. Thus, such financial assets are available to meet overall general expenditures within one year. As part of the liquidity management, WPE has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, WPE invests cash in excess of daily requirements in short-term investments such as money market accounts. Stock donations received are sold immediately and the funds received are transferred to a cash account. If necessary, the Board has the capacity to designate a portion of any operating surplus to its liquidity reserve (\$- reserved as of December 31, 2018). In the event of an unanticipated liquidity need, WPE can also draw upon its \$150,000 available line of credit.

12. Retirement Plan

In 2018, White Pony Express established a 401(k) retirement plan for employees. Participation in the plan is eligible for all employees. Employer contributions to the plan totaled \$7,471 in 2018.

13. Subsequent Events

WPE's management determined that there are no material events that occurred subsequent to the statement of financial position date of December 31, 2018 and through August 20, 2019, the date of this report, which would require adjustment or disclosure in the financial statements.