

WHITE PONY EXPRESS

Financial Statements

*For the year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)*

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

Independent Auditor's Report

**To the Board of Directors
White Pony Express
Walnut Creek, 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, 2016, 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 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, 2016, 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.

Prior Period Financial Statements

The financial statements of White Pony Express as of December 31, 2015, were audited by other auditors whose report dated July 9, 2016, expressed an unmodified opinion on those statements.

Arcenez Foran LLP

*Danville, California
July 18, 2017*

WHITE PONY EXPRESS

Statement of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 415,234	\$ 270,497
Investments	5,413	-
Pledges and grants receivable	13,545	32,868
Prepaid expenses	23,141	12,972
Inventory	5,599	8,647
Property and equipment, net	245,281	235,969
Deposits	5,150	5,000
Total Assets	\$ 713,363	\$ 565,953
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 14,282	\$ 11,250
Total liabilities	14,282	11,250
 Net Assets		
Unrestricted	680,892	518,518
Temporarily restricted	18,189	36,185
Total Net Assets	699,081	554,703
Total Liabilities and Net Assets	\$ 713,363	\$ 565,953

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Activities

For the year ended December 31, 2016

(with summarized financial information for the year ended December 31, 2015)

	2016			2015 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
Donated food, clothing & goods	3,945,721	-	3,945,721	3,195,566
Cash contributions and pledges	599,223	18,000	617,223	469,429
Other in-kind donations	198,624	-	198,624	60,401
Government contract	21,702	-	21,702	-
Other revenue	1,912	-	1,912	294
Net assets released from restrictions:	35,996	(35,996)	-	-
Total revenues	4,803,178	(17,996)	4,785,182	3,725,690
Expenses				
Functional activities				
Program services	4,525,864	-	4,525,864	3,504,892
Support services	86,688	-	86,688	66,534
Fundraising	26,619	-	26,619	12,180
Total expenses	4,639,171	-	4,639,171	3,583,606
Change in Net Assets Before Nonoperating Activities	164,007	(17,996)	146,011	142,084
Nonoperating Activities				
Loss on sale of vehicle	(1,633)	-	(1,633)	(8,984)
Total nonoperating activities	(1,633)	-	(1,633)	(8,984)
Increase (Decrease) in Net Assets	162,374	(17,996)	144,378	133,100
Net Assets, beginning of year	518,518	36,185	554,703	421,603
Net Assets, end of year	\$ 680,892	\$ 18,189	\$ 699,081	\$ 554,703

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Functional Expenses

For the year ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	2016			2015 Total	
	Program Services	Support Services	Fundraising		Total
Food Distributed	\$ 2,860,922	\$ -	\$ -	\$ 2,860,922	\$ 2,625,066
Clothing Distributed	1,056,510	-	-	1,056,510	637,116
Operating expenses:					
Information technology	124,916	18,882	16,456	160,254	11,255
Occupancy	99,873	2,586	-	102,459	42,880
Depreciation expenses	94,539	-	-	94,539	54,041
Auto expenses	62,699	2,080	-	64,779	56,826
Other expenses	52,190	11,369	-	63,559	11,138
Free General Store - purchased goods	58,515	-	-	58,515	-
Professional fees	632	37,972	-	38,604	52,083
Supplies and equipment	27,975	-	-	27,975	26,298
Fuel and gasoline	27,855	-	-	27,855	30,067
Insurance	20,932	1,509	-	22,441	7,606
Grants	20,000	-	-	20,000	-
White Pony Inn	10,285	-	-	10,285	5,132
Advertising and promotion	-	-	10,163	10,163	10,369
Registration and license fees	3,532	4,985	-	8,517	4,868
Printing	4,423	3,765	-	8,188	6,160
Office expenses	66	1,747	-	1,813	1,178
Conference, conventions, & meetings	-	1,793	-	1,793	1,523
Total operating expenses	608,432	86,688	26,619	721,739	321,424
Total Functional Expenses	\$ 4,525,864	\$ 86,688	\$ 26,619	\$ 4,639,171	\$ 3,583,606

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Cash Flows

For the years ended June 30, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Increase in net assets	\$ 144,378	\$ 133,100
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	94,539	42,880
Loss on disposal of property & equipment	1,634	8,984
Unrealized gain/loss	(254)	-
Changes in assets and liabilities:		
Inventory	3,048	71,455
Prepaid expenses	(10,169)	(12,972)
Pledges and grants receivable	19,323	47,455
Deposits	(150)	(5,000)
Accounts payable	3,032	11,250
	255,381	297,152
Cash Flows From Investing Activities		
Proceeds from sale of investment	5,417	-
Purchase of investments	(10,576)	-
Proceeds from sale of vehicle	-	16,580
Purchase of property and equipment	(105,485)	(208,318)
	(110,644)	(191,738)
Increase in Cash and Cash Equivalents	144,737	105,414
Cash and Cash Equivalents, beginning of year	270,497	165,083
Cash and Cash Equivalents, end of year	\$ 415,234	\$ 270,497
Supplementary Information		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to financial statements.

WHITE PONY EXPRESS
Notes to Financial Statements
(continued)
For the year ended December 31, 2016

1. Organization

White Pony Express (WPE) relays food and goods to those in need in Contra Costa County, California. WPE was founded with the following mission: “To help eliminate hunger and poverty in Contra Costa County by delivering the abundance all around us to those in need.” Services are provided free of charge, and programs are operated 100% by volunteers.

WPE meets the needs of 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 built a base of more than 400 volunteers (unaudited), partnered with more than 100 food donors (unaudited) and more than 70 nonprofit organizations (unaudited) through which WPE served more than 50,000 people (unaudited) in need. During the year ended December 31, 2016, WPE rescued and delivered more than 1,600,000 pounds (unaudited) of food valued at approximately \$2.8 million.

Free General Store – WPE’s Free General Store program freely distributes new and gently used clothing, toys and books. To maximize it reach to those in need, WPE brings “Mobile Boutique” events to impoverished neighborhoods. WPE held 43 boutique events (unaudited) serving more than 10,000 people (unaudited). During the year ended December 31, 2016, WPE distributed approximately 120,000 items of clothing, toys and books (unaudited) valued at approximately \$1,000,000.

White Pony Inn – 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.

WPE is a 501(c)(3) nonprofit organization incorporated in the State of California in 2014. WPE was originally founded by the Sufism Reoriented Church (the Church). In accordance with WPE’s bylaws, the Church, through its representative, is the Designator of WPE and has been granted certain authorities to appoint and dismiss members of WPE’s board of directors. Additionally, should WPE dissolve, its net assets shall be distributed to the Church. The Church also provides financial support in the form of contributions to WPE (Note 7). These financial statements include only the activity of WPE.

2. Summary of Significant Accounting Policies and Procedures

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Net assets are not subject to donor-imposed stipulations. Unrestricted net assets amounted to \$680,892 in 2016 (\$518,518 in 2015).

WHITE PONY EXPRESS
Notes to Financial Statements
(continued)
For the year ended December 31, 2016

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

Temporarily Restricted

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. Temporarily restricted net assets amounted to \$18,189 in 2016 (\$36,185 in 2015).

Permanently Restricted

Net assets represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity by WPE. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of WPE. WPE has no permanently restricted net assets in 2016 (\$-0- in 2015).

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, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Temporarily restricted donations whose restrictions are satisfied during the same reporting period are shown as unrestricted.

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.

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. Donated food, clothing and goods are those items that are distributed to beneficiaries of the programs described above.

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 facilities and 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.

WHITE PONY EXPRESS
Notes to Financial Statements
(continued)
For the year ended December 31, 2016

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

Other in-kind donations consist of the following for the year ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Facilities Rent	\$ 6,720	\$ 24,800
Use of Vehicles	16,744	11,541
Professional Services	175,160	24,060
	<u>\$ 198,624</u>	<u>\$ 60,401</u>

Many individuals volunteer their time and perform a variety of tasks that assist WPE with its program and administration. These services, which represent essentially the entire staff of WPE, are not recognized as contributions in the financial statements as they do not meet the recognition criteria mentioned above.

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.

Inventory

Inventory consists principally of clothing held for distribution. WPE uses guidelines established by the Salvation Army and Goodwill Industries to value clothing donation. As food is distributed on the same day as it is collected, there is no food inventory on hand as of December 31, 2016 (\$-0- in 2015).

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, 2016 are expected to be paid within one year. There were no conditional pledges at December 31, 2016 (\$-0- in 2015).

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 year ended December 31, 2016

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

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 on 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, 2016, WPE's investments consisted solely of two equities, valued at \$5,413, which are deemed level 1 investments. The Organization did not have level 2 or level 3 investments at December 31, 2016.

Operating and Nonoperating Activities

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

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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

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. At December 31, 2016 and 2015, WPE did exceed the FDIC limit of \$250,000 per banking institution. Total uninsured cash balances at December 31, 2016 totaled \$152,636 (\$2,991 in 2015).

Three donors contributed more than 10% of total contributions for December 31, 2016.

WHITE PONY EXPRESS
Notes to Financial Statements
(continued)
For the year ended December 31, 2016

3. Property and Equipment

Property and equipment balances are summarized below as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Vehicle	\$ 322,364	\$ 263,974
Leasehold Improvements	40,497	14,219
Equipment	<u>32,913</u>	<u>14,896</u>
	395,774	293,089
Less: accumulated depreciation	<u>(150,493)</u>	<u>(57,120)</u>
	<u>\$ 245,281</u>	<u>\$ 235,969</u>

4. Temporary Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
White Pony Inn	\$ 6,302	\$ 13,685
Free General Store	11,887	-
Vehicles	<u>-</u>	<u>22,500</u>
	<u>\$ 18,189</u>	<u>\$ 36,185</u>

Net assets released from restrictions because their donor-restricted purpose has been met total \$35,996 for 2016 (\$143,991 in 2015).

5. Operating Leases

WPE is obligated under the terms of an operating lease agreement for office and warehouse space that expires on December 31, 2024, with increases in base rent each year. Total expenses under the operating leases was \$63,189 for the year ended December 31, 2016 (\$18,080 for 2015).

As of December 31, 2016, future minimum lease payments required under the operating lease are as follows:

2017	\$ 126,969
2018	133,323
2019	139,992
2020	146,991
2021	154,341
Thereafter	<u>510,882</u>
	<u>\$ 1,212,498</u>

WHITE PONY EXPRESS
Notes to Financial Statements
(continued)
For the year ended December 31, 2016

6. 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 2016, revenue in connection with the contract totaled \$21,702.

7. Related Party Transactions

Contributions received from the Church (Note 2) totaled \$20,000 in 2016 (\$13,503 for 2015).

A Board member donated \$149,600 in IT services to WPE in 2016.

8. 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, 2016 and through July 18, 2017, the date of this report, which would require adjustment or disclosure in the financial statements.