

WHITE PONY EXPRESS

Financial Statements

For the year ended December 31, 2017

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

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.....	6-12



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, 2017 and 2016, 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, 2017 and 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.

Sweeney Kovar LLP

*Danville, California
September 17, 2018*

WHITE PONY EXPRESS

Statement of Financial Position

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 346,121	\$ 415,234
Investments	212,045	5,413
Pledges and grants receivable	101,337	843
Other receivable	6,552	12,702
Inventory	6,606	5,599
Prepaid expenses	29,687	23,141
Vehicle deposits	155,717	-
Total Current Assets	<u>858,065</u>	<u>462,932</u>
Other Assets		
Property and equipment, net	203,699	245,281
Other deposits	5,000	5,150
Total Other Assets	<u>208,699</u>	<u>250,431</u>
Total Assets	<u><u>\$ 1,066,764</u></u>	<u><u>\$ 713,363</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 25,090	\$ 14,282
Accrued payroll	35,013	-
Total liabilities	<u>60,103</u>	<u>14,282</u>
Net Assets		
Without Donor Restrictions	1,004,230	680,892
With Donor Restrictions	2,431	18,189
Total Net Assets	<u>1,006,661</u>	<u>699,081</u>
Total Liabilities and Net Assets	<u><u>\$ 1,066,764</u></u>	<u><u>\$ 713,363</u></u>

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Statement of Activities

For the year ended December 31, 2017

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

	2017			2016 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues:				
Donated food, clothing & goods	\$ 3,565,935	\$ 182	\$ 3,566,117	\$ 3,945,721
Cash contributions and pledges	964,449	311,890	1,276,339	617,223
Other in-kind donations	266,704	-	266,704	198,624
Government contract	24,125	-	24,125	21,702
Other revenue	3,006	-	3,006	1,912
Net assets released from restrictions:	327,830	(327,830)	-	-
Total revenues	5,152,049	(15,758)	5,136,291	4,785,182
Expenses				
Functional activities				
Program services	4,704,914	-	4,704,914	4,525,864
Support services	99,121	-	99,121	86,688
Fundraising	24,421	-	24,421	26,619
Total expenses	4,828,456	-	4,828,456	4,639,171
Change in Net Assets Before Nonoperating Activities	323,593	(15,758)	307,835	146,011
Nonoperating Activities				
Loss on disposal of assets	(255)	-	(255)	(1,633)
Total nonoperating activities	(255)	-	(255)	(1,633)
Increase (Decrease) in Net Assets	323,338	(15,758)	307,580	144,378
Net Assets, beginning of year	680,892	18,189	699,081	554,703
Net Assets, end of year	\$ 1,004,230	\$ 2,431	\$ 1,006,661	\$ 699,081

WHITE PONY EXPRESS

Statement of Functional Expenses

For the year ended December 31, 2017
(with summarized financial information for the year ended December 31, 2016)

	2017				2016 Total
	Program Services	Support Services	Fundraising	Total	
Food Distributed	\$ 2,763,828	\$ -	\$ -	\$ 2,763,828	\$ 2,860,922
Clothing Distributed	<u>870,540</u>	<u>-</u>	<u>-</u>	<u>870,540</u>	<u>1,115,025</u>
	<u>3,634,368</u>	<u>-</u>	<u>-</u>	<u>3,634,368</u>	<u>3,975,947</u>
Operating expenses:					
Payroll and benefits	275,978	2,155	-	278,133	-
Information technology	201,960	32,309	-	234,269	160,254
Occupancy	133,126	3,796	-	136,922	102,459
Depreciation and amortization	115,339	1,141	-	116,480	94,539
Auto expenses	79,705	-	-	79,705	64,779
Other expenses	38,616	14,060	-	52,676	31,109
Supplies and equipment	40,130	-	-	40,130	27,975
Professional fees	10,175	29,141	-	39,316	38,604
Dispatchers and drivers	31,745	-	-	31,745	-
Insurance	26,194	2,580	-	28,774	22,441
Fuel and gasoline	27,842	-	-	27,842	27,855
Advertising and promotion	443	-	24,421	24,864	10,163
White Pony Inn	20,028	-	-	20,028	10,285
Grants	27,021	-	-	27,021	25,579
Janitorial	19,765	-	-	19,765	15,025
Utilities and telephone	15,793	921	-	16,714	11,846
Registration and license fees	4,126	7,407	-	11,533	8,517
Printing	2,145	3,796	-	5,941	8,188
Office expenses	346	1,380	-	1,726	1,813
Conference, conventions, & meetings	69	435	-	504	1,793
Total operating expenses	<u>1,070,546</u>	<u>99,121</u>	<u>24,421</u>	<u>1,194,088</u>	<u>663,224</u>
Total Functional Expenses	<u>\$ 4,704,914</u>	<u>\$ 99,121</u>	<u>\$ 24,421</u>	<u>\$ 4,828,456</u>	<u>\$ 4,639,171</u>

WHITE PONY EXPRESS

Statement of Cash Flows

For the years ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 307,580	\$ 144,378
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	116,480	94,539
Loss on disposal of assets	255	1,634
Unrealized gain/loss	62	(254)
Changes in assets and liabilities:		
Inventory	(1,007)	3,048
Prepaid expenses	(6,546)	(10,169)
Pledges and grants receivable	(94,344)	19,323
Deposits	(155,567)	(150)
Accounts payable	10,808	3,032
Accrued payroll	35,013	-
Net cash used by operating activities	212,734	255,381
Cash Flows From Investing Activities		
Proceeds from sale of investment	3,338	5,417
Purchase of investments	(210,287)	(10,576)
Purchase of property and equipment	(74,898)	(105,485)
Net cash used by investing activities	(281,847)	(110,644)
Net Change in Cash and Cash Equivalents	(69,113)	144,737
Cash and Cash Equivalents, beginning of year	415,234	270,497
Cash and Cash Equivalents, end of year	\$ 346,121	\$ 415,234
Supplementary Information		
Cash paid for interest expense	\$ 356	\$ 13
Cash paid for income taxes	\$ -	\$ -

See accompanying notes to financial statements.

WHITE PONY EXPRESS

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

1. Organization

White Pony Express (WPE) relays food, clothing and other 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.” All goods and services are provided free of charge to those in need and programs are operated mostly 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, partnered with more than 100 food donors and more than 71 nonprofit organizations through which WPE served more than 60,000 people in need. During the year ended December 31, 2017, WPE rescued and delivered more than 1,600,000 pounds 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 its reach to those in need, WPE brings “Mobile Boutique” events to impoverished neighborhoods. To date, WPE has held 49 boutique events serving more than 10,000 people. During the year ended December 31, 2017, WPE distributed approximately 150,000 items of clothing, toys and books valued at approximately \$870,000.

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

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.

WHITE PONY EXPRESS

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

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

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 \$1,004,230 in 2017 (\$680,892 in 2016).

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 \$2,431 in 2017 (\$18,189 in 2016).

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.

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 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.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2017 and 2016

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.

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.

Other in-kind donations consist of the following for the year ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Professional Services	\$ 249,960	\$ 175,160
Use of Vehicles	16,744	16,744
Facilities Rent	-	6,720
	<u>\$ 266,704</u>	<u>\$ 198,624</u>

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.

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, 2017 are expected to be paid within one year. There was one grant and three unconditional pledges totaling \$101,337 as of December 31, 2017 (\$843 in 2016).

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, 2017 and 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 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, 2017, WPE's investments consisted solely of one equity (level 1 measurement) and three certificates of deposit (level 2 measurement), valued at \$212,045. The Organization did not have level 3 investments at December 31, 2017.

Operating and Non-operating 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.

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, 2017, 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 2017 and 2016). Income tax returns for the years prior to 2014 for Federal (and 2013 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.

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.

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, 2017 and 2016, WPE did exceed the FDIC limit of \$250,000 per banking institution. Total uninsured cash balances at December 31, 2017 totaled \$62,260 (\$152,636 in 2016).

Three donors contributed more than 10% of total contributions for December 31, 2017.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2017 and 2016

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

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation of the financial statements.

3. 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 2017, revenue in connection with the contract totaled \$24,125 (\$21,702 in 2016).

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2017 and 2016:

	2017	2016
White Pony Inn	\$ 1,598	\$ 6,302
Free General Store	509	11,887
Developmental Toys	324	-
	\$ 2,431	\$ 18,189

Net assets released from restrictions because their donor-restricted purposes has been met total \$327,830 for 2017 (\$35,996 in 2016).

5. Line of Credit

In September 2017, WPE entered into a \$50,000 revolving line of credit with a bank, which bears interest at 2.75% over the bank's prime rate (4.25% prime in 2017). No amounts were outstanding in connection with the respective line of credit as of December 31, 2017 and all loan covenants were satisfied for the period then ended. No amounts were borrowed on these bank lines during 2017 and 2016.

WHITE PONY EXPRESS
Notes to Financial Statements

(continued)

For the years ended December 31, 2017 and 2016

6. Property and Equipment

Property and equipment balances are summarized below as of December 31, 2017 and 2016:

	2017	2016
Vehicle	\$ 329,377	\$ 322,364
Leasehold Improvements	40,497	40,497
Equipment	96,798	32,913
Software	4,000	-
	470,672	395,774
Less: accumulated depreciation	(266,973)	(150,493)
	\$ 203,699	\$ 245,281

7. 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 \$146,760 for the year ended December 31, 2017 (\$63,189 for 2016).

As of December 31, 2017, future minimum lease payments required under the operating lease are as follows:

2018	\$	154,098
2019		161,803
2020		169,893
2021		178,388
2022		187,307
Thereafter		403,178
		\$ 1,254,667

8. Related Party Transactions

Contributions received from the Church (Note 2) totaled \$20,000 in 2017 (\$20,000 for 2016).

A Board member donated \$115,846 in IT services to WPE in 2017 (\$149,600 in 2016).

As discussed in Note 6, 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, 2017 was \$146,760 (\$63,189 for 2016).

9. 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, 2017 and 2016

10. 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, 2017 and through September 17, 2018, the date of this report, which would require adjustment or disclosure in the financial statements.