

**PROJECT ACCESS, INC.**

**CERTIFIED PUBLIC ACCOUNTANT'S  
AUDITED FINANCIAL STATEMENTS**

**Year Ended December 31, 2017**

PROJECT ACCESS, INC.

DECEMBER 31, 2017

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## **Independent Auditor's Report**

To the Board of Directors  
Project Access, Inc.

We have audited the accompanying financial statements of Project Access, Inc., which comprise the statement of financial position as of December 31, 2017, 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 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, 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 Project Access, Inc. as of December 31, 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.

## **Report on Summarized Comparative Information**

We have previously audited Project Access, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stephens, Reidinger + Beller LLP*

Newport Beach, California  
March 21, 2018

PROJECT ACCESS, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017, with Comparative Totals for 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 1,500,293	\$ 1,352,959
Accounts receivable	161,089	88,617
Prepaid expenses	<u>-</u>	<u>31,735</u>
Total current assets	1,661,382	1,473,311
Property and equipment, net of accumulated depreciation	11,639	18,492
Other assets		
Investments	11,252	9,935
Refundable security deposits	<u>12,849</u>	<u>12,921</u>
Total other assets	<u>24,101</u>	<u>22,856</u>
Total assets	<u>\$ 1,697,122</u>	<u>\$ 1,514,659</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 27,954	\$ 39,850
Accrued liabilities	320,297	248,700
Deferred revenue	<u>67,319</u>	<u>-</u>
Total current liabilities	415,570	288,550
Net assets		
Unrestricted	1,094,416	1,066,439
Temporarily restricted	<u>187,136</u>	<u>159,670</u>
Total net assets	<u>1,281,552</u>	<u>1,226,109</u>
Total liabilities and net assets	<u>\$ 1,697,122</u>	<u>\$ 1,514,659</u>

The accompanying notes are an integral part of these financial statements.

PROJECT ACCESS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017 With Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
Support and revenue				
Program revenue				
Contributions	\$ 158,727	112,127	\$ 270,854	\$ 225,043
Grants	3,050	382,319	385,369	272,700
Contract Revenue	94,680	-	94,680	57,161
Program service fees	3,885,071	-	3,885,071	3,608,490
Total public support	<u>4,141,528</u>	<u>494,446</u>	<u>4,635,974</u>	<u>4,163,394</u>
Operating support and other revenue				
In-kind contributions	2,297,259	-	2,297,259	1,672,129
Special events, net of direct expenses of \$106,068 and \$156,416, respectively	298,115	432	298,547	311,590
Interest and other income	3,025	1,318	4,343	2,681
Net assets released from restrictions	468,730	(468,730)	-	-
Total revenue and support	<u>7,208,657</u>	<u>27,466</u>	<u>7,236,123</u>	<u>6,149,794</u>
Expenses				
Program services	6,048,437	-	6,048,437	5,060,400
Support services				
Management and general	507,864	-	507,864	483,162
Fundraising	617,526	-	617,526	523,081
Total operating expenses before depreciation	<u>7,173,827</u>	<u>-</u>	<u>7,173,827</u>	<u>6,066,643</u>
Depreciation expense	<u>6,853</u>	<u>-</u>	<u>6,853</u>	<u>7,090</u>
Total operating expenses	<u>7,180,680</u>	<u>-</u>	<u>7,180,680</u>	<u>6,073,733</u>
Increase in net assets	27,977	27,466	55,443	76,061
Beginning net assets	<u>1,066,439</u>	<u>159,670</u>	<u>1,226,109</u>	<u>1,150,048</u>
Ending net assets	<u>\$ 1,094,416</u>	<u>\$ 187,136</u>	<u>\$ 1,281,552</u>	<u>\$ 1,226,109</u>

The accompanying notes are an integral part of these financial statements.

PROJECT ACCESS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017 With Comparative Totals for 2016

	Program Services	Management & General	Fundraising	2017 Total	2016 Total
Administrative expenses	\$ 90,909	\$ 9,571	\$ 9,378	\$ 109,858	\$ 107,551
Salaries & related expenses	3,046,218	376,537	556,999	3,979,754	3,548,807
Marketing	559	-	25,206	25,765	26,308
Staff & volunteer expenses	74,126	5,703	2,524	82,353	84,181
Contract services expenses	50,832	318	2,100	53,250	22,446
Facilities expenses	77,047	6,144	194	83,385	99,648
Site programs/services	276,960	-	-	276,960	259,488
Insurance & business expenses	17,319	37	-	17,356	27,915
Partnership development	284	773	12,855	13,912	10,322
Occupancy expenses	44,135	83,222	6,402	133,759	108,682
Professional fees	-	14,750	-	14,750	13,900
Travel expenses	75,913	7,686	1,868	85,467	85,266
In-kind expenses	2,294,135	3,123	-	2,297,258	1,672,129
Operating expenses before depreciation	6,048,437	507,864	617,526	7,173,827	6,066,643
Depreciation	5,483	685	685	6,853	7,090
Total expenses	\$ 6,053,920	\$ 508,549	\$ 618,211	\$ 7,180,680	\$ 6,073,733

The accompanying notes are an integral part of these financial statements.

PROJECT ACCESS, INC.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase in net assets	\$ 55,443	\$ 76,061
Adjustments to reconcile net income to net		
Depreciation expense	6,853	7,090
Decrease (increase) in operating assets		
Accounts receivable	(72,472)	(26,380)
Refundable security deposits	72	(2,998)
Prepaid expenses	31,735	(31,735)
Increase (decrease) in operating liabilities		
Accounts payable	(11,896)	16,573
Accrued liabilities	71,597	51,634
Deferred liabilities	67,319	-
Total adjustments	<u>93,208</u>	<u>14,184</u>
Net cash provided by operating activities	148,651	90,245
Cash flows from investing activities		
Purchase of property and equipment	-	(11,070)
Investments	(1,317)	(607)
Net cash (used) by investing activities	<u>(1,317)</u>	<u>(11,677)</u>
Net increase in cash and cash equivalents	147,334	78,568
Cash and cash equivalents at beginning of year	<u>1,352,959</u>	<u>1,274,391</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,500,293</u></u>	<u><u>\$ 1,352,959</u></u>

The accompanying notes are an integral part of these financial statements.



PROJECT ACCESS, INC. PROJECT ACCESS, INC.  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**NOTE 1: ORGANIZATION AND NATURE OF SERVICES**

Project Access, Inc. (the Organization) is a non-profit benefit corporation formed in 1999 for charitable and educational purposes.

The Organization works in concert with the public sector and property owners to establish and operate resource centers serving low-income residents in communities in California, Arizona, Georgia, Texas, North Carolina, Maryland and Colorado. Project Access opened 9 new centers and closed the equivalent of 5 centers in 2017, ending the year with a total of 63 centers. At these centers, the Organization services low and very-low income families and seniors by providing free, on-site programs in education, health and other areas, including, as appropriate, after-school enrichment activities, homework assistance and academic tutoring, education in English as a Second Language, job skills and computer training, education in prenatal care, child development and parenting skills, nutrition, and access to healthcare screenings and medical insurance.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies of the Organization.

**Financial Statement Presentation**

The financial statements are presented on the accrual basis of accounting.

The Organization reports 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. Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional.

Support that is restricted by a donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a purpose of the restriction is accomplished or a stipulated time restriction ends), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. At December 31, 2017 and 2016, the Organization had assets classified as temporarily restricted in the amount of \$187,136 and \$159,670, respectively. There were no permanently restricted assets as of December 31, 2017 and 2016.

The Organization uses the allowance method to determine uncollectible receivables. Based on prior years' experience and an analysis of account balances at December 31, 2017, management believes that all receivables are collectible and therefore no allowance for doubtful accounts has been made.

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Statement Presentation (continued)**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**Revenue Recognition**

The Organization operates resource centers serving low-income residents in communities in California, Arizona, Georgia, Texas, North Carolina, Maryland and Colorado. The Organization receives fees from the property owners based on an annually negotiated rate. Fees are recognized when services are rendered.

**Functional Allocation of Expense**

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

**Income Taxes**

The Organization is exempt from Federal and California income tax under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code. Therefore no provision for income taxes has been included in the accompanying financial statements.

**Property and Equipment**

The Organization records purchased property and equipment at cost. Donated property is capitalized at its estimated fair market value at the time of donation. Depreciation of property and equipment is recorded on the straight-line basis over five years. Repairs and maintenance are expensed as incurred.

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accrued Liabilities**

Accumulated unpaid employee vacation benefits and other compensation obligations are accrued as liabilities of the Organization at the time incurred. Accrued liabilities consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Accrued Payroll Liabilities	\$ 189,303	\$ 113,622
Accumulated unpaid employee vacation benefits	130,994	135,078
	<u>\$ 320,297</u>	<u>\$ 248,700</u>

**Donated Services and Materials**

When donated materials are received they are included in the accompanying financial statements where estimates of market value are available to measure the value of such materials. Contributed facilities are reported as in-kind contributions and expenses based upon the estimated usage value of the premises. Donated services are recognized when a non-financial asset is created or specialized skills are required and the Organization would otherwise need to purchase the services.

**Advertising Costs**

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2017 and 2016 were \$6,142 and \$1,636, respectively.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent 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.

**NOTE 3: CONCENTRATION OF CREDIT RISK**

The organization maintains deposits in a financial institution that at times exceeds amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company believes that there is no significant risk with respect to such deposits.

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment are summarized by major classifications as follows:

	<u>2017</u>	<u>2016</u>
Furniture and Fixtures	\$ 841	\$ 841
Computer Equipment	33,429	34,611
	<u>34,270</u>	<u>35,452</u>
Less accumulated depreciation	<u>(22,631)</u>	<u>(16,960)</u>
Net property and equipment	<u>\$ 11,639</u>	<u>\$ 18,492</u>

The depreciation expense was \$6,853 and \$7,090 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 5: PROGRAM SERVICE FEES BILLED TO PROPERTY OWNERS**

Where the Organization operates resource centers, a fee for service is collected from property owners on a monthly basis based on an annually negotiated rate. In exchange, the Organization operates the resource centers, purchases supplies, conducts field trips and after-school tutoring sessions, provides health and nutrition programs and financial literacy programs, develops newsletters that staff distributes to residents, conducts computer education classes and community activities, and incurs other administrative expenses. For the years ended December 31, 2017 and 2016 the fees recognized from owners amounted to \$3,885,071 and \$3,608,490, respectively.

**NOTE 6: FUNDRAISING**

The Organization holds fundraising activities and special events in order to assist in program operations. All revenues received from such events in excess of expenses are used for current program operations. Direct fundraising expenses incurred in connection with these events for the years ended December 31, 2017 and 2016 was \$106,068 and \$156,416, respectively.

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 7: RETIREMENT PLAN**

The Organization has established a voluntary defined contribution 401(k) retirement plan for its employees under which it matches participant salary deferrals up to 4% of the employee's salary. During the years ended December 31, 2017 and 2016, the organization contributed \$67,935 and \$52,728 to the plan, respectively.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Leased Facilities**

The Organization leases a corporate office in Orange, California. The corporate office is leased as a five year non-cancelable operating lease, which expires September 2022. The approximate annual rentals are set forth below. The combined, total base rent for the years ended December 31, 2017 and 2016 was \$134,000 and \$109,000, respectively.

The future minimum rental commitments under the non-cancelable operating lease as of December 31, 2017 are as follows:

Year ending December 31:	
2018	129,395
2019	134,570
2020	139,953
2021	145,551
Thereafter	<u>112,406</u>
	<u>\$ 661,875</u>

**NOTE 9: DEFERRED REVENUE**

Funds received in advance of services or activities to be performed in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed.

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 10: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 were available for the following purposes:

	<u>2017</u>	<u>2016</u>
After school tutoring and enrichment programs	\$ 44,500	\$ 39,236
Core support	-	28,110
Pathways out of Poverty	53,500	10,500
Education for Youth	12,000	15,000
School Readiness	25,000	-
Health and Wellness	28,163	25,264
Capacity Building	11,789	31,125
Miscellaneous Contributions	932	500
Endowment investment	11,252	9,935
	<u>\$ 187,136</u>	<u>\$ 159,670</u>

During the year ending December 31, 2017 and 2016 net assets were released from donor restrictions for the following specified purposes:

	<u>2017</u>	<u>2016</u>
After school tutoring and enrichment programs	\$ 106,736	\$ 106,181
Technology	9,190	-
Core support	28,110	49,168
Pathways out of Poverty	38,500	-
Education for youth	69,748	46,500
Back to School	21,666	10,722
Holiday	400	54,114
Health and Wellness	64,051	41,892
Capacity building for adults	54,337	6,375
Adopt-a-Resource-Center	70,000	45,133
Family Support	-	31,000
Resource Center Events	4,311	-
Miscellaneous Contributions	1,681	2,464
	<u>\$ 468,730</u>	<u>\$ 393,549</u>

PROJECT ACCESS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 11: RELATED PARTY TRANSACTION**

**In-Kind Contributions**

During the years ended December 31, 2017 and 2016 the property owners of various centers operated by the Organization made in-kind contributions in the amount of \$1,343,112 and \$1,183,585 respectively.

**Program Service Fees**

During each of the years ending December 31, 2017 and 2016 the Organization received program service fees from an affiliated non-profit entity in the amount of \$300,000.

**Contributions**

During the years ended December 31, 2017 and 2016 the Organization received contributions from an affiliated non-profit entity in the amount of \$38,500 and \$78,500 respectively.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 21, 2018, the date which the financial statements were available for issue, and no events occurred that required recording or disclosure in the accompanying financial statements.