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Street Sense, Inc.

Financial Statements  
And  
Independent Auditor's Report

Year Ended December 31, 2016 and 2015

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## **Independent Auditor's Report**

To the Board of Directors  
Street Sense, Inc.  
Washington, DC

We have audited the accompanying financial statements of Street Sense, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, 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 Street Sense, Inc. as of December 31, 2016, and the change 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 Street Sense, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Abercrombie & Associates, LLC*

Abercrombie & Associates, LLC  
August 22, 2017  
Silver Spring, MD

Street Sense  
Statement of Financial Position  
December 31, 2016

(With summarized comparative financial information as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	86,423	74,799
Accounts receivable	45,447	26,945
Grants receivable	50,000	100,000
Prepaid expenses	4,449	4,420
Fixed assets, net of depreciation	<u>10,668</u>	<u>28,334</u>
<b>TOTAL ASSETS</b>	<u>196,987</u>	<u>234,498</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	<u>32,398</u>	<u>33,262</u>
<b>TOTAL LIABILITIES</b>	<u>32,398</u>	<u>33,262</u>
<b>Net Assets</b>		
Unrestricted	56,203	73,080
Restricted	<u>108,386</u>	<u>128,156</u>
<b>TOTAL NET ASSETS</b>	164,589	201,236
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 196,987</u>	<u>\$ 234,498</u>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.  
Statement of Activities  
Year Ended December 31, 2016

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Revenue and Support</b>				
Grants and contributions	256,300	38,000	294,300	372,993
Program services revenue	49,863	-	49,863	70,916
Donated services and goods	79,530	-	79,530	156,369
Special event	27,314	-	27,314	27,910
Miscellaneous income	3	-	3	200
Release of restriction	57,770	(57,770)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Revenue and Support</b>	<u>470,780</u>	<u>(19,770)</u>	<u>451,010</u>	<u>628,388</u>
<b>Expenses:</b>				
Program services	408,533	-	408,533	419,487
Management and general	53,202	-	53,202	78,654
Fundraising	25,922	-	25,922	26,218
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<u>487,657</u>	<u>-</u>	<u>487,657</u>	<u>524,359</u>
Change in Net Assets	(16,877)	(19,770)	(36,647)	104,029
Net Assets Beginning of Year	<u>73,080</u>	<u>128,156</u>	<u>201,236</u>	<u>97,207</u>
<b>Net Assets End of Year</b>	<u><u>56,203</u></u>	<u><u>108,386</u></u>	<u><u>164,589</u></u>	<u><u>201,236</u></u>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.  
Statement of Functional Expenses  
December 31, 2016

With summarized comparative financial information for the year ended December 31, 2015)

<b>EXPENSES</b>	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising</u></b>	<b><u>2016 Total</u></b>	<b><u>2015 Total</u></b>
Payroll expenses	169,557	31,792	10,597	211,947	158,583
Consultants and professional fees (donated)	79,530	-	-	79,530	146,492
Program costs	45,262	-	-	45,262	40,324
Consultants and professional fees	27,368	5,131	1,710	34,210	42,347
Printing	25,925	4,861	1,620	32,407	34,683
Occupancy	18,240	3,420	1,140	22,800	22,547
Depreciation	14,133	2,650	883	17,666	16,975
Fringe benefits	10,313	1,934	645	12,891	26,707
Fundraising	-	-	8,188	8,188	5,708
Vendor donation expense	3,576	671	224	4,471	2,720
Telephone/fax/internet	3,161	593	198	3,951	5,694
Insurance	2,928	549	183	3,660	3,349
Postage and delivery	2,892	542	181	3,614	2,896
Technology	1,241	233	78	1,551	5,574
Dues and conferences	928	174	58	1,159	434
Office equipment	886	166	55	1,108	2,252
Bank charges	750	141	47	938	2,258
Marketing and advertising	569	107	36	711	327
Meals, travel and transportation	502	94	31	627	3,002
Supplies	443	83	28	554	1,147
Licenses and permits	330	62	21	413	340
<b>Total</b>	<b><u>408,533</u></b>	<b><u>53,202</u></b>	<b><u>25,922</u></b>	<b><u>487,657</u></b>	<b><u>524,359</u></b>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2016

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

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	(36,647)	104,029
Adjustments to reconcile change in assets to net cash used by operating activities:		
Depreciation expense	17,666	16,975
Donated assets	-	(8,287)
(Increase) decrease in accounts receivable	(18,502)	3,247
Decrease (increase) in grants receivable	50,000	(100,000)
(Increase) in prepaid expenses	(29)	(1,894)
(Decrease) increase in accounts payable and accrued expense	<u>(864)</u>	<u>3,571</u>
Net Cash provided by Operating Activities	<u>11,624</u>	<u>17,641</u>
Net Increase in Cash and Cash Equivalents	11,624	17,641
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>74,799</u>	<u>57,158</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>86,423</u>	<u>74,799</u>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.  
Notes to Financial Statements  
December 31, 2016

**Note 1 – Organization and Summary of Accounting Policies**

Organization

Street Sense, Inc. (“Street Sense”) is a non-profit organization that serves as a vehicle for elevating voices and public debate on issues relating to poverty while also creating economic opportunities for people in the community who are experiencing homelessness. It seeks to achieve its mission through the publication and distribution of a bi-weekly newspaper and other media, and via employment training programs in the field of digital marketing and media arts. In addition to its newspaper, Street Sense produces content in film, theater, audio, illustration and interactive art. Distribution of the paper not only provides an immediate source of income to the homeless men and woman who sell it, but, along with the other media the organization produces, also gives these vendors a voice and a new sense of self-worth. The content Street Sense produces provides consumers with in-depth coverage of homelessness and poverty issues not often covered by mainstream media.

Street Sense was incorporated in 2003 under the laws of the District of Columbia. Its activities are funded by grants and private donations as well as from the proceeds of the sales of newspaper and advertising.

A summary of significant accounting policies utilized in the preparations of the financial statements is as follows:

Basis of accounting

The financial statements of Street Sense have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*. Therefore, revenue and related assets are recognized when earned and expense are recorded when the related obligations are incurred.

Tax status

Street Sense has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under section 501(c) (3) of the Internal Revenue Code. The Internal Revenue Service has determined that Street Sense is not a private foundation. Street Sense is required to report unrelated business income to the Internal Revenue Service and the District of Columbia.

Uncertain tax positions

The Financial Accounting Standards Board (FASB) has released FASB ASC 740-10, *Income Taxes*, that provide guidance for reporting uncertainty in income taxes. For the year ended December 31, 2016, Street Sense has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. Tax years ending December 31, 2015, 2014 and 2013 remain open with both Federal and state taxing authorities.

Street Sense, Inc.  
Notes to Financial Statements  
December 31, 2016

Cash and cash equivalents

For financial statement purposes, cash and cash equivalents include operating cash accounts, petty cash and highly liquid, money market fund accounts with original maturities of three months or less.

Net assets

Street Sense has established the following net asset categories:

- Unrestricted net assets are available for use in general operations.
- Temporarily restricted net assets consist of amounts that are subject to donor restrictions and income earned on permanently restricted net assets. Street Sense is permitted to use or expend the donated assets in accordance with the donor restrictions.
- Street Sense reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Revenue recognition

Street Sense recognizes revenue when it is earned. Revenues are recorded at the time pledges are made, corporate support is pledged, products are shipped, services are performed, or obligations are fulfilled. Contributions are reported in accordance with the provisions of FASB ASC 958-605, *Revenue Recognition* (SFAS No. 116).

Property and equipment

Property and equipment consist of furniture, office, computer equipment and intangible assets recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The capitalization policy currently records property and equipment acquisitions over \$1,000 with an expected life of more than a year.

Use of estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Donated services, goods and facilities

Donated professional services are reflected in the statement of activities at their fair value. Assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Street Sense, Inc.  
Notes to Financial Statements  
December 31, 2016

Fair value measurement

Street Sense adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurement. Street Sense accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**Note 2 - Accounts and Grants Receivable**

Street Sense uses the allowance method to account for uncollectible receivables. Receivables are determined uncollectible based on management's review. As of December 31, 2016, allowance for uncollectible receivables was zero since all receivables were deemed to be collectible.

Accounts and grants receivable due in less than one year	<u>\$ 95,447</u>
Total Accounts and grants receivable	<u><u>\$ 95,447</u></u>

**Note 3 - Property and Equipment**

Furniture, equipment and intangible assets are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the respective assets, which range from three to seven years on a straight line basis. Street Sense capitalizes property and equipment in excess of \$1,000.

Property and equipment consists of the following at December 31, 2016:

Furniture and equipment	\$ 70,833
Accumulated depreciation	<u>(60,165)</u>
Book Value December 31, 2016	<u><u>\$ 10,668</u></u>

Depreciation expense was \$17,666 for the period ended December 31, 2016.

**Note 4 – Donated Goods and Services**

Street Sense received donated goods and services totaling \$79,530. Donated services are shown as both support and expense in the Statement of Activities.

**Note 5 - Temporarily Restricted Net Assets**

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

Media center	\$ 81,678
Executive assistant	<u>26,708</u>
Total	<u><u>\$ 108,386</u></u>

Street Sense  
Notes to Financial Statements  
December 31, 2016

**Note 6 - Commitments**

Street Sense leases its office space in Washington, DC under a month to month lease. Rent expense for the Year Ended December 31, 2016 was \$22,800.

**Note 7 - Concentration of Credit Risk**

Financial instruments that potentially expose Street Sense to concentrations of credit risk consist primarily of cash deposits. Bank deposit accounts at one institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. There was no uninsured balance as of December 31, 2016. Street Sense has not experienced, nor does it anticipate any loss of funds from its current concentration of risk.

**Note 8 - Functional Allocation of Expenses**

The cost of providing various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative costs have been allocated, when appropriate, to the programs and supporting services proportionately based on direct personnel costs.

**Note 9 - Subsequent events**

In preparing these financial statements, Street Sense has evaluated events and transactions for potential recognition or disclosure through August 22, 2017 the date the financial statements were issued.