
Street Sense, Inc.

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2017
(With summarized comparative financial information for the year ended
December 31, 2016)

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 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.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
June 21, 2018
Silver Spring, MD

Street Sense
Statement of Financial Position
December 31, 2017

(With summarized comparative financial information as of December 31, 2016)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	162,655	86,423
Accounts receivable	44,046	45,447
Grants receivable	-	50,000
Prepaid expenses	3,906	4,449
Fixed assets, net of depreciation	3,106	10,668
TOTAL ASSETS	213,713	196,987
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	35,041	32,398
Due to Homelessly in Love	10,087	-
TOTAL LIABILITIES	45,128	32,398
Net Assets		
Unrestricted	88,116	56,203
Restricted	80,470	108,386
TOTAL NET ASSETS	168,586	164,589
TOTAL LIABILITIES AND NET ASSETS	\$213,713	\$196,987

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Statement of Activities
For the year ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue and Support				
Grants and contributions	325,058	45,000	370,058	294,300
Program services revenue	57,669	-	57,669	49,863
Donated services and goods	65,160	-	65,160	79,530
Special event	23,149	-	23,149	27,314
Miscellaneous income	4	-	4	3
Release of restriction	72,916	(72,916)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue and Support	543,954	(27,916)	516,038	451,010
Expenses:				
Program services	421,881	-	421,881	408,533
Management and general	60,401	-	60,401	53,202
Fundraising	29,759	-	29,759	25,922
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	512,041	-	512,041	487,657
Change in Net Assets	31,913	(27,916)	3,997	(36,647)
Net Assets Beginning of Year	56,203	108,386	164,589	201,236
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets End of Year	<u>\$ 88,116</u>	<u>\$ 80,470</u>	<u>\$ 168,586</u>	<u>\$ 164,589</u>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Statement of Functional Expenses
For the year ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>	<u>2016 Total</u>
Payroll expenses	209,906	39,357	13,119	262,382	211,947
Consultants and professional fees (donated)	65,160	-	-	65,160	79,530
Program costs	34,581	-	-	34,581	45,262
Printing	27,567	5,169	1,723	34,459	32,407
Consultants and professional fees	20,281	3,803	1,268	25,351	34,210
Occupancy	18,240	3,420	1,140	22,800	22,800
Fringe benefits	12,613	2,365	788	15,767	12,891
Vendor donation expense	8,780	1,646	549	10,975	4,471
Depreciation	8,050	1,509	503	10,062	17,666
Fundraising	-	-	9,625	9,625	8,188
Telephone/fax/internet	3,304	620	207	4,131	3,951
Insurance	3,044	571	190	3,805	3,660
Postage and delivery	2,957	554	185	3,696	3,614
Technology	1,927	361	120	2,409	1,551
Office equipment	1,700	319	106	2,125	1,108
Bank charges	1,607	301	100	2,009	938
Supplies	958	180	60	1,197	554
Dues and conferences	693	130	43	866	1,159
Marketing and advertising	271	51	17	339	711
Meals, travel and transportation	178	33	11	223	627
Licenses and permits	64	12	4	80	413
Total	<u>\$ 421,881</u>	<u>\$ 60,401</u>	<u>\$ 29,759</u>	<u>\$ 512,041</u>	<u>\$ 487,657</u>

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Statement of Cash Flows
For the year ended December 31, 2017
(With summarized comparative financial information for the year ended December 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	3,997	(36,647)
Adjustments to reconcile change in assets to net cash provided by operating activities:		
Depreciation expense	10,062	17,666
Decrease (increase) in accounts receivable	1,400	(18,502)
Decrease in grants receivable	50,000	50,000
Decrease (increase) in prepaid expenses	543	(29)
Increase (decrease) in accounts payable and accrued expense	12,730	(864)
Net Cash provided by Operating Activities	78,732	11,624
Cash Flows from Investing Activities		
Purchase of Fixed Assets	(2,500)	-
Net Cash used by Investing Activities	(2,500)	-
Net Increase in Cash and Cash Equivalents	76,232	11,624
Cash and Cash Equivalents, Beginning of Year	86,423	74,799
Cash and Cash Equivalents, End of Year	\$ 162,655	\$ 86,423

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Notes to Financial Statements
December 31, 2017

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, 2017, 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, 2016, 2015 and 2014 remain open with both Federal and state taxing authorities.

Street Sense, Inc.
Notes to Financial Statements
December 31, 2017

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, 2017

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.

New accounting pronouncements (not yet adopted)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Street Sense's financial statements, it is not expected to alter Street Sense's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should 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. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Street Sense has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Street Sense plans to adopt the new ASUs at the respective required implementation dates.

Street Sense, Inc.
Notes to the Financial Statements
December 31, 2017

Note 2 - Accounts 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, 2017, allowance for uncollectible receivables was zero since all receivables were deemed to be collectible.

Accounts receivable due in less than one year	<u>\$ 44,046</u>
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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, 2017:

Furniture and equipment	\$ 73,333
Accumulated depreciation	<u>(70,227)</u>
Book Value December 31, 2017	<u>\$ 3,106</u>

Depreciation expense was \$10,062 for the period ended December 31, 2017.

Note 4 – Donated Goods and Services

Street Sense received donated goods and services totaling \$65,160. 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, 2017:

Media center	\$ 37,485
Case management	16,277
Executive assistant	<u>26,708</u>
Total	<u>\$ 80,470</u>

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, 2017 was \$22,800.

Street Sense, Inc.
Notes to the Financial Statements
December 31, 2017

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, 2017. 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 – Fiscal Agent

Street Sense entered into a Fiscal Agent Agreement with Homelessly in Love. During the year ended December 31, 2017 pass-through support received amounted to \$25,000.

Note 10 - Subsequent events

In preparing these financial statements, Street Sense has evaluated events and transactions for potential recognition or disclosure through June 21, 2018 the date the financial statements were issued.