
Street Sense, Inc.

Financial Statements
And
Independent Auditor's Report

Year Ended December 31, 2018
(With summarized comparative financial information for the year ended
December 31, 2017)

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Abercrombie & Associates, LLC

Abercrombie & Associates, LLC
November 14, 2019
Silver Spring, MD

Street Sense
Statement of Financial Position
December 31, 2018

(With summarized comparative financial information as of December 31, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	89,842	162,655
Accounts receivable	49,160	44,046
Grants receivable	-	-
Prepaid expenses	3,914	3,906
Fixed assets, net of depreciation	-	3,106
TOTAL ASSETS	142,916	213,713
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	25,394	35,041
Due to Homelessly in Love	17,064	10,087
TOTAL LIABILITIES	42,458	45,128
 Net Assets		
Without Donor Restrictions	49,097	88,116
With Donor Restrictions	51,361	80,470
TOTAL NET ASSETS	100,458	168,586
TOTAL LIABILITIES AND NET ASSETS	\$ 142,916	\$ 213,713

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Statement of Activities
For the year ended December 31, 2018

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and Support				
Grants and contributions	239,860	95,000	334,860	370,058
Program services revenue	42,932	-	42,932	57,669
Donated services and goods	54,748	-	54,748	65,160
Special event	29,309	-	29,309	23,149
Miscellaneous income	1,834	-	1,834	4
Release of restrictions	124,109	(124,109)	-	-
Total Revenue and Support	<u>492,792</u>	<u>(29,109)</u>	<u>463,683</u>	<u>516,038</u>
Expenses:				
Program services	433,428	-	433,428	421,881
Management and general	66,670	-	66,670	60,401
Fundraising	31,713	-	31,713	29,759
Total Expenses	<u>531,811</u>	<u>-</u>	<u>531,811</u>	<u>512,041</u>
Change in Net Assets	(39,019)	(29,109)	(68,128)	3,997
Net Assets Beginning of Year	<u>88,116</u>	<u>80,470</u>	<u>168,586</u>	<u>164,589</u>
Net Assets End of Year	<u>\$ 49,097</u>	<u>\$ 51,361</u>	<u>\$ 100,458</u>	<u>\$ 168,586</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, 2018
(With summarized comparative financial information for the year ended December 31, 2017)

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Payroll expenses	228,147	42,778	14,259	285,184	262,382
Consultants and professional fees (donated)	54,748	-	-	54,748	65,160
Program costs	23,107	-	-	23,107	34,581
Printing	29,398	5,512	8,958	43,868	41,694
Consultants and professional fees	36,869	6,913	2,304	46,086	25,351
Occupancy	18,422	3,454	1,151	23,028	22,800
Fringe benefits	13,691	2,567	856	17,114	15,767
Vendor donation expense	1,460	274	91	1,825	10,975
Depreciation	2,485	466	155	3,106	10,062
Fundraising	-	-	-	-	0
Telephone/fax/internet	3,781	709	236	4,726	4,131
Insurance	3,049	572	191	3,811	3,805
Postage and delivery	2,866	537	2,175	5,579	5,686
Technology	2,972	557	186	3,714	2,409
Office equipment	2,976	558	186	3,720	2,125
Bank charges	3,457	648	216	4,322	2,009
Supplies	807	151	50	1,009	1,197
Dues and conferences	1,128	211	443	1,783	1,266
Marketing and advertising	3,202	600	200	4,002	339
Meals, travel and transportation	355	66	22	443	223
Licenses and permits	510	96	32	638	80
Total	<u>\$ 433,428</u>	<u>\$ 66,670</u>	<u>\$ 31,713</u>	<u>\$ 531,811</u>	<u>\$ 512,040</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, 2018
(With summarized comparative financial information for the year ended December 31, 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	(68,128)	3,997
Adjustments to reconcile change in assets to net cash used by operating activities:		
Depreciation expense	3,106	10,062
Decrease (increase) in accounts receivable	(5,113)	1,400
Decrease in grants receivable	-	50,000
Decrease (increase) in prepaid expenses	(8)	543
Increase (decrease) in accounts payable and accrued expense	(2,670)	12,730
Net Cash provided by Operating Activities	(72,813)	78,732
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	(72,813)	76,232
Cash and Cash Equivalents, Beginning of Year	162,655	86,423
Cash and Cash Equivalents, End of Year	\$ 89,842	\$ 162,655

The accompanying notes are an integral part of these financial statements

Street Sense, Inc.
Notes to Financial Statements
December 31, 2018

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, 2018, 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, 2017, 2016 and 2015 remain open with both Federal and state taxing authorities.

Street Sense, Inc.
Notes to Financial Statements
December 31, 2018

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

Net Assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets available for use in general operations and not subject to donor restrictions are recorded as net assets without donor restrictions.

Net Assets With Donor Restriction Net assets subject to donor or grantor imposed restrictions that will be met by the actions of Street Sense and/or the passage of time. When a restriction expires, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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*.

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, 2018

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.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$88,116 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$80,470 is now classified as net assets with donor restrictions.

Advertising Costs

Advertising costs are expensed as incurred.

New accounting pronouncements (not yet adopted)

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 June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Street Sense has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

Street Sense, Inc.
Notes to the Financial Statements
December 31, 2018

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.

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, 2018, allowance for uncollectible receivables was zero since all receivables were deemed to be collectible.

Accounts receivable due in less than one year	<u>\$ 49,160</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, 2018:

Furniture and equipment	\$ 73,333
Accumulated depreciation	<u>(73,333)</u>
Book Value December 31, 2018	<u>\$ -</u>

Depreciation expense was \$3,106 for the period ended December 31, 2018.

Note 4 – Donated Goods and Services

Street Sense received donated goods and services totaling \$54,748. Donated services are shown as both support and expense in the Statement of Activities.

Note 5 – With Donor Restrictions Net Assets

With donor restrictions net assets were available for the following purposes at December 31, 2018:

Media center	\$ 4,836
Case management	18,025
Development	<u>28,500</u>
Total	<u>\$ 51,361</u>

Street Sense, Inc.
Notes to the Financial Statements
December 31, 2018

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, 2018 was \$23,028.

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, 2018. 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, 2018 pass-through support received amounted to \$14,500.

Note 10 – Liquidity

Liquidity and availability

Financial assets available for general expenditure, that is, without donor or restrictions limiting their use, within one year of the statement of financial position, comprise the following:

Cash and Cash Equivalents	\$ 89,842
Grants and accounts receivable	<u>49,160</u>
Net Financial Assets Available within one year	<u>\$139,002</u>

Street Sense's policy is to structure its financial assets to become available as general expenditures, liabilities and other obligations become due.

Note 11 - Subsequent events

In preparing these financial statements, Street Sense has evaluated events and transactions for potential recognition or disclosure through November 14, 2019, the date the financial statements were issued.