

Firehouse Community Development Corporation

(A California nonprofit Corporation)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2015**

**WITH COMPARATIVE TOTALS
FOR DECEMBER 31, 2014
WITH
INDEPENDENT AUDITOR'S REPORT**

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Firehouse Community Development Corporation
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Firehouse Community Development Corporation (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. 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 Firehouse Community Development Corporation as of December 31, 2015, 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 Information

The summarized comparative information presented herein as of and for the year ended December 31, 2014, derived from the unaudited financial statements, has not been audited, reviewed, or compiled and according we express no opinion on it.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Firehouse Community Development Corporation's financial statements. The accompanying Schedule of Government Financial Assistance (the Schedule), as required by the grant agreement with City of San Jose, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule is the responsibility of the management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2016, on our consideration of Firehouse Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Firehouse Community Development Corporation's internal control over financial reporting and compliance.



Palo Alto, California
December 22, 2016

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,377	\$ 384
Accounts receivable	70,750	65,500
Total Assets	<u>\$ 73,127</u>	<u>\$ 65,884</u>
 LIABILITIES AND NET ASSETS		
 Current Liabilities		
Accounts payable and accrued expenses	\$ 1,640	\$ 3,036
Total Liabilities	<u>1,640</u>	<u>3,036</u>
 Net Assets		
Unrestricted	57,019	62,848
Temporarily restricted	14,468	-
Total Net Assets	<u>71,487</u>	<u>62,848</u>
Total Liabilities and Net Assets	<u>\$ 73,127</u>	<u>\$ 65,884</u>

The accompanying notes are integral part of these financial statements.

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>2014</u>
SUPPORT AND REVENUES				
Contracts	\$ -	\$ 298,599	\$ 298,599	\$ 258,367
Contributions	21,039	13,750	34,789	85,224
In-kind donations	-	22,800	22,800	11,250
Net assets released from restrictions	326,914	(326,914)	-	-
Total Support and Revenues	<u>347,953</u>	<u>8,235</u>	<u>356,188</u>	<u>354,841</u>
EXPENSES				
Program services - youth mentoring	326,914	-	326,914	334,733
Management and general	4,110	-	4,110	15,204
Fundraising	16,525	-	16,525	-
Total Expenses	<u>347,549</u>	<u>-</u>	<u>347,549</u>	<u>349,937</u>
CHANGE IN NET ASSETS				
	404	8,235	8,639	4,904
Net Assets, Beginning of Year	<u>56,615</u>	<u>6,233</u>	<u>62,848</u>	<u>57,944</u>
Net Assets, End of Year	<u>\$ 57,019</u>	<u>\$ 14,468</u>	<u>\$ 71,487</u>	<u>\$ 62,848</u>

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

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,639	\$ 4,904
Change in operating assets and liabilities		
Increase in accounts receivable	(5,250)	(65,500)
Increase (decrease) in accounts payable and accrued expenses	<u>(1,396)</u>	<u>1,545</u>
Net Cash Provided by (Used for) Operating Activities	1,993	(59,051)
Beginning cash and cash equivalent	384	59,435
Ending cash and cash equivalent	<u><u>\$ 2,377</u></u>	<u><u>\$ 384</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH AMOUNTS		
In-kind donations	<u><u>\$ 22,800</u></u>	<u><u>\$ 11,250</u></u>

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

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Supporting Services Management</u>	<u>Fundraising</u>	<u>Total 2015</u>	<u>2014</u>
	<u>Youth Mentoring</u>	<u>and General</u>	<u>Fundraising</u>		
Salaries	\$ 192,431	\$ -	\$ -	\$ 192,431	\$ 219,127
Payroll taxes	17,410	-	-	17,410	15,243
Total Payroll Expenses	209,841	-	-	209,841	234,370
Community outreach events	19,472	-	-	19,472	23,601
Dues, fees, and other	2,634	841	-	3,475	4,547
Field trip expenses	10,515	-	-	10,515	6,548
Insurance	2,245	417	140	2,802	3,195
Occupancy, in-kind	22,800	-	-	22,800	11,250
Outside services	50,791	1,140	16,385	68,316	53,720
Postage	387	72	-	459	65
Printing	287	15	-	302	-
Supplies	2,472	258	-	2,730	5,803
Telephone and internet	5,470	1,367	-	6,837	6,838
Total Expenses	<u>\$ 326,914</u>	<u>\$ 4,110</u>	<u>\$ 16,525</u>	<u>\$ 347,549</u>	<u>\$ 349,937</u>

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

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Firehouse Community Development Corporation (the Organization) was incorporated in the State of California in 2006 as a nonprofit public benefit corporation. The Organization provides programs and services related to educating and empowering multi-cultural at risk families to break the cycles of poverty.

Program Services

The Organization works with the most serious “at risk” youth and their families who lack the drive and ambition to promote positive behavior, and extinguish the fire within. The Organization provides a safe place to promote resources, referrals and direct services that empower individuals to change their destructive behaviors and break the cycles of poverty for themselves and their families. In this safe place an individual’s flame (self-esteem) is reignited by promoting personal development and giving individuals skills to become productive and financially self-sufficient members of the community.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under ASC, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting. Revenues are recognized when earned, and expenses are recognized when incurred in accordance with the accrual basis of accounting.

Unrestricted net assets are revenues or other resources which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporarily restricted net assets are the resources whose donor(s) restrict the use for a particular purpose or in a particular future period. The Organization reports restricted resources received as increase in restricted net assets. When the donor (s)' restrictions are satisfied, either by using the assets in the manner specified by the donor(s) or by passage of time, such assets are reclassified to unrestricted net assets. Permanently restricted net assets are resources whose donor-imposed restrictions cannot expire either by passage of time or usage. The Organization currently has no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles general accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Income Taxes

The Organization is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(vi). The Organization is also exempt from California State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's Federal Form 990, *Return of Organization Exempt From Income Tax*, and State Form 109, *California Exempt Organization Business Income Tax Return*, are subject to examination by the IRS for three years, and by the State Franchise Tax Board for four years, after they were filed. The Organization is not aware of any such examinations at this time.

The Organization has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days and available for current operations. The Organization maintains all cash balances in financial institutions which are insured up to \$250,000. At December 31, 2015, all amounts in the bank are under Federal depository insurance coverage

Accounts Receivable

Accounts receivable is recorded at net realizable value consisting of the carrying amount less an allowance for doubtful collections. All receivables are due within one year. Management determines the allowance amount based on factors such as historical experience, credit quality and the age of the account balance. At December 31, 2015, the accounts receivable consist of one receipt of \$70,750 from City of San Jose. The allowance for doubtful account is estimated at \$0.

Deferred Revenue

Deferred revenue represents contract revenue received prior to the period in which the related program services are performed; accordingly, contract revenue is deferred until the related program services are provided. The Organization does not have deferred revenue as of December 31, 2015.

Revenue Recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Contributions

Contributions are reported in accordance with ASC 958 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Contributions are recognized when a donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Temporarily restricted contributions are reported as increases in restricted net assets and reclassified to unrestricted net assets when the restriction is met.

In-kind Contributions

Contributions in-kind are recognized in accordance with the provisions of ASC 958 (formerly SFAS No. 116). Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at their estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

During the year, office space was provided by the donor on behalf of the Organization. This donated office space was valued at \$1,900 per month and recognized in the financial statements as in-kind donation revenue and in-kind occupancy expense in the Youth Monitoring program. For the year ended December 31, 2015, the Organization recorded in-kind donations of \$22,800.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Identifiable expenses are charged directly to programs or supporting services.

NOTE 2 – MARKET VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Organization adopted FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets

Level 2 inputs – quoted prices in active or inactive for the same or similar assets

Level 3 inputs – estimates using the best information available when there is little or no market

The Organization did not have any assets or liabilities measured at fair value on a recurring basis as of December 31, 2015.

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 – CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any questioned costs for the grants administered during the period.

NOTE 4 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations are noticeable in the grants awarded. For the year ending December 31, 2015, the City of San Jose comprises approximately 100% of the grants awarded. The ability of certain grants and awards to continue to provide amounts comparable with prior years may be dependent upon current and future economic conditions and budget constraints. While management believes, the Organization has the resources to continue current and future programs, its ability to do so, and the extent to which it does, may be dependent on the above factors.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions that may occur for potential recognition or disclosure in the financial statements from balance sheet date through December 22, 2016, the date on which the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

FIREHOUSE COMMUNITY DEVELOPMENT CORPORATION
(A California Nonprofit Corporation)

SCHEDULE OF GOVERNMENT FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

For the year ended December 31, 2015, Firehouse Community Development Corporation's government financial assistance consisted of the following:

<u>Grantee</u>	<u>Source</u>	<u>For the year ended</u> <u>December 31, 2015</u>	
		<u>Received</u>	<u>Disbursed</u>
City of San Jose	San Jose Bringing Everyone's Strength Together (BEST)	\$ 293,349	\$ 291,531



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Firehouse Community Development Corporation
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Firehouse Community Development Corporation (a California nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2016

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Palo Alto, California
December 22, 2016