

COMPASSION COALITION, INC.

UTICA, NEW YORK

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

June 3, 2018

To the Board of Directors
of Compassion Coalition, Inc.

We have audited the accompanying financial statements of Compassion Coalition, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, 2016 and 2015, and the related statements of activities and cash flows for the years 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 Compassion Coalition, Inc. as of December 31, 2017, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Fitzgerald, DePietro & Wojnas, C.P.A.s, P.C.

FITZGERALD, DEPIETRO & WOJNAS, C.P.A.s, P.C.

**Fitzgerald, DePietro
& Wojnas, CPAs, P.C.**

STATEMENTS OF FINANCIAL POSITIONDECEMBER 31,A S S E T S

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets:			
Cash	\$ 571,450	\$ 413,255	\$ 182,962
Accounts Receivable - Net	60,386	28,070	3,833
Inventory	45,533	74,051	141,391
Total Current Assets	<u>677,369</u>	<u>515,376</u>	<u>328,186</u>
Property and Equipment:			
Leasehold Improvements	220,294	220,294	230,358
Equipment	330,739	288,370	267,521
Vehicles	152,360	94,360	94,360
Construction in Progress	281,228	10,650	-
	<u>984,621</u>	<u>613,674</u>	<u>592,239</u>
Less: Accumulated Depreciation	423,857	404,697	393,731
Property and Equipment - Net	<u>560,764</u>	<u>208,977</u>	<u>198,508</u>
 TOTAL ASSETS	 <u>\$ 1,238,133</u>	 <u>\$ 724,353</u>	 <u>\$ 526,694</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts Payable	\$ 28,301	\$ 13,557	\$ 30,535
Accrued Expenses	44,626	41,353	6,488
Total Current Liabilities	<u>72,927</u>	<u>54,910</u>	<u>37,023</u>
Net Assets:			
Unrestricted	1,130,423	569,443	489,671
Temporarily Restricted	34,783	100,000	-
Total Net Assets	<u>1,165,206</u>	<u>669,443</u>	<u>489,671</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,238,133</u>	 <u>\$ 724,353</u>	 <u>\$ 526,694</u>

STATEMENTS OF ACTIVITIESFOR THE YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROGRAM REVENUES			
Contributions of Salvaged Goods	\$ 16,470,178	\$ 18,970,183	\$ 21,668,442
Contributions - CCI	29,900	21,994	37,234
Contributions - YBG	17,000	-	-
Agency Fees	156,635	174,480	195,817
Product Sales	120,498	89,324	2,899
Miscellaneous	18,705	31,094	2,345
Net Assets Released from Restrictions	302,371	16,500	21,000
Total Program Revenues	<u>17,115,287</u>	<u>19,303,575</u>	<u>21,927,737</u>
PROGRAM EXPENDITURES			
Donations of Salvaged Goods	16,470,178	18,970,183	21,668,442
Salaries	169,403	155,617	96,836
Payroll Taxes	12,998	11,730	6,929
Employee Benefits	36,352	36,613	27,149
Advertising and Promotions	1,450	2,581	22,119
Cost of Goods Sold - Product Sales	103,429	72,596	3,937
Depreciation	4,070	7,638	11,856
Donations	58,183	44,234	27,423
Freight	39,709	38,756	74,848
Insurance	17,439	12,686	14,877
Office and Miscellaneous	7,007	17,580	15,098
Professional Fees	14,766	12,366	11,967
Rent	16,656	22,097	33,000
Repairs and Maintenance	18,566	26,611	30,553
Telephone	6,901	7,913	7,831
Travel and Entertainment	4,613	4,951	3,561
Utilities	23,478	18,857	19,058
Total Program Expenditures	<u>17,005,198</u>	<u>19,463,009</u>	<u>22,075,484</u>
Net Revenues (Deficit) over Expenditures - Program	110,089	(159,434)	(147,747)
Net Revenues over Expenditures - Your Bargain Grocer	<u>450,891</u>	<u>239,206</u>	<u>206,928</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>560,980</u>	<u>79,772</u>	<u>59,181</u>

The Above is Subject to the Accompanying Accountant's Report
See Accompanying Notes to Financial Statements

STATEMENTS OF ACTIVITIES - YOUR BARGAIN GROCERFOR THE YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Sales	\$ 2,368,225	\$ 1,823,094	\$ 1,493,084
Cost of Goods Sold	<u>993,651</u>	<u>825,797</u>	<u>624,147</u>
GROSS PROFIT	<u>1,374,574</u>	<u>997,297</u>	<u>868,937</u>
EXPENDITURES			
Salaries	598,951	430,171	382,318
Payroll Taxes	37,925	22,927	22,298
Employee Benefits	77,140	79,794	58,173
Advertising and Promotions	8,246	2,670	2,821
Depreciation	15,090	5,942	8,396
Donations	2,844	19,632	4,960
Insurance	20,767	16,125	18,852
Office, Postage and Miscellaneous	42,419	32,947	13,522
Professional Fees	26,794	25,771	11,967
Rent	17,951	62,624	70,120
Repairs and Maintenance	39,437	33,259	39,609
Telephone	4,656	5,630	7,099
Travel and Entertainment	6,250	213	1,943
Utilities	25,213	20,386	19,931
Total Expenditures	<u>923,683</u>	<u>758,091</u>	<u>662,009</u>
Net Revenues over Expenditures - Your Bargain Grocer	<u>\$ 450,891</u>	<u>\$ 239,206</u>	<u>\$ 206,928</u>

STATEMENTS OF ACTIVITIES (CONTINUED)FOR THE YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Increase in Unrestricted Net Assets (Continued)	<u>\$ 560,980</u>	<u>\$ 79,772</u>	<u>\$ 59,181</u>
Changes in Temporarily Restricted Net Assets:			
Contributions - CCI	46,828	16,500	21,000
Contributions - YBG	190,326	100,000	-
Net Assets Released from Restrictions	<u>(302,371)</u>	<u>(16,500)</u>	<u>(21,000)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(65,217)</u>	<u>100,000</u>	<u>-</u>
Increase in Net Assets	495,763	179,772	59,181
Net Assets - Beginning of Year	<u>669,443</u>	<u>489,671</u>	<u>430,490</u>
Net Assets - End of Year	<u>\$ 1,165,206</u>	<u>\$ 669,443</u>	<u>\$ 489,671</u>

STATEMENTS OF CASH FLOWSFOR THE YEAR ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES:			
Increase in Net Assets	\$ 495,763	\$ 179,772	\$ 59,181
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	19,160	13,580	20,252
(Gain) on Disposal of Property	-	(2,613)	-
(Increase) Decrease in Operating Assets:			
Accounts Receivable	(32,316)	(24,237)	(73)
Inventory	28,518	67,340	(91,723)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	14,744	(16,978)	12,675
Accrued Expenses	3,273	34,865	(9,237)
Net Cash Provided (Used) By Operating Activities	<u>529,142</u>	<u>251,729</u>	<u>(8,925)</u>
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES:			
Purchases of Equipment and Leasehold Improvements	(370,947)	(26,936)	(10,064)
Proceeds from Sale of Equipment	-	5,500	-
Net Cash Used By Investing Activities	<u>(370,947)</u>	<u>(21,436)</u>	<u>(10,064)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	158,195	230,293	(18,989)
Cash and Cash Equivalents - Beginning of Year	<u>413,255</u>	<u>182,962</u>	<u>201,951</u>
Cash and Cash Equivalents - End of Year	<u>\$ 571,450</u>	<u>\$ 413,255</u>	<u>\$ 182,962</u>

The Above is Subject to the Accompanying Accountant's Report
See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2017Note 1 - Summary of Significant Accounting Policies:

(A) Operations

Compassion Coalition, Inc. (the Organization) is a community-based entity that serves the underprivileged, the needy, the poor, the afflicted and those lacking opportunity and basic life necessities of affordable food, clothing, housing, transportation, employment and financial needs. The Organization works locally, regionally, nationally and globally to accomplish their mission. The Organization acts as a collection and distribution center for food and related products that it provides directly to local food pantries, soup kitchens, shelters, halfway houses, community associations and inner-city churches. The Corporation solicits donations of surplus food, household products, and personal care items from reclamation centers, grocery chains, manufacturers, retailers, and distributors. Products become available due to overproduction of inventory, nearness to expiration dates, and changes in consumer preferences. The Organization receives monetary assistance from the general public along with government grants, grants from various not-for-profit entities, and agency fees to subsidize transportation costs.

The Organization also operates a grocery store "Your Bargain Grocer" (the Store) at its location. The Store acquires its inventory at a substantially reduced cost and offers it for sale to the general public at a reduced sale price.

(B) Method of Reporting

Compassion Coalition, Inc. utilizes accounting principles required for Not-for-Profit Organizations. Under those principles, 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. (The Organization has no permanently restricted assets.)

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

(C) Tax Status

The Organization is a not-for-profit corporation exempt from Federal and New York State income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income (Store). For the years ended December 31, 2017, 2016 and 2015 no provision for income taxes is required. Management believes that the Organization continues to qualify for their non-profit exemption.

In most circumstances this position would be open to audit for years subsequent to January 1, 2015.

(D) Cash and Cash Equivalents

The Organization considers all bank accounts and money market accounts to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 2017Note 1 - Summary of Significant Accounting Policies (Continued):

(E) Property and Equipment

Property and equipment are recorded at cost and depreciated over their useful lives by accelerated and straight-line methods. The estimated useful lives of the assets are as follows:

<u>Asset Category</u>	<u>Useful Life Range</u>
Leasehold Improvements	15 - 40 Years
Furniture and Equipment	5-7 Years
Vehicles	5 Years

Expenditures for maintenance and repairs are charged to operations when incurred. Renewals and betterments that materially extend the life of the assets are capitalized, if the expenditure exceeds \$2,000 and has a useful life greater than one year.

Depreciation expenses was approximately \$19,000, \$13,000 and \$20,000 for 2017, 2016 and 2015, respectively.

(F) Accounts Receivable

Accounts Receivable are stated at amounts management expects to collect from outstanding balances owned by customers at year end. Accounts are generally considered past due if not collected within 30 days of billing. Interest is not charged on outstanding balances. There is no bad debt expense reported for all periods presented.

(G) Inventory – Your Bargain Grocer

Inventory consists of food and various sundries purchased for re-sale at the Organization's Store. Inventory is valued at the lower of cost or market, utilizing the "first-in, first-out" method (FIFO).

(H) Accrued Vacations and Compensated Absences

No provision for accrued vacations or compensated absences have been made since the amounts are not considered to be material.

(I) Donated Services and Goods

A substantial number of volunteers donate their time to assist Compassion Coalition in its programs. The majority of these donated service hours have not been reflected in these financial statements, as they do not meet the requirements for recognition.

Donated goods distributed to the various groups serving the needy (e.g. clothing, furniture, foodstuffs, etc.) are recorded as income, when received from the donor, and are expensed at the time the items are distributed to the donee Organization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 2017Note 1 - Summary of Significant Accounting Policies (Continued):

(J) Estimates

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

(K) Advertising

The Organization expenses advertising costs as incurred.

(L) Subsequent Events

The Organization did not have any subsequent events through June 3, 2018 (the date the financial statements were available to be issued) requiring recording or disclosure in the financial statements for the year ending December 31, 2017.

Note 2 – Related Party Transactions:

Mount Zion Ministries Church, Inc. d/b/a Redeemer Church (the Church) located in Utica, NY formulated the concept of establishing a food collection and distribution center to supply local area community associates who assist the needy. The resulting entity, Compassion Coalition, Inc. was formed on December 27, 1999.

The Organization has entered into a building lease agreement with the Church, a related party. (See Note 3)

Note 3 – Commitments:

The Organization leases a building used as warehouse, office and retail space for The Store at 509 Lafayette Street in Utica, NY. Monthly rent currently is \$3,000.

Future minimum rental payments under the above mentioned leases for the year ending December 31 are as follows:

2018	\$ 36,000
2019	46,000
2020	60,000
2021	35,000

The 509 Lafayette Street property may be subject to eminent domain due to the potential construction of a hospital. The Organization is currently seeking a new facility.

Note 4 – Concentrations:

Compassion Coalition uses two financial institutions for its banking. The Organization's balances at times may exceed federally insured limits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 2017Note 5 – Unemployment Insurance:

The Organization is self-insured for State Unemployment purposes. There is no accrual in the financial statements for any potential liabilities associated with unemployment cost.

Note 6 - Legal Proceedings:

In the ordinary course of business Compassion Coalition engages legal counsel to defend it against actions whether asserted or anticipated as management judges necessary in the circumstances.

Management does not believe that any of those actions are either not covered by insurance or would materially effect the operations or financial position of the Organization.

Note 7 – Reclassifications:

Certain previously reported amounts have been reclassified to conform to current report classifications. There is no change to net assets as a result of the reclassification.

Note 8 – Temporarily Restricted Net Assets:

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

New Kitchen	\$ 17,000
Expansion	9,662
Food Distribution	2,220
Hurricane Relief	3,401
Food for Children	2,500
	<u>\$ 34,783</u>