

**K TO COLLEGE
DBA SUPPLYBANK.ORG
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018**

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K TO COLLEGE DBA SUPPLYBANK.ORG
Financial Statements
For the Year Ended June 30, 2018

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K TO COLLEGE DBA SUPPLYBANK.ORG

BOARD OF DIRECTORS

JUNE 30, 2018

Steve Larson
Lorena Hernandez
Tim Sbranti
Benito Delgado-Olson
Dean Vogel
Mike Spanton
Rodney Brooks
Richard Stephenson
Mary Ellyn Gormley
Patrick Johnston
Sean Carr
Ted Lempert
Maritessa Bravo Ares
Jenny Zhu
Yvette Radford

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
K to College DBA SupplyBank.org
Oakland, California

We have audited the accompanying financial statements of K to College DBA SupplyBank.org, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, 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 Organization'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 Organization'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 K to College DBA SupplyBank.org as of June 30, 2018, 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.

Pleasant Hill, California
June 12, 2019

K TO COLLEGE
DBA SUPPLYBANK.ORG
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents (Note 3)	\$1,295,772
Accounts receivable	370,549
Inventory (Note 4)	151,539
Prepaid expenses	<u>316,833</u>
Total Current Assets	<u>2,134,693</u>

Non-Current Assets:

Property and equipment, net	<u>24,394</u>
TOTAL ASSETS	<u><u>\$2,159,087</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable (Note 5)	\$299,444
Payroll Liabilities	1,595
Undistributed in-kind goods	89,086
Vacation payable	70,460
Line of credit (Note 6)	<u>199,000</u>
Total Liabilities	<u>659,585</u>

Net Assets (Note 2A)

Unrestricted	431,312
Temporarily restricted	<u>1,068,190</u>
Total Net Assets	<u>1,499,502</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,159,087</u></u>

See accompanying notes to financial statements

K TO COLLEGE
DBA SUPPLYBANK.ORG
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUE			
Contributions and grants (Note 2B and 2C)	\$1,451,315	\$1,233,372	\$2,684,687
In-kind contributions (Note 7)	712,832		712,832
Interest	561	2,926	3,487
Other income	424		424
	<u>2,165,132</u>	<u>1,236,298</u>	<u>3,401,430</u>
Net assets released from restrictions:			
Satisfaction of usage requirements (Note 2A)	<u>168,108</u>	<u>(168,108)</u>	
EXPENSES			
Program: Cost of Goods Distributed	1,638,279		1,638,279
Support services:			
Management and general	628,287		628,287
Fundraising	4,266		4,266
	<u>2,270,832</u>		<u>2,270,832</u>
Change in Net Assets	62,408	1,068,190	1,130,598
Net Assets at Beginning of Year	415,882		415,882
Prior Period Adjustment (Note 2M)	<u>(46,978)</u>		<u>(46,978)</u>
Net Assets at End of Year	<u>\$431,312</u>	<u>\$1,068,190</u>	<u>\$1,499,502</u>

See accompanying notes to financial statements

K TO COLLEGE
 DBA SUPPLYBANK.ORG
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
FUNCTIONAL EXPENSES				
Cost of Materials, 3PL, Shipping	\$648,924			\$648,924
In-kind expense (Note 7)	712,832			712,832
Distribution Center		\$168,108		168,108
Contract services		34,129		34,129
Facilities and equipment		14,143		14,143
Payroll	266,468	357,566		624,034
Insurance		6,635		6,635
Information technology		13,266		13,266
Office supplies		9,885		9,885
Travel	8,531	15,640	\$4,266	28,437
Depreciation and amortization		1,742		1,742
Business expenses		6,242		6,242
Other expenses	1,524	931		2,455
Total Functional Expenses	<u>\$1,638,279</u>	<u>\$628,287</u>	<u>\$4,266</u>	<u>\$2,270,832</u>

See accompanying notes to financial statements

K TO COLLEGE
DBA SUPPLYBANK.ORG
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$1,130,598
Prior period adjustment	<u>(46,978)</u>
Total Change in Net Assets	<u>1,083,620</u>

Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:

Depreciation and amortization	1,742
Accounts receivable	(117,924)
Inventory	(55,757)
Prepaid expenses	(316,833)
Other assets	634
Accounts payable	(34,379)
Undistributed in-kind goods	74,912
Payroll liabilities	1,595
Vacation payable	<u>70,460</u>
Total Adjustments	<u>(375,550)</u>

Net Cash Provided by Operating Activities	<u>708,070</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, equipment and improvements	<u>(26,136)</u>
Net Cash (Used) by Investing Activities	<u>(26,136)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit	<u>199,000</u>
Net Cash Provided by Financing Activities	<u>199,000</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	880,934
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Cash and cash equivalents, beginning of year	<u>414,838</u>
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Cash and cash equivalents, end of year	<u><u>\$1,295,772</u></u>
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SUPPLEMENTARY INFORMATION

No taxes or interest were paid by the Organization during the year ended June 30, 2018

Noncash activities:

Fair value of in-kind contributions received	<u><u>\$712,832</u></u>
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See accompanying notes to financial statements

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 – REPORTING ENTITY AND PROGRAMS

K to College, doing business as “SupplyBank.Org,” (Organization) is an Oakland based nonprofit public benefit corporation that is working with 450 public and nonprofit agencies in California to build the nation’s first regional supply bank (like a regional food bank, but for supplies). During the last few years our volume is roughly \$25M worth of materials assisting 500,000 people. This volume is expected to dramatically increase with the completion of the agency’s new 60,000 sq. ft. distribution center. This facility is one piece of the larger “Oakport Street Project” being developed by the agency and described further below. Some highlights of programmatic work and efforts to build infrastructure for the future are highlighted below.

Diaper Kit Program

During this fiscal year, we have focused heavily on building out a robust statewide Diaper Kit Program in partnership with First 5, WIC, and others. Providing 100 diapers and 200 wipes per month through partnering WIC offices and First 5 Family Resource Centers (FRCs), the Diaper Kit Program is a solution to the growing issue of “diaper need,” or an insufficient supply of diapers to keep a baby clean and dry. With each box, diaper, and baby wipe container printed with colorful messaging from First 5’s award-winning *Talk. Read. Sing.* campaign, the diaper kits serve a dual purpose of reinforcing healthy language development practices for parents and caregivers of babies and toddlers. SupplyBank.Org and our agency partners distribute these to low-income families for substantially less cost when compared to in-store costs. The program operated in 6 pilot counties this fiscal year and began expansion at some level into 17 others.

Disaster Relief

SupplyBank.Org also focused more on building and planning long-term disaster relief efforts, as the deadly wildfires that ripped through Northern California and uprooted thousands of families for two consecutive years have generated a substantial need for basic supplies. The strain of families to meet their basic material needs extends well beyond the news cycles that follow these events, and relief agencies struggle to address ongoing needs in the face of “boom and bust” donations.

To address these issues more efficiently, SupplyBank.Org has entered into a preliminary partnership agreement with the Bay Area chapter of the American Red Cross to work collectively to store and distribute goods needed to support the efforts of the Red Cross and other allied agencies during localized or regional disasters. Per the preliminary agreement, the materials we may initially provide include, but are not limited to: school supply kits, dental kits, hygiene kits, N-95 face masks, clothes, blankets, toiletries, and other materials. With the ability to procure materials in bulk and store them until they are needed, we anticipate significantly lower costs and greater longevity of resources.

In response to the immediate needs created by the wildfires this past fall, SupplyBank.Org donated two truckloads of emergency materials, including **20 pallets of diapers, baby wipes, hygiene products and other materials** through our existing network of partnering agencies.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 – REPORTING ENTITY AND PROGRAMS (Continued)

Supplies to Nonprofits

The Supplies to Nonprofits program provides a wide range of critical materials to partnering agencies such as shelters, family resource centers, social service agencies, churches and other community groups throughout the region and state. Largely in-kind donors that coordinate unopened returns, surplus and general donations from wholesale networks that supply major retailers supply this program. They are committed to partnering with SupplyBank.Org as the California hub for return and surplus household items to be distributed to low-income families in need. Once the Distribution Center is up and running, we expect to distribute between \$20-25 million worth of materials to partnering agencies throughout the state, but during this year we ran several pilot and ongoing distributions.

K to College

Now in its 10th year, our K to College program continues to provide school supplies, dental supplies, backpacks, early learning kits, and other basic needs items to homeless, foster, and other low-income students throughout the state to help them succeed in school. Partnered with more than 350 county offices of education, school districts and First 5 Agencies, the program is the farthest-reaching effort of its kind. In the past year, we have distributed **46,364 backpacks, 21,427 school supply kits, and 93,295 dental hygiene kits**, among other materials, to K-12th grade students across the state. The program also provides a joint procurement opportunity for other nonprofits.

Green Access Pledge

Recognizing that access to computers has become critical to academic success, the Green Access Pledge or “GAP” program provides free, quality refurbished laptops to low-income families with a special emphasis on community college students. In the past year, SupplyBank.Org kicked off pilot GAP partnerships with Peralta, Chabot-Las Positas, and Contra Costa Community College Districts, with plans to distribute early in the next fiscal year. This program is also coordinating with similar efforts in the state and region.

Oakport Street Project

As an expanding Oakland company, the Oakport Street Project will enable our agency to more than triple in size the first year and set in place the framework for rapid growth thereafter. This project will enable us to provide several tens of millions of dollars’ worth of basic needs materials (diapers, laptops, hygiene items, school supplies, emergency supplies etc.) to impoverished children and families and victims of disasters such as the recent firestorms that displaced tens of thousands of people. It’s a proven model and we’re all excited and honored to be working on it.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 – REPORTING ENTITY AND PROGRAMS (Continued)

As part of a Public Private Partnership (PPP) with East Bay Municipal Utility District (EBMUD), the project would develop the approximately 16-acre EBMUD pipe storage yard on Oakport Street into a new 130,000 sq. ft. warehouse building (split into two units) and a 160,000 sq. ft. five-story office building with associated parking and landscaping improvements. There will also be several other improvements to the northern side of the development specifically for EBMUD use which are described below. Per the project plans, the site is broken into two areas, there are two sides of this development (north and south). The southern end is what consists of the office building and the SupplyBank.Org half of distribution center. The northern end includes improvements we're doing as part of a transactions where we are exchanging land improvements to our local water utility in exchange for the land. This agreement was approved last summer.

The 160,000 square foot office building will be a new Class A structure with below market rents initially exclusively offered to nonprofit organizations located in the Bay Area. It will provide a free BART shuttle (light-rail transit; 5 minute ride to the Coliseum Station), shared conference rooms, outdoor gathering spaces and other shared common spaces that include a rooftop garden and other amenities.

The Organization's goal is to create a unique community of the most passionate, equitable and socially minded organizations and people in the region all serving the same community in different ways. In short, we hope to build a campus of like-minded organizations with the ability to create social change.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of June 30, 2018, the Organization had \$1,068,190 temporarily restricted for the Organization's distribution center project. For the year ended June 30, 2018, \$168,108 net assets were released from restrictions for expenses related to the Organization's distribution center project.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that the Organization must maintain permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2018.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Grants

All grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases this net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

C. Contributions

The Organization is in compliance with FASB ASC Topic 958 (Not-for-Profit Entities). In accordance with FASB ASC Topic 958, contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of donor restrictions.

All contributions are available for unrestricted use unless specifically restricted by the donor. Restricted contributions, including contributions of long-lived assets, whose restrictions are met in the same reporting period are reported as unrestricted contributions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

E. Concentration of Credit Risk

The Federal Deposit Insurance Corporation (“FDIC”) insures account balances at each insured institution. The Organization maintains deposit accounts with financial institutions and frequently carries balances that exceed FDIC insurance limits. At various times during the year, cash at these institutions could exceed federally insured limits. The Organization has not experienced any losses on its FDIC-insured accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property and Equipment

Property and equipment are recorded at cost when purchased, or if donated, at the approximate fair value at the date of donation. It is the Organization's policy to capitalize assets purchased or donated when their costs or fair values exceed \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets which range from 3 to 5 years.

G. Donated Goods and Volunteer Services

Donated goods, if any, are recorded in the financial statements at the estimated fair value in the period received. Contributions of donated services that create or enhance a non-financial asset, or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

H. Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. The Organization paid no taxes on unrelated business income for the year ended June 30, 2018.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for federal income tax examination for three years from the date of filing.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

J. Functional Allocation of Expenses

The costs of providing various programs and 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.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. *Advertising Costs*

Advertising costs, if any, are expensed as incurred.

L. *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

M. *Prior Period Adjustment*

During the fiscal year ended June 30, 2018, management determined that the undistributed in-kind goods liability was understated for the fiscal year ended June 30, 2017. As a result, a prior period adjustment was recorded resulting in a decrease of unrestricted net assets of \$46,978.

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents are reported at their fair values using level 1 fair value measures (quoted prices in active markets) in the Statement of Financial Position. At June 30, 2018, the Organization's cash and cash equivalents balance was \$1,295,772.

NOTE 4 – INVENTORY

Inventory consists of raw materials used to produce various basic needs supply kits, diapers, computers, school supplies, hygiene items, and a substantial portfolio of in-kind goods that includes the aforementioned and basic household items. All materials are distributed to low-income children and families. Inventory is valued at the lower of cost or net realizable value based on the average cost method. As of June 30, 2018, inventory was valued at \$151,539.

K TO COLLEGE DBA SUPPLYBANK.ORG
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 5 – ACCOUNTS PAYABLE

Accounts payable consists primarily of amounts due to manufacturers, third party logistic or 3PL companies, carriers, and other vendors. Most of the Organization's budget goes towards these costs. Give Something Back Office Supplies provides the Organization with a line of credit for raw materials, as the counties and State of California can be slow in remitting funding. In the case of the School Supplies for Homeless Children Fund, the Organization is required to complete assembly and delivery of kits prior to issuing any invoice. At June 30, 2018, the total accounts payable owed is \$299,444 of which, \$221,933 is payable to Give Something Back Office Supplies. The total balance owed to Give Something Back Office Supplies was paid off after year end in November 2018.

NOTE 6 – LINE OF CREDIT

The Organization has an agreement with a bank for a revolving line of credit of \$250,000 that matures December 6, 2020. The line of credit has a variable interest rate that is subject to change based on an independent index rate. The interest rate is currently 5.75%. For the year ended June 30, 2018, the Organization had an outstanding balance of \$199,000 against the line of credit.

NOTE 7 – DONATED MATERIALS

For materials that are not directly donated, the Organization works with various manufacturers, governments and private entities to acquire materials at a discounted price. Following the guidance set by the Financial Accounting Standards Board Statement 116, the Organization records the difference between the lowest possible contract price and the discounted price paid for the materials as an in-kind contribution. For the year ended June 30, 2018, the Organization received in-kind contributions with an estimated fair value of \$712,832.

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through June 12, 2019, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2018 that requires recognition or disclosure in such financial statements.

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