Capital Clubhouse Inc

# FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2019

MULLINS P.C.
A CPA firm dedicated to serving nonprofits

**Independent Auditors' Report**

The Board of Directors
Capital Clubhouse, Inc.
Washington, D.C.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Capital Clubhouse, Inc., (the Organization) which comprise the statement of financial position as of December 31, 2019 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.

***Auditors' 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 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 auditors' 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 auditors consider 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.

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The Board of Directors
Capital Clubhouse, Inc.
Washington, D.C.

**Report on the Financial Statements (Continued)**

***Auditors' Responsibility (Continued)***

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 the Capital Clubhouse, Inc., as of December 31, 2019, 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.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2019. Our opinion is not modified with respect to these matters.

**Report on Summarized Comparative Information**

The 2018 financial statements of the Capital Clubhouse, Inc. was audited by other auditors whose report dated July 8, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the 2018 audited financial statements from which it has been derived.

Mullins PC

Bethesda, Maryland
June 5, 2020

Certified Public Accountants

**Capital Clubhouse, Inc.**

**Statement of Financial Position**
**December 31, 2019**
**With Comparative Totals As of December 31, 2018**

**Assets**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | **$ 185,843** | $ 229,622 |
| Contributions Receivable | **1,000** | 1,000 |
| Accounts Receivable | **13,000** | 7,250 |
| Prepaid Expenses | **7,500** | 473 |
| Property and Equipment - Net | **4,919** | 339 |
| Total Assets | **$ 212,262** | $ 238,684 |

**Liabilities and Net Assets**

| | 2019 | 2018 |
|---|---|---|
| **Liabilities** | | |
| Accounts Payable and Accrued Expenses | **$ 23,345** | $ 10,312 |
| Total Liabilities | **23,345** | 10,312 |
| **Net Assets** | | |
| Without Donor Restrictions | | |
| Undesignated | **88,917** | 127,372 |
| Board-Designated Stability Fund | **100,000** | 100,000 |
| Total Without Donor Restrictions | **188,917** | 227,372 |
| With Donor Restrictions | **-** | 1,000 |
| Total Net Assets | **188,917** | 228,372 |
| **Total Liabilities and Net Assets** | **$ 212,262** | $ 238,684 |

***See Accompanying Notes to Financial Statements***

**Capital Clubhouse, Inc.**

**Statement of Activities**
**For the Year Ended December 31, 2019**
**With Comparative Totals For the Year Ended December 31, 2018**

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | **Total** | Total |
| **Support and Revenues** | | | | |
| Contributions and Grants | $ 141,869 | $ - | **$ 141,869** | $ 64,889 |
| Contributed Services | 135,000 | - | **135,000** | 94,725 |
| Grants | 42,000 | - | **42,000** | 16,000 |
| Special Events, Net of Expenses of $18,720 | 51,787 | - | **51,787** | 62,018 |
| Net Assets Released From Restrictions | 1,000 | (1,000) | **-** | - |
| Total Support and Revenues | 371,656 | (1,000) | **370,656** | 237,632 |
| **Expenses** | | | | |
| Program Services | 246,049 | - | **246,049** | 145,670 |
| Supporting Services | | | | |
| General and Administrative | 95,131 | - | **95,131** | 90,116 |
| Fundraising | 68,931 | - | **68,931** | 42,576 |
| Total Supporting Services | 164,062 | - | **164,062** | 132,692 |
| Total Expenses | 410,111 | - | **410,111** | 278,362 |
| Changes in Net Assets | (38,455) | (1,000) | **(39,455)** | (40,730) |
| Net Assets, Beginning of Period | 227,372 | 1,000 | **228,372** | 269,102 |
| **Net Assets, End of Period** | **$ 188,917** | $ - | **$ 188,917** | $ 228,372 |

***See Accompanying Notes to Financial Statements***

## Capital Clubhouse, Inc.

### Statement of Functional Expenses
### For the Year Ended December 31, 2019
### With Comparative Totals For the Year Ended December 31, 2018

| | 2019 | | | | 2018 |
|---|---|---|---|---|---|
| | Program Services | General and Administrative | Fundraising | **Total** | Total |
| Personnel Costs | $ 145,661 | $ 20,809 | $ 41,617 | **$ 208,087** | $ 133,748 |
| Program Costs | 5,137 | - | - | **5,137** | 4,186 |
| Professional Services | 62,517 | 69,645 | 14,291 | **146,453** | 103,125 |
| Occupancy | 22,355 | 3,194 | 6,386 | **31,935** | 21,394 |
| Office | 7,657 | 1,094 | 2,188 | **10,939** | 8,695 |
| Depreciation and Amortization | 294 | 42 | 84 | **420** | 200 |
| Insurance | 2,406 | 344 | 687 | **3,437** | 1,773 |
| Marketing and Public Relations | - | - | 3,671 | **3,671** | 3,567 |
| Board Expenses | - | - | - | **-** | 1,671 |
| Miscellaneous | 22 | 3 | 7 | **32** | - |
| **Total Expenses** | $ 246,049 | $ 95,131 | $ 68,931 | **$ 410,111** | $ 278,359 |

***See Accompanying Notes to Financial Statements***

**Capital Clubhouse, Inc.**

**Statement of Cash Flows**
**For the Year Ended December 31, 2019**
**With Comparative Totals For the Year Ended December 31, 2018**

| | **2019** | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in Net Assets | **$ (39,455)** | $ (40,730) |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Provided by (Used in) Operating Activities | | |
| Depreciation and Amortization | **420** | 202 |
| (Increase) Decrease in Assets | | |
| Contributions Receivable | **(12,000)** | 10,646 |
| Accounts Receivable | **6,250** | 1,000 |
| Prepaid Expenses | **(7,027)** | 222 |
| Increase (Decrease) in Liabilities | | |
| Accounts Payable and Accrued Expenses | **13,033** | 8,249 |
| Net Cash Provided by (Used in) Operating Activities | **(38,779)** | (20,411) |
| **Cash Flows from Investing Activities** | | |
| Purchases of Property and Equipment | **(5,000)** | - |
| Net Cash Provided By (Used) in Investing Activities | **(5,000)** | - |
| Net Increase (Decrease) in Cash | **(43,779)** | (20,411) |
| Cash, Beginning of Period | **229,622** | 250,033 |
| **Cash, End of Period** | **$ 185,843** | $ 229,622 |

***See Accompanying Notes to Financial Statements***

## 1. ORGANIZATION AND PURPOSE

Capital Clubhouse, Inc. (the Organization) is a Washington D.C. non-profit corporation that was established in 2012. Its purpose is to provide a community in a Clubhouse setting where people recovering from mental illness can achieve their full potential and be respected as co-workers, neighbors, students, and friends. Funding for the Organization is primarily obtained through donations and grants.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

### Adopted Accounting Pronouncements

During fiscal 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, the Organization applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on the Organization's accounting for contributions.

## 2. Summary of Significant Accounting Policies (Continued)

### Adopted Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, the Organization adopted ASU 2014-09, using the modified retrospective approach. The Organization applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the Organization to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as the Organization satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by the Organization in the financial statements.

### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Accordingly, actual results could differ from those estimates.

### Cash Equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

### Accounts Receivable

Accounts are recorded at their net realizable value and approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Contributions Receivable

Grants and contributions receivable are recorded at net realizable value. Amounts to be collected more than a year after the balance sheet date are recorded net of a present value discount. The discounts on these amounts are computed using risk-free interest rates applicable to the period over which the amounts are to be received. The Organization provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Grants are individually analyzed for collectability and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written off against the related allowance. There was no allowance December 31, 2019 as management determined that the grants are fully collectible. All contributions receivable are expected to be collected within one year.

#### Property and Equipment

Property and equipment acquisitions with a cost greater than $500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Expenditures for repairs and maintenance are expensed as incurred.

#### Revenue Recognition

Contributions, including unconditional contributions receivable, are recognized as revenues in the period received or pledged. Conditional contributions receivable are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

There were no unrecognized conditional contributions as of December 31, 2019.

The Organization has elected the simultaneous release policy available under ASU 2018-08 for donor-restricted contributions, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized

#### Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

## 2. Summary of Significant Accounting Policies (Continued)

### Income Tax Status

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification, which provides guidance on accounting for uncertainty in income taxes recognized in the Organization's financial statements, if any. As of December 31, 2019, the Organization had no unrecognized tax benefits related to uncertain tax positions in its information return that would qualify for either recognition or disclosure in its financial statements. The Organization's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. Through December 31, 2019, there have been no matters that would have resulted in an accrual for interest and/or penalties.

Generally, the tax years before 2016 are no longer subject to examination by federal, state, or local taxing authorities.

### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

### Subsequent Events

Management has evaluated subsequent events through June 5, 2020 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

## 3. Concentration of Credit Risk

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. As of December 31, 2019, bank balances did not exceed the FDIC limit.

### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019:

| | |
|---|---|
| Equipment | 5,606 |
| Total | 5,606 |
| Less Accumulated Depreciation and Amortization | (687) |
| Property and Equipment, Net | $ 4,919 |

Depreciation and amortization expense was $420 for the year ended December 31, 2019.

### 5. NET ASSETS

Net assets with donor restrictions as of December 31, 2019 were as follows:

| | 2018 | Contributions | Releases | 2019 |
|---|---|---|---|---|
| Purpose: | $ 1,000 | $ - | $ (1,000) | $ - |

Net assets without donor restrictions for the year ended December 31, 2019 designated to the stability fund in the amount of $100,000. Net assets without donor restrictions in excess of the stability fund were undesignated.

### 6. LEASE COMMITMENTS

The Organization leases office space in Washington D.C. The lease expired in July 2019 and the Organization is paying on a month to month basis. Monthly rental payments have been $2,500.

### 7. RETIREMENT PLAN

The Organization has a 403(b) plan covering substantially all of their employees. There is no minimum age requirement or minimum service requirement to make contributions. Contributions to the plan are made entirely at the discretion of the employee. The Organization contributed $6,000 to the plan during 2019.

The Organization also has a 457 plan covering its Executive Director. Contributions to the plan are made by the covered employee.

## 8. LIQUIDITY AND AVAILABILITY

The following represents Organization's financial assets at December 31, 2019:

| | | |
|---|---|---|
| Financial Assets at Year End: | | |
| Cash and Cash Equivalents | $ | 185,843 |
| Contributions Receivable | | 1,000 |
| Accounts Receivable | | 13,000 |
| Total Financial Assets | | 199,843 |
| Less: Restricted Amounts Not Available To Be Used Within One Year: | | |
| Donor-Restricted | | - |
| Donor-Restricted To Be Used in Next Twelve Months | | - |
| Board-Designated | | - |
| | | - |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | $ | 199,843 |

As part of Organization's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.

## 9. SUBSEQUENT EVENTS

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of the health crisis. The Organization received funding from the Paycheck Protection Program under the CARES act. The funding has been structured to comply with the forgiveness provisions at the end of the covered period.

The Organization's financial statements do not include adjustments that have resulted from the economic declines and uncertainty.