Capital Clubhouse, Inc.

(a nonprofit District of Columbia corporation)
Washington, D.C.

Financial Statements

December 31, 2018 and 2017

Capital Clubhouse, Inc.

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Independent Auditors' Report

To the Board of Directors
Capital Clubhouse, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Capital Clubhouse, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Clubhouse, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Altruic Advisors, PLLC

Certified Public Accountants

Washington, D.C.
July 8, 2019

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Capital Clubhouse, Inc.

Statements of Financial Position

December 31	**2018**	2017
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 229,622**	$ 250,033
Contributions receivable	**1,000**	11,646
Accounts receivable	**7,250**	8,250
Prepaid expenses	**473**	695
Total current assets	**238,345**	270,624
Equipment		
Equipment	**606**	606
Less accumulated depreciation	**(269)**	(67)
Net equipment	**337**	539
Total assets	**$ 238,682**	$ 271,163
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 10,310**	$ 2,061
Total current liabilities	**10,310**	2,061
Net Assets		
Without donor restrictions		
Undesignated	**127,372**	157,456
Board-designated stability fund	**100,000**	100,000
Total without donor restrictions	**227,372**	257,456
With donor restrictions	**1,000**	11,646
Total net assets	**228,372**	269,102
Total liabilities and net assets	**$ 238,682**	$ 271,163

The accompanying Notes are an integral part of these financial statements

Capital Clubhouse, Inc.

Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributed services	$ 94,725	$ -	$ 94,725
Donations	89,889	1,000	90,889
Grants	16,000	-	16,000
Net assets released from restrictions			
Expiration of time restrictions	11,646	(11,646)	-
Total operating support	212,260	(10,646)	201,614
Operating Revenue			
Special events, net of expenses of $39,327	36,018	-	36,018
Total operating support and revenue	248,278	(10,646)	237,632
Operating Expenses			
Program services	145,670	-	145,670
Supporting services			
General and administrative	90,116	-	90,116
Fundraising	42,576	-	42,576
Total functional expenses	278,362	-	278,362
Change in Net Assets	(30,084)	(10,646)	(40,730)
Net Assets, Beginning of Year	257,456	11,646	269,102
Net Assets, End of Year	$ 227,372	$ 1,000	$ 228,372

Capital Clubhouse, Inc.

Statement of Activities

Year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Operating Support			
Contributed services	$ 114,225	$ -	$ 114,225
Donations	46,271	11,646	57,917
Grants	25,000	-	25,000
Total operating support	185,496	11,646	197,142
Operating Revenue			
Special events, net of expenses of $11,347	57,003	-	57,003
Total operating support and revenue	242,499	11,646	254,145
Operating Expenses			
Program services	36,020	-	36,020
Supporting services			
General and administrative	124,301	-	124,301
Fundraising	12,869	-	12,869
Total functional expenses	173,190	-	173,190
Change in Net Assets	69,309	11,646	80,955
Net Assets, Beginning of Year	188,147	-	188,147
Net Assets, End of Year	$ 257,456	$ 11,646	$ 269,102

Capital Clubhouse, Inc.

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries and wages	$ 82,150	$ 11,736	$ 23,471	$ 35,207	$ 117,357
Payroll taxes	10,965	1,566	3,133	4,699	15,664
Total personnel costs	93,115	13,302	26,604	133,021	133,021
In-kind legal fees	28,418	61,571	4,736	66,307	94,725
Occupancy	14,976	2,139	4,279	6,418	21,394
Professional fees	-	6,150	-	6,150	6,150
Program costs	4,252	-	-	-	4,252
Marketing	1,016	1,694	677	2,371	3,387
Office expenses	1,216	1,215	608	1,823	3,039
Bank and credit card fees	-	549	2,197	2,746	2,746
Fundraising expenses	-	-	2,250	2,250	2,250
Telephone and internet	1,520	217	434	651	2,171
Insurance	-	1,773	-	1,773	1,773
Board expenses	334	836	502	1,338	1,672
Development and training	436	291	-	291	727
Postage and shipping	213	47	213	260	473
Depreciation expense	40	142	20	162	202
Advertising	54	90	36	126	180
Dues and subscriptions	52	65	13	78	130
Licenses and fees	28	35	7	42	70
Total expenses	$ 145,670	$ 90,116	$ 42,576	$ 225,807	$ 278,362

Capital Clubhouse, Inc.

Schedule of Functional Expenses

Year ended December 31, 2017

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries and wages	$ 25,171	$ 3,596	$ 7,192	$ 10,788	$ 35,959
Payroll taxes	2,793	399	798	1,197	3,990
Total personnel costs	27,964	3,995	7,990	11,985	39,949
In-kind legal fees	-	114,225	-	114,225	114,225
Development and training	2,281	1,750	-	1,750	4,031
Occupancy	2,630	376	752	1,128	3,758
Marketing	-	-	2,422	2,422	2,422
Bank and credit card fees	-	166	1,368	1,534	1,534
Program costs	1,241	-	-	-	1,241
Grants awarded	1,000	-	-	-	1,000
Insurance	-	986	-	986	986
Dues and subscriptions	-	966	-	966	966
Board expenses	-	959	-	959	959
Telephone and internet	759	158	-	158	917
Licenses and fees	-	673	-	673	673
Postage and shipping	-	-	330	330	330
Office expenses	132	-	-	-	132
Depreciation expense	13	47	7	54	67
Total expenses	$ 36,020	$ 124,301	$ 12,869	$ 137,170	$ 173,190

Capital Clubhouse

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31		**2018**		2017
Cash Flows From Operating Activities				
Change in net assets	**$**	**(40,730)**	$	80,955
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities				
Depreciation		**202**		67
Increase (decrease) from changes in assets and liabilities				
Contributions receivable		**10,646**		(11,646)
Accounts receivable		**1,000**		(8,250)
Prepaid expenses		**222**		(695)
Accounts payable and accrued expenses		**8,249**		2,023
Net cash provided (used) by operating activities		**(20,411)**		62,454
Cash Flows From Investing Activities				
Purchases of equipment		**-**		(606)
Net cash used by investing activities		**-**		(606)
Net Increase (Decrease) in Cash and Cash Equivalents		**(20,411)**		61,848
Cash and Cash Equivalents, Beginning of Year		**250,033**		188,185
Cash and Cash Equivalents, End of Year	**$**	**229,622**	$	250,033

The accompanying Notes are an integral part of these financial statements

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. 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.

Development Stage Organization. Currently, the Organization is in the development stage as it devotes substantially all of its efforts to raising capital to open a future Clubhouse in the District of Columbia. In accordance with ASU 2014-10, any presentation and disclosure distinctions between develop stage entities and other reporting entities have been removed.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates. The preparation of financial statements in conformity 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. Accordingly, actual results could differ from those estimates.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

> *Net Assets Without Donor Restrictions.* Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, receiving rents, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.
>
> *Net Assets With Donor Restrictions.* Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributions Receivable. Unconditional promises to give are recognized as support in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible pledges. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. No allowance for uncollectible pledges has been provided as the Organization expects to collect all outstanding amounts. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Accounts Receivable. Accounts receivable consist primarily of amounts due from items sold at the annual event. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the purchaser. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. No allowance for uncollectible accounts has been provided as the Organization expects to collect all outstanding amounts.

Equipment. It is the Organization's policy to capitalize equipment at cost for purchases over $500, while repair and maintenance items are charged to expense. Donations of equipment are capitalized at their estimated fair value on the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Equipment is depreciated using the straight-line method over the estimated useful life of the assets, which is generally three years for equipment. Depreciation expense for the years ended December 31, 2018 and 2017 was $202 and $67, respectively.

Contributions. Contributions are recognized when donations are received. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed legal services of $94,725 and $114,225 were recognized in the financial statements for the years ended December 31, 2018 and 2017, respectively.

A substantial number of other individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements as these services do not meet the criteria for recognition.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 8, 2019, the date at which the financial statements were available for release.

Note 2 - New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended December 31, 2018, the Organization adopted the requirements of ASU 2016-14 and, as a result, adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements.

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 257,456	$ -
Temporarily restricted net assets	11,646	-
Net assets without donor restrictions	-	257,456
Net assets with donor restrictions	-	11,646
	$ 269,102	$ 269,102

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 3 - Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31:

	Time Restrictions
Balance, January 1, 2017	**$ -**
Additions	11,646
Releases	-
Balance, December 31, 2017	11,646
Additions	**1,000**
Releases	**(11,646)**
Balance, December 31, 2018	**$ 1,000**

Note 4 - Operating Lease

The Organization leases office space in Washington D.C. under a noncancelable operating lease. The lease commenced in August 2018, requires monthly payments of $2,500, and expires in July 2019. Rent expense under the lease totaled $12,500 during the year ended December 31, 2018.

Future annual minimum lease payments required under the noncancelable operating lease due during the year ended December 31, 2019 total $17,500.

Note 5 - 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 does not contribute to the plan.

Note 6 - Special Events

The Organization derived net revenue from its annual fundraising event during the years ended December 31:

	2018	2017
Ticket and auction sales	**$ 75,345**	$ 68,350
Direct costs	**(39,327)**	(11,347)
Net revenue	**$ 36,018**	$ 57,003

Note 7 - Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of six months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	2018	2017
Financial assets at year end:		
Cash and cash equivalents	**$ 229,622**	$ 250,033
Contributions receivable	**1,000**	11,646
Accounts receivable	**7,250**	8,250
Prepaid expenses	**473**	695
	238,345	270,624
Less amounts not available to be used within one year:		
Assets designated by the board for operational reserve	**(100,000)**	(100,000)
	(100,000)	(100,000)
Financial assets available for general expenditures within one year	**$ 138,345**	$ 170,624

Note 8 - Concentrations of Credit Risk

Support and Revenue Concentration. During the year ended December 31, 2017, the Organization had two donors who comprised approximately 29% of total operating support and revenue.

Bank Deposits. At certain times during the year ended December 31, 2018, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Geographical Concentration. The Organization receives a substantial amount of its support from within the District of Columbia and vicinity.