

RANDOM ACTS, INC.

Los Angeles, California

Financial Statements

Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Random Acts, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Random Acts, Inc. (the "Organization"), a nonprofit corporation, which comprise the statement of financial position as of December 31, 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.

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.

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 Random Acts, Inc. as of December 31, 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.

PSK LLP

Arlington, Texas
July 15, 2019

RANDOM ACTS, INC.
Statement of Financial Position
December 31, 2018

ASSETS

Cash and cash equivalents	\$ 384,271
Investments	<u>1,043,402</u>
 Total assets	 <u>\$ 1,427,673</u>

LIABILITIES AND NET ASSETS

Liabilities	
Grants payable	<u>\$ 295,166</u>
 Net assets	
Without donor restrictions	355,501
With donor restrictions	<u>777,006</u>
 Total net assets	 <u>1,132,507</u>
 Total liabilities and net assets	 <u>\$ 1,427,673</u>

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

RANDOM ACTS, INC.
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions	\$ 696,962	\$ 501,257	\$ 1,198,219
Net investment loss	(9,514)	-	(9,514)
Other income	3,306	-	3,306
Net assets released from restrictions	<u>895,285</u>	<u>(895,285)</u>	<u>-</u>
Total revenues and support	<u>1,586,039</u>	<u>(394,028)</u>	<u>1,192,011</u>
Expenses			
Program expenses			
Acts of Kindness	591,849	-	591,849
Dreams to Act	236,842	-	236,842
Crisis Support Network	116,011	-	116,011
Change a Life	148,807	-	148,807
Stronger than Storms	<u>353,359</u>	<u>-</u>	<u>353,359</u>
Total program expenses	1,446,868	-	1,446,868
Supporting services			
Administration	<u>105,267</u>	<u>-</u>	<u>105,267</u>
Total expenses	<u>1,552,135</u>	<u>-</u>	<u>1,552,135</u>
Change in net assets	33,904	(394,028)	(360,124)
Net assets at beginning of the year	<u>321,597</u>	<u>1,171,034</u>	<u>1,492,631</u>
Net assets at end of the year	<u>\$ 355,501</u>	<u>\$ 777,006</u>	<u>\$ 1,132,507</u>

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

RANDOM ACTS, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	Acts of Kindness	Dreams to Act	Crisis Support Network	Change a Life	Stronger than Storms	Administration	Total
Outreach	\$ 580,018	\$ 209,381	\$ 116,000	\$ 116,000	\$ 347,991	\$ 1,080	\$ 1,370,470
Account and bank fees	2,303	7,088	11	24,776	5,368	18,081	57,627
Supplies and resources	4,008	629	-	-	-	70,414	75,051
Travel and meeting expenses	20	19,244	-	8,031	-	15,692	42,987
Contract services	5,500	500	-	-	-	-	6,000
Totals	<u>\$ 591,849</u>	<u>\$ 236,842</u>	<u>\$ 116,011</u>	<u>\$ 148,807</u>	<u>\$ 353,359</u>	<u>\$ 105,267</u>	<u>\$ 1,552,135</u>

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

RANDOM ACTS, INC.
Statement of Cash Flows
Year Ended December 31, 2018

Cash flows from operating activities:	
Change in net assets	\$ (360,124)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Net realized and unrealized loss on investments	44,324
Increase (decrease) in liabilities:	
Grants payable	<u>186,966</u>
Net cash and cash equivalents used in operating activities	<u>(128,834)</u>
Cash flows from investing activities:	
Purchases of investments	(34,810)
Proceeds from sale of investments	<u>125,000</u>
Net cash and cash equivalents provided by investing activities	<u>90,190</u>
Change in cash and cash equivalents	(38,644)
Cash and cash equivalents at beginning of the year	<u>422,915</u>
Cash and cash equivalents at end of the year	<u>\$ 384,271</u>

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

RANDOM ACTS, INC.
Notes to Financial Statements

1 - Organization and Nature of Activities

Random Acts, Inc. (the "Organization") is incorporated in the state of Delaware as a not-for-profit organization. The Organization's purpose is to provide a vast network of caring people with the encouragement and support they need to change lives for the better. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

2 - Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America ("U.S. GAAP").

Adoption of New Accounting Standards - In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-14: *Presentation of Financial Statements for Not-for-Profit Entities* ("ASU 2016-14"), which is an amendment to the FASB Accounting Standards Codification ("FASB ASC") Topic 958. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Adopting ASU 2016-14 has had the following impact on 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*.
- Investment return is now simply reported in the aggregate, net of investment expenses.
- The notes to financial statements include a new disclosure about liquidity and availability of resources (Note 3).

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues and Support - Revenues and support for the Organization are primarily derived from contributions from individuals and businesses.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of the donation.

RANDOM ACTS, INC.
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization has no paid employees. A large number of people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services.

Programs - The Organization pursues its objectives through the execution of the following major programs:

Acts of Kindness - To inspire acts of kindness around the world, both big and small, and to provide a vast network of caring people with the encouragement and support they need to change lives for the better.

Dreams to Act:

Hope for Haiti - To provide support for Jacmel Children's Center and other local, sustainable projects serving children in Jacmel Haiti.

Nicaragua - To provide support for a free high school in San Juan Del Sur.

Crisis Support Network - Partnerships with other organizations to create the family crisis support network, a community support system that special-needs families can turn to for support relating to mental health issues such as depression, self-injury, or addiction.

Change a Life - Partnerships with other organizations to help change the lives of and provide support to chosen families and individuals.

Stronger than Storms - To provide support to areas affected by hurricanes in Texas, Florida, and Puerto Rico.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Organization considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services by management based on the estimated time and effort spent on each program or supporting service.

Concentration of Credit Risk - The Organization occasionally maintains deposits with financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts, and management does not believe it is exposed to any significant credit risk.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

RANDOM ACTS, INC.
Notes to Financial Statements

2 - Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of December 31, 2018, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2015 through 2018 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through July 15, 2019, which was the date the financial statements were available to be issued.

3 - Liquidity and Availability of Resources

The Organization's Board of Directors (the "Board") is responsible for monitoring the liquidity necessary to meet the Organization's operating needs and meets periodically throughout the year to evaluate financial operations. Additionally, the Organization maintains certain donor-restricted funds purposed for specific activities of the Organization. Management appropriates resources from donor-restricted funds as needed.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the date of the statement of financial position are comprised of the following:

Cash and cash equivalents	\$ 384,271
Investments	<u>1,043,402</u>
	1,427,673
Donor-restricted funds	<u>(777,006)</u>
	650,667
Board designations	<u>(295,166)</u>
Financial assets available to meet general expenditure needs within one year	<u><u>\$ 355,501</u></u>

4 - Fair Value Measurements and Disclosures

The Organization follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The topic defines fair value 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. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic establishes a hierarchy for grouping these assets and liabilities based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

RANDOM ACTS, INC.
Notes to Financial Statements

4 - Fair Value Measurements and Disclosures (continued)

The following table presents assets measured at fair value on a recurring basis, except those measured at cost, as of December 31, 2018:

	Total	Fair Value Measurements			Other
		Level I	Level II	Level III	
Cash equivalents	\$ 11,663	\$ -	\$ -	\$ -	\$ 11,663
Fixed income securities	920,367	920,367	-	-	-
Mutual funds	111,372	111,372	-	-	-
Total	<u>\$ 1,043,402</u>	<u>\$ 1,031,739</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,663</u>

The fixed income securities and mutual funds are valued using quoted prices on nationally recognized securities exchanges and are classified in the hierarchy as Level I assets.

5 - Net Assets Without Donor Restrictions

The balance of net assets without donor restrictions as of December 31, 2018 includes net assets designated by the Board for the following purposes:

Scholarships	\$ 25,000
Childhood Hunger	200,000
San Juan Del Sur	70,166
	<u>\$ 295,166</u>

6 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of December 31, 2018 relates to certain contributions for which the donors have imposed purpose restrictions. These restrictions require the Organization to use such funds for expenditures directly related to various charitable activities as follows:

JCC/Hope for Haiti	\$ 6,384
Crisis Support	175,555
Change a Life: Syria	101,053
Change a Life: Dancescape	198,453
Change a Life: Rwanda	249,400
Stronger than Storms	46,161
	<u>\$ 777,006</u>

During the year ended December 31, 2018, net assets of \$895,285 were expended and released from restriction due to satisfaction of donor-imposed purpose restrictions.