

Serving People In Need, Inc.

Financial Statements

Year Ended December 31, 2007
(With Independent Auditor's Report Thereon)

SERVING PEOPLE IN NEED, INC.

Financial Statements

Year Ended December 31, 2007

Table of Contents

Independent Auditor’s Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13
Single Audit Report on Federal Awards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	14
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133	16
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Summary Schedule of Prior Audit Findings	21

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Serving People In Need, Inc.
Costa Mesa, California

We have audited the accompanying statement of financial position of Serving People In Need, Inc. (a non-profit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serving People In Need, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2008 on our consideration of Serving People In Need, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors
of Serving People In Need, Inc.
Page 2

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Serving People In Need, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stephens, Reidinger + Beller LLP

Newport Beach, California
April 17, 2008

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2007

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 12,420	\$ 135,310	\$ 147,730
Accounts receivable	101,076	14,400	115,476
	<hr/>	<hr/>	<hr/>
Total current assets	113,496	149,710	263,206
Property and equipment, net of accumulated depreciation of \$90,880	12,556	-	12,556
Security deposit	7,693	-	7,693
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 133,745</u>	<u>\$ 149,710</u>	<u>\$ 283,455</u>
 LIABILITIES AND NET ASSETS			
Accrued expenses	\$ 18,529	\$ -	\$ 18,529
	<hr/>	<hr/>	<hr/>
Total liabilities	18,529	-	18,529
Net assets			
Unrestricted	115,216	-	115,216
Temporarily restricted	-	149,710	149,710
Permanently restricted	-	-	-
	<hr/>	<hr/>	<hr/>
Total net assets	115,216	149,710	264,926
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 133,745</u>	<u>\$ 149,710</u>	<u>\$ 283,455</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 237,888	\$ 156,910	\$ 394,798
Governmental assistance	870,049	-	870,049
Interest income	493	-	493
Donated materials, assets & services	55,040	-	55,040
Subtotal support and revenue	1,163,470	156,910	1,320,380
Special events			
Special events revenue	25,705	-	25,705
Donated items	24,877	-	24,877
Contribution revenue	278,142	-	278,142
Less direct expenses	(160,216)	-	(160,216)
Net support from special events	168,508	-	168,508
Total support and revenue	1,331,978	156,910	1,488,888
Satisfaction of program restrictions	115,356	(115,356)	-
	1,447,334	41,554	1,488,888
Program service expenses			
Guided housing assistance	492,104	-	492,104
Substance abuse rehabilitation	806,028	-	806,028
Street services	81,482	-	81,482
Total unrestricted program services	1,379,614	-	1,379,614
Supporting service expenses			
Management and general	111,967	-	111,967
Fundraising	13,211	-	13,211
Total supporting services	125,178	-	125,178
Total expenses	1,504,792	-	1,504,792
Increase (decrease) in net assets	(57,458)	41,554	(15,904)
Net assets at beginning of year	172,674	108,156	280,830
Net assets at end of year	\$ 115,216	\$ 149,710	\$ 264,926

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2007

	<u>Program Services</u>				<u>Supportive services</u>			<u>Total Expenses</u>
	<u>Guided Housing Assistance (GAPP)</u>	<u>Substance Abuse Rehabilitation (SARP)</u>	<u>Street Services</u>	<u>Subtotal</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Subtotal</u>	
Salaries, payroll taxes & employee benefits	\$ 196,697	\$ 248,620	\$ 28,981	\$ 474,298	\$ 67,094	\$ 6,002	\$ 73,096	\$ 547,394
Transitional housing	-	311,721	-	311,721	-	-	-	311,721
Guaranteed apartment payments	117,849	-	-	117,849	-	-	-	117,849
Food	9,624	2,679	28,935	41,238	-	-	-	41,238
Support services	59,303	102,960	3,309	165,572	2,218	-	2,218	167,790
Rent	20,938	47,432	2,364	70,734	4,729	-	4,729	75,463
Accounting	2,324	4,746	415	7,485	24,330	-	24,330	31,815
Office expense	2,237	4,111	348	6,696	1,020	-	1,020	7,716
Counseling	8,150	6,163	-	14,313	-	-	-	14,313
Insurance	1,729	3,735	2,401	7,865	643	-	643	8,508
Telephone	2,220	3,167	317	5,704	630	-	630	6,334
Utilities	1,411	2,900	254	4,565	509	-	509	5,074
Transportation	35,526	42,882	3,141	81,549	-	-	-	81,549
Printing	803	1,806	146	2,755	292	5	297	3,052
Postage	559	1,065	92	1,716	251	-	251	1,967
Dues & subscriptions	500	-	-	500	-	-	-	500
Bank and merchant charges	49	99	11	159	369	4,639	5,008	5,167
Repair & maintenance	3,141	3,661	332	7,134	565	-	565	7,699
Security	158	321	28	507	-	-	-	507
Volunteer appreciation	905	1,309	184	2,398	1,489	2,410	3,899	6,297
Miscellaneous	1,243	1,465	124	2,832	438	20	458	3,290
Expenses before use of donated materials and services and depreciation	465,366	790,842	71,382	1,327,590	104,577	13,076	117,653	1,445,243
Use of donated materials and services	25,882	13,652	8,702	48,236	6,804	-	6,804	55,040
Depreciaton	856	1,534	1,398	3,788	586	135	721	4,509
Total expenses	<u>\$ 492,104</u>	<u>\$ 806,028</u>	<u>\$ 81,482</u>	<u>\$ 1,379,614</u>	<u>\$ 111,967</u>	<u>\$ 13,211</u>	<u>\$ 125,178</u>	<u>\$ 1,504,792</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

Cash flows from operating activities	
Decrease in net assets	\$ (15,904)
Adjustments to reconcile change in net assets	
Depreciation expense	4,509
Net cash provided by operating activities	
Decrease in accounts receivable	3,556
Increase in accrued expenses	3,315
	<hr/>
Total adjustments	11,380
Net cash flows used by operating activities	<hr/> (4,524)
Cash flows from investing activities	
Acquisition of equipment	<hr/> (1,479)
Net cash used in investing activities	<hr/> (1,479)
Net decrease in cash and cash equivalents	(6,003)
Cash and cash equivalents at beginning of year	<hr/> 153,733
Cash and cash equivalents at end of year	<hr/> <hr/> \$ 147,730

During 2007, there were no noncash financing activities.

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

NOTE 1: ORGANIZATION AND NATURE OF SERVICES

Serving People In Need, Inc. (SPIN) is a nonprofit corporation incorporated in 1989 under the California Nonprofit Benefit Corporation Law. SPIN assists disadvantaged individuals and low-income families in becoming self-sufficient.

SPIN's program services are as follows:

Guided Assistance to Permanent Placement Housing Program (formerly known as Guaranteed Apartment Payment Program and Housing Support Services) – Assesses reasons for homelessness on a case-by-case basis and provides seminars and volunteer family advisors to assist families with their problems. This also includes providing financial assistance for housing move-in costs.

Substance Abuse Rehabilitation Program – Offers financial assistance for emergency and transitional housing to homeless individuals entering recovery for substance abuse, sponsors seminars and assists with permanent housing for individuals completing the program.

Street Services Program – Distributes sack lunches, blankets, socks and hygiene kits to homeless individuals.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

SPIN follows the financial statement presentation recommended by the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, SPIN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amount of assets, liabilities, revenues, and expenses, as well as contingent assets and liabilities. Actual results could differ from estimates used in the preparation of financial statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SPIN considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents consist of various demand deposits.

Property and Equipment

Property and equipment are carried at cost. SPIN follows the practice of capitalizing all material expenditures for furniture, equipment and leasehold improvements. Maintenance and repairs are charged to expense as incurred.

Donated property and equipment are recorded as support at the estimated fair value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, SPIN reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SPIN reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is recorded on a straight line basis over the estimated useful life of the related assets.

Income Taxes

SPIN is a tax-exempt organization (“other than a private foundation”) under Section 501 (c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701 (d) of the California Revenue and Taxation Code.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Materials and Services

Donated materials and other non-cash contributions are reflected in the accompanying statements at the estimated market value at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The volunteer services of SPIN do not meet these criteria and are not recognized in the financial statements.

Restricted and Unrestricted Revenue and Support

The organization follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, under which contributions are recognized when the donor makes a promise to SPIN that is, in substance, unconditional. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

SPIN uses the allowance method, if required, to determine uncollectible promises receivable. Based on management's analysis of specific promises made, no allowance has been established.

Concentration of Revenues

SPIN receives over 60% of its total support and revenue from government grants.

Expense Allocation

The costs of providing various programs and other 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.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash deposits in excess of \$100,000. The Organization places its cash deposits with high-credit quality financial institutions. At times, balances in the organization's cash accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) limit of \$100,000.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2007:

Furniture and equipment	\$ 87,919
Vehicles	14,262
Leasehold improvements	<u>1,255</u>
Total	103,436
Less accumulated depreciation/amortization	<u>(90,880)</u>
	<u>\$ 12,556</u>

Depreciation expense for the year ended December 31, 2007 amounted to \$4,509.

NOTE 4: ACCRUED VACATION AND SICK LEAVE

Accrued employee vacation pay, included in accrued expenses, represents vacation time earned by SPIN employees which has not yet been taken. The amount of accrued vacation benefits as of December 31, 2007 was \$16,744. Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave is not recognized as a liability of SPIN since payment of such benefits is not rendered upon leave. Therefore, sick leave benefits are recorded as expenditures during the period the sick leave is taken.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 5: DONATED MATERIALS, ASSETS AND SERVICES

SPIN received the following donated materials, assets and services during the year ended December 31, 2007:

Materials:	
Client support materials (food, clothing, etc.)	\$ 50,840
Professional services:	
Equipment repair services	2,800
Equipment repair services	<u>1,400</u>
Total donated materials, assets and services	<u>\$ 55,040</u>

In addition to the donations noted above which are included in the accompanying financial statements, SPIN also received the following volunteer services from a dedicated group of volunteers.

	<u>Hours</u>
Street Services	4,841
Guided Housing	956
Substance Abuse	2,287
General	<u>1,984</u>
	<u>10,068</u>

These volunteer hours were received and utilized by SPIN during 2007, but were not reflected in the accompanying financial statement, as they did not meet the recognition criteria as required by the Financial Accounting Standards Board.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 6: OPERATING LEASE

On April 5, 2006, SPIN entered into a new five-year lease agreement for its office location. Total rent expense for the year ended December 31, 2007 was \$73,490. Future minimum lease payments are as follows:

Fiscal Year Ending	
December 31, 2008	\$ 75,295
December 31, 2009	77,542
December 31, 2010	<u>39,333</u>
Total Future Minimum Lease Payments	<u>\$ 192,170</u>

NOTE 7: GOVERNMENTAL ASSISTANCE

For the year ended December 31, 2007, revenue from governmental assistance consisted of the following:

U.S. Dept. of Housing and Urban Development – Supportive Housing Program	\$ 702,086
County of Orange – Community Development Block Grant	129,212
City of Newport Beach – Community Development Block Grant	10,168
City of Newport Beach – Other funding	4,300
Federal Emergency Management Agency	<u>24,283</u>
Total	<u>\$ 870,049</u>

NOTE 8: CONTINGENCIES

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against SPIN for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2007

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Certain awards, grants, and support are temporarily restricted by the donor for specific purposes. As of December 31, 2007, the temporarily restricted net assets consisted of the following:

Weingart Foundation	\$ 713
Marisla Foundation	3,479
George Hoag Family Foundation	7,465
Allergan Foundation	2,100
The Annenberg Foundation	40,584
Margaret Pahl Stewart Foundation, Inc.	2,737
Wells Fargo Bank	5,780
Ceres Foundation	47,698
Croul Family Foundation	24,754
United Way	<u>14,400</u>
	<u>\$ 149,710</u>

Serving People In Need, Inc.

Single Audit Report on Federal Awards

Year Ended December 31, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
Serving People In Need, Inc.
Costa Mesa, California

We have audited the financial statements of Serving People In Need, Inc., as of and for the year ended December 31, 2007, and have issued our report thereon dated April 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Serving People In Need, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Serving People In Need, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Serving People In Need Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Serving People In Need, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephens, Reidinger + Beller LLP

Newport Beach, California
April 17, 2008

Stephens, Reidinger & Beller LLP

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Serving People In Need, Inc.
Costa Mesa, California

Compliance

We have audited the compliance of Serving People In Need, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Serving People In Need, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Serving People In Need, Inc.'s management. Our responsibility is to express an opinion on Serving People In Need, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about Serving People In Need, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Serving People In Need, Inc.'s compliance with those requirements.

In our opinion, Serving People In Need, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007. However, the results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

The management of Serving People In Need, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal programs. In planning and performing our audit, we considered Serving People In Need, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stephen, Reidinger + Beller LLP

Newport Beach, California
April 17, 2008

SERVING PEOPLE IN NEED, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2007

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	CFDA <u>No.</u>	Program Identification <u>Number</u>	Federal <u>Expenditures</u>
<u>Federal</u>			
U.S. Department of Housing and Urban Development -			
Supportive Housing Program SPIN Grant, 2006-07	14.235	CA16B302002	\$ 166,256
Supportive Housing Program SPIN Coalition, 2006-07	14.235	CA16B402004	<u>535,830</u>
			<u>702,086</u>
Passed through the County of Orange			
Community Development Block Grant Public Services - 2006-07	14.219	KC06679	55,713
Community Development Block Grant Public Services - 2007-08	14.219	KC07752	55,917
Community Development Block Grant Public Services - 2007-08	14.219	KH89060	17,582
Passed through the City of Newport Beach			
Community Development Block Grant	14.219	-	4,053
Community Development Block Grant	14.219	-	<u>6,115</u>
			<u>139,381</u>
Subtotal - U.S. Department of Housing and Urban Development			<u>841,467</u>
Federal Emergency Management Agency -			
Shelter Board Program, 2006-07	83.523	Phase XXV	20,000
Shelter Board Program, 2007-08	83.523	Phase XXVI	<u>4,283</u>
Subtotal - Federal Emergency Management Agency			<u>24,283</u>
Total Federal Awards			<u>\$ 865,750</u>

SERVING PEOPLE IN NEED, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS

Scope of Presentation

The accompanying schedule presents only the expenses incurred by Serving People In Need, Inc. (SPIN) that are reimbursable under federal programs of federal financial assistance. For purposes of the schedule, federal awards includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by SPIN from non-federal organizations. Only the portion of program expenses reimbursable with such federal funds are reported in the accompanying schedule. Program expenses in excess of the maximum federal reimbursements authorized or the portion of program expenses that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

Basis of Accounting

The expenses included in the accompanying schedule were reported on the accrual basis of accounting. Expenses reported include any property or equipment acquisitions incurred under the Federal program.

Subrecipient Expenses

There were two payments made to subrecipients for the year ended December 31, 2007: Human Options in the amount of \$119,639 and Mercy House in the amount of \$114,580.

SERVING PEOPLE IN NEED, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2007

SUMMARY OF AUDITORS' RESULTS

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control nor were there any reportable conditions based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses nor were there any reportable conditions in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditors' to be reported under paragraph .510(a) of OMB Circular A-133.
7. The major program of the auditee was Supportive Housing Program pass-through assistance from the U.S. Department of Housing and Urban Development, CFDA #14.235.
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
9. The auditee met the requirements of a low risk auditee as defined by OMB Circular A-133, paragraph .530 for the year ended December 31, 2007 for purposes of major program determination.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

There were no auditors' findings required to be reported in accordance with GAGAS.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AS DEFINED IN PARAGRAPH .510(a) AT OMB CIRCULAR A-133

There were no auditors' findings or questioned costs to be reported in accordance with paragraph .510(a) at OMB Circular A-133.

SERVING PEOPLE IN NEED, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2007

DECEMBER 31, 2006 SINGLE AUDIT REPORT

There were no audit findings in the previous year.