

Serving People in Need, Inc.

Financial Statements

Year Ended December 31, 2015
(With Independent Auditor's Report Thereon)

SERVING PEOPLE IN NEED, INC.

Financial Statements

Year Ended December 31, 2015

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Stephens, Reidinger & Beller LLP

Certified Public Accountants

1301 Dove St., Suite 890
Newport Beach, CA 92660

Telephone 949 752 7400

Facsimile 949 752 1883

www.srbcpa.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Serving People in Need, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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 Serving People in Need, Inc. as of December 31, 2015, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016 on our consideration of Serving People in Need, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 that 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* in considering Serving People in Need, Inc.'s internal control over financial reporting and compliance.

Stephens, Reidinger + Beller LLP

Newport Beach, California
May 24, 2016

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 482,674
Accounts receivable	6,681
Other current assets	<u>257</u>

Total current assets 489,612

Property and equipment, net of accumulated depreciation of \$113,142	7,035
Deposits	<u>8,056</u>

Total assets \$ 504,703

LIABILITIES AND NET ASSETS

Current liabilities

Accrued expenses	<u>\$ 9,307</u>
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Total liabilities 9,307

Net assets

Unrestricted	464,789
Temporarily restricted	30,607
Permanently restricted	<u>-</u>

Total net assets 495,396

Total liabilities and net assets \$ 504,703

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 332,641	\$ 40,000	\$ 372,641
United Way	72,500	-	72,500
Governmental assistance	441,014	-	441,014
Interest income	454	-	454
Loss on sale of securities	(2,184)	-	(2,184)
Donated materials	25,001	-	25,001
Subtotal support and revenue	<u>869,426</u>	<u>40,000</u>	<u>909,426</u>
Special events			
Special events revenue	442,810	-	442,810
Less direct expenses	<u>(127,609)</u>	<u>-</u>	<u>(127,609)</u>
Net support from special events	<u>315,201</u>	<u>-</u>	<u>315,201</u>
Total support and revenue	1,184,627	40,000	1,224,627
Satisfaction of program restrictions	<u>53,096</u>	<u>(53,096)</u>	<u>-</u>
	1,237,723	(13,096)	1,224,627
Program service expenses			
Guided assistance to permanent placement housing	822,125	-	822,125
Street services	<u>156,819</u>	<u>-</u>	<u>156,819</u>
Total unrestricted program services	978,944	-	978,944
Supporting service expenses			
Management and general	74,341	-	74,341
Fundraising	<u>113,122</u>	<u>-</u>	<u>113,122</u>
Total supporting services	<u>187,463</u>	<u>-</u>	<u>187,463</u>
Total expenses	<u>1,166,407</u>	<u>-</u>	<u>1,166,407</u>
Increase (decrease) in net assets	<u>71,316</u>	<u>(13,096)</u>	<u>58,220</u>
Net assets at beginning of year	<u>393,473</u>	<u>43,703</u>	<u>437,176</u>
Net assets at end of year	<u>\$ 464,789</u>	<u>\$ 30,607</u>	<u>\$ 495,396</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services			Supportive services			Total Expenses
	Guided Assistance to Permanent Placement Housing (GAPP)	Street Services	Subtotal	Management and General	Fund Raising	Subtotal	
Salaries, payroll taxes & employee benefits	\$ 240,750	\$ 93,996	\$ 334,746	\$ 46,868	\$ 46,694	\$ 93,562	\$ 428,308
Food	25,733	22,442	48,175	-	-	-	48,175
Client support services	143,114	-	143,114	-	-	-	143,114
Client housing	310,452	-	310,452	-	-	-	310,452
Rent	28,756	11,498	40,254	8,611	8,623	17,234	57,488
Professional services	36,298	14,505	50,803	10,757	11,330	22,087	72,890
Marketing & public relations	11,900	4,380	16,280	-	11,299	11,299	27,579
Meetings & promotions	-	-	-	566	19,072	19,638	19,638
Office expense	3,560	1,037	4,597	1,757	5,026	6,783	11,380
Insurance	4,345	1,738	6,083	1,304	1,303	2,607	8,690
Telephone	4,955	2,264	7,219	1,583	1,831	3,414	10,633
Utilities	1,956	782	2,738	586	587	1,173	3,911
Printing	1,053	136	1,189	22	2,768	2,790	3,979
Postage	589	172	761	105	1,121	1,226	1,987
Automobile	1,951	1,283	3,234	9	278	287	3,521
Dues & subscriptions	906	235	1,141	176	176	352	1,493
Bank and merchant charges	666	266	932	219	648	867	1,799
Repair & maintenance	1,484	623	2,107	448	449	897	3,004
Security	429	172	601	129	129	258	859
Equipment rent	1,559	623	2,182	467	468	935	3,117
Volunteer appreciation	-	-	-	-	1,053	1,053	1,053
Expenses before depreciation	820,456	156,152	976,608	73,607	112,855	186,462	1,163,070
Depreciation	1,669	667	2,336	734	267	1,001	3,337
Total expenses	\$ 822,125	\$ 156,819	\$ 978,944	\$ 74,341	\$ 113,122	\$ 187,463	\$ 1,166,407

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF CASH FLOWS

December 31, 2015

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 58,220
Adjustments to reconcile change in net assets	
Depreciation expense	3,337
Net cash provided by operating activities	
(Increase) decrease in accounts receivable	(275)
(Increase) decrease in other current assets	4
(Increase) decrease in deposits	(1,500)
(Increase) decrease in investments	49,479
Increase (decrease) in accrued expenses	<u>(13,511)</u>
Total adjustments	<u>37,534</u>
Net cash flows provided by operating activities	95,754
Cash flows from investing activities	
Acquisition of equipment	<u>(1,796)</u>
Net cash used in investing activities	<u>(1,796)</u>
Net increase in cash and cash equivalents	93,958
Cash and cash equivalents at beginning of year	<u>388,716</u>
Cash and cash equivalents at end of year	<u>\$ 482,674</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 Law. SPIN restores Orange County families and individuals in crisis to permanent self-sufficiency through SPIN's long-term, proven case management and support services.

SPIN's program services are as follows:

Guided Assistance to Permanent Placement Housing Program (GAPP) – Assists low income and homeless families and individuals in crisis with move-in costs to housing and rental assistance. The foundation of the program is its case management which addresses the causative factors of the families' situation and provides support services (budget, credit clean-up, job training, etc.) to overcome those factors. GAPP's goal is to ensure families and individuals are stabilized and able to maintain their own housing and living expenses at the end of the program.

Street Services Program – Distributes sack meals, blankets, warm clothing and hygiene kits to working poor and 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 Accounting Standards Codification ("ASC") Topic No. 958-205 *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, 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.

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.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents and Concentration of Credit Risk

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.

SPIN maintains its cash with commercial banks which at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. SPIN believes these funds are all maintained in high quality financial institutions which limits its risk. SPIN has not incurred losses related to carrying cash balances in excess of the FDIC insurance limits.

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.

Concentration of Revenues

SPIN received 48% of its total support and revenue in 2015 from government grants.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2015

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 Accounting Standards of Codification (“ASC”) Topic No. 958-605 *Not-for-Profit Entities – Revenue Recognition*, under which contributions are recognized when the donor makes a promise to SPIN that is, in substance, unconditional. In accordance with ASC 958-605, 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.

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.

Subsequent Events

Management has evaluated subsequent events through May 24, 2016, the date which the financial statements were available for issue.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Furniture and equipment	\$ 94,102
Vehicles	24,262
Software	558
Leasehold improvements	<u>1,255</u>
Total	120,177
Less accumulated depreciation/amortization	<u>(113,142)</u>
	<u>\$ 7,035</u>

Depreciation expense for the year ended December 31, 2015 amounted to \$3,337.

NOTE 4: ACCRUED PAID TIME OFF

Accrued paid time off, included in accrued expenses, represents vacation and sick time earned by SPIN employees which has not yet been taken. The amount of accrued paid time off as of December 31, 2015 was \$7,503.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2015

NOTE 5: DONATED MATERIALS, ASSETS AND SERVICES

SPIN received client support materials (food, clothing, etc.) in the amount of \$25,001 during the year ended December 31, 2015.

In addition to these donated materials 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 service	5,988
Guided housing	3,043
Fundraising	1,968
General	<u>460</u>
	<u>11,459</u>

These volunteer hours were received and utilized by SPIN during 2015, 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.

NOTE 6: OPERATING LEASE

On April 5, 2006, SPIN entered into a five-year lease agreement for its office location. On July 1, 2010, the lease was extended for an additional three years and then again on July 1, 2013 for an additional 3 years. A third amendment to the lease was signed beginning July 1, 2016 for an additional five-year extension through June 30, 2021. Total rent expense for the year ended December 31, 2015 was \$57,488.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	
December 31, 2016	57,892
December 31, 2017	60,994
December 31, 2018	63,062
December 31, 2019	65,130
December 31, 2020	67,197
Thereafter	<u>34,115</u>
Total Future Minimum Lease Payments	<u>\$ 348,390</u>

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2015

NOTE 7: GOVERNMENTAL ASSISTANCE

For the year ended December 31, 2015, revenue from governmental assistance consisted of the following:

U.S. Dept. of Housing and Urban Development – Supportive Housing Program	\$ 404,068
City of Newport Beach – Community Development Block Grant	11,946
Federal Emergency Management Agency	<u>25,000</u>
Total	<u>\$ 441,014</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. However, no such liabilities have arisen in any prior years.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Certain awards, grants, and support are temporarily restricted by the donor for specific purposes. As of December 31, 2015, the temporarily restricted net assets consisted of the following:

Croul Family Foundation	\$ 16,221
Shady Canyon Golf Club Charitable Foundation	10,000
Dhont Family Foundation	<u>4,386</u>
	<u>\$ 30,607</u>

SERVING PEOPLE IN NEED, INC.

**INDEPENDENT AUDITOR'S 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**

For the Year Ended December 31, 2015

Stephens, Reidinger & Beller LLP

Certified Public Accountants

1301 Dove St., Suite 890
Newport Beach, CA 92660
Telephone 949 752 7400
Facsimile 949 752 1883
www.srbcpa.com

INDEPENDENT AUDITOR'S 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, CA

We have audited, 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, the financial statements of Serving People in Need, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine auditing procedures that are appropriate in circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephens, Reidinger + Beller LLP

Newport Beach, California
May 24, 2016