

LIVING SUCCESS CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

**WITH INDEPENDENT ACCOUNTANTS'Ø
REVIEW REPORT THEREON**

Link, Murrel & Company, LLP

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Living Success Center, Inc.
Costa Mesa, California

We have reviewed the accompanying statement of financial position of Living Success Center, Inc. (a nonprofit organization) (the "Center") as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Center management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Link, Murrel & Company, LLP

Link, Murrel & Co., LLP

Irvine, California
April 28, 2014

LIVING SUCCESS CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets:	
Cash	\$ 74,391
Prepaid expenses	<u>759</u>
Total current assets	75,150
Other Assets - Deposits	<u>643</u>
Total Assets	<u><u>\$ 75,793</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities - Accrued Expenses	\$ 2,084
Net Assets - Unrestricted	<u>73,709</u>
Total Liabilities and Unrestricted Net Assets	<u><u>\$ 75,793</u></u>

LIVING SUCCESS CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Unrestricted Net Assets

Revenues and Other Support:

Contributions:

In-kind	\$ 100,892
Other	9,360
Grants	25,000
Client fees	65,373
Fundraising	17,632
Rental Income	2,132
Other	<u>328</u>

Total revenues and other support 220,717

Expenses:

Program services	171,175
Supporting services:	
General and administrative	30,757
Fundraising	<u>8,767</u>

Total expenses 210,699

Increase in Net Assets 10,018

Unrestricted Net Assets, January 1, 2013 63,691

Unrestricted Net Assets, December 31, 2013 \$ 73,709

LIVING SUCCESS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>
		<u>General and Administrative</u>	<u>Fundraising</u>	
Salaries	\$ 15,420	\$ 23,393	\$ 2,667	\$ 41,480
Payroll taxes and benefits	1,454	3,633	240	5,327
	16,874	27,026	2,907	46,807
Advertising	250	-	-	250
Automobile	-	-	33	33
Bank charges	982	-	58	1,040
Dues and subscriptions	110	-	25	135
In-kind expenses	100,892	-	-	100,892
Insurance	3,909	2,121	-	6,030
Licenses and permits	70	25	-	95
Miscellaneous	98	91	-	189
Outside services	2,700	-	-	2,700
Postage	297	-	112	409
Printing	2,616	-	-	2,616
Professional services	7,560	1,324	2,034	10,918
Rent	26,108	-	-	26,108
Repairs and maintenance	904	-	-	904
Seminars and training	214	170	-	384
Special Events	-	-	3,532	3,532
Supplies	3,330	-	66	3,396
Telephone	1,618	-	-	1,618
Utilities	2,643	-	-	2,643
	154,301	3,731	5,860	163,892
Total Expenses	<u>\$ 171,175</u>	<u>\$ 30,757</u>	<u>\$ 8,767</u>	<u>\$ 210,699</u>

LIVING SUCCESS CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities:

Increase in net assets	\$ 10,018
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increases) decreases in:	
Prepaid expenses	652
Increases (decreases) in:	
Accrued expenses	<u>246</u>
Total adjustments	<u>898</u>
Net cash provided by operating activities	<u>10,916</u>
Net Increase in Cash and Cash Equivalents	10,916
Cash and Cash Equivalents, January 1, 2013	<u>63,475</u>
Cash and Cash Equivalents, December 31, 2013	<u>\$ 74,391</u>

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>

LIVING SUCCESS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. ORGANIZATION AND NATURE OF SERVICES

Living Success Center, Inc. (the "Center") was incorporated in the state of California on February 11, 1977. The Center is a non-profit counseling center dedicated to providing services to the community regardless of ability to pay.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Center reports 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.

Unrestricted Net Assets ó Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets generally result from unrestricted contributions and interest and dividends, less expenses incurred in providing services and fundraising and other administrative expenses.

Temporarily Restricted Net Assets ó Net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event to become available for unrestricted use. At December 31, 2013, there were no temporarily restricted net assets.

Permanently Restricted Net Assets ó Net assets that are subject to donor-imposed restrictions that may be maintained permanently while permitting the Center to use or expense part or all of the income derived from the donated assets. At December 31, 2013, there were no permanently restricted net assets.

LIVING SUCCESS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates and Assumptions

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates in the near term.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value Measurements

The carrying value of the Center's cash and cash equivalents, prepaid expenses and accrued expenses approximate their respective fair values due to their short maturities.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Unrestricted contributions are recognized as an increase in unrestricted net assets when received. Contributions restricted by the donors are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the donor-imposed restriction. When restrictions are satisfied, either by the passage of time or by accomplishing the purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period as the receipt of the contribution, the Center reports both the revenue and the related expense as unrestricted net assets.

LIVING SUCCESS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Center is dedicated to providing counseling services to the community regardless of the ability to pay. They provide a variety of counseling treatment services for individuals, family, couples and group therapy to adults, teens, adolescents, and children. Treatments include counseling in stress and anxiety management, relationship difficulties, parenting issues, depression and many other areas.

Income Taxes

The Center is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the Center is subject to income taxes on any net income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision had been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the accompanying financial statements taken as a whole.

The Center follows the accounting for uncertainty in income taxes recognized in a nonpublic entity's financial statements. It details how entities should recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts. There was no impact to the Center's financial statements as a result of these provisions.

The Center's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2010 through 2012 are subject to examination by the IRS, generally for three years after they were filed. The Center's California Form 199, *California Exempt Organization Annual Information Return*, for the years ended December 31, 2009 through 2012 are subject to examination by the California Franchise Tax Board, generally, for four years after they are filed.

LIVING SUCCESS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events

The Center has evaluated subsequent events through April 28, 2014 the date the financial statements were available to be issued.

3. **OPERATING LEASES**

The Center entered into an operating lease in Costa Mesa for office space beginning on August 1, 2013 and expiring on July 31, 2014 with monthly payments of \$1,970. The Center has two two-year options to extend the lease. The lease was automatically extended for another two years, expiring on July 31, 2016.

The future minimum lease payments under this operating lease are as follows:

Year Ending December 31,

2014	\$ 23,640
2015	23,640
2016	<u>13,790</u>
Totals	<u>\$ 61,070</u>

Rent expense for the year ended December 31, 2013 was approximately \$26,000.

4. **CONTRIBUTED SERVICES**

Contributions of donated services that create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These unpaid volunteers have made significant contributions of their time to develop the Center's program. Their donated services are recorded at the estimated fair values in the period received. For the year ended December 31, 2013, contributions includes approximately \$101,000 of donated professional services.