

PROJECT DIGNITY
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
June 30, 2016 and 2015

PROJECT DIGNITY

June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Project Dignity
Garden Grove, California

We have audited the accompanying financial statements of Project Dignity (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditor's 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 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 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 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 Project Dignity as of June 30, 2016 and 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.

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September 28, 2016

PROJECT DIGNITY

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

| | 2016 | 2015 |
|----------------------------------|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 193,038 | \$ 177,916 |
| Prepaid expenses | 225 | 1,500 |
| Food bank | 2,834 | 964 |
| Deposits | 714 | 714 |
| Property and equipment, net | <u>1,008</u> | <u>1,374</u> |
| Total assets | <u>\$ 197,819</u> | <u>\$ 182,468</u> |
| Liabilities | | |
| Accounts payable | <u>\$ 0</u> | <u>\$ 0</u> |
| Total liabilities | <u>0</u> | <u>0</u> |
| Net assets | | |
| Unrestricted | 89,507 | 73,798 |
| Temporarily restricted | <u>108,312</u> | <u>108,670</u> |
| Total net assets | <u>197,819</u> | <u>182,468</u> |
| Total liabilities and net assets | <u>\$ 197,819</u> | <u>\$ 182,468</u> |

See accompanying notes and independent auditors' report

PROJECT DIGNITY

STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2016

(With summarized information for the Year Ended June 30, 2015)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2016 Total</u> | <u>2015 Total</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Support and revenues | | | | |
| Contributions - cash | \$ 167,913 | \$ 63,500 | \$ 231,413 | \$ 318,241 |
| Contributions - non-cash | 149,840 | - | 149,840 | 111,411 |
| Interest income | 141 | - | 141 | 156 |
| Other income | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,477</u> |
| | | | | |
| Total support and revenues before net assets released from restrictions | <u>317,894</u> | <u>63,500</u> | <u>381,394</u> | <u>431,285</u> |
| | | | | |
| Net assets released from restrictions | <u>63,858</u> | <u>(63,858)</u> | <u>-</u> | <u>-</u> |
| | | | | |
| Total support and revenues | <u>381,752</u> | <u>(358)</u> | <u>381,394</u> | <u>431,285</u> |
| | | | | |
| Expenses | | | | |
| Program services: | | | | |
| Grants made | 245,837 | - | 245,837 | 235,043 |
| Consulting services | 40,296 | - | 40,296 | 41,505 |
| Depreciation | 366 | - | 366 | 330 |
| Insurance | 6,385 | - | 6,385 | 5,256 |
| Wages | 8,461 | - | 8,461 | 6,292 |
| Supplies | 3,402 | - | 3,402 | 5,941 |
| Other program expenses | <u>16,461</u> | <u>-</u> | <u>16,461</u> | <u>17,871</u> |
| | | | | |
| Total program services expense | <u>321,208</u> | <u>-</u> | <u>321,208</u> | <u>312,238</u> |
| | | | | |
| General and administrative: | | | | |
| Accounting | 10,967 | - | 10,967 | 11,684 |
| Consulting services | 13,432 | - | 13,432 | 13,835 |
| Wages | 2,820 | - | 2,820 | 2,097 |
| Other general and administrative | <u>17,616</u> | <u>-</u> | <u>17,616</u> | <u>17,609</u> |
| | | | | |
| Total general and administrative expense | <u>44,835</u> | <u>-</u> | <u>44,835</u> | <u>45,225</u> |
| | | | | |
| Total expenses | <u>366,043</u> | <u>-</u> | <u>366,043</u> | <u>357,463</u> |
| | | | | |
| Change in net assets | 15,709 | (358) | 15,351 | 73,822 |
| | | | | |
| Net assets, beginning of year | <u>73,798</u> | <u>108,670</u> | <u>182,468</u> | <u>108,646</u> |
| | | | | |
| Net assets, end of year | <u>\$ 89,507</u> | <u>\$ 108,312</u> | <u>\$ 197,819</u> | <u>\$ 182,468</u> |

See accompanying notes and independent auditors' report

PROJECT DIGNITY

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 15,351 | \$ 73,822 |
| Adjustments to reconcile change in net assets to cash provided by operating activities | | |
| Depreciation | 366 | 330 |
| Changes in: | | |
| Prepaid expenses | 1,275 | (1,500) |
| Food bank | <u>(1,870)</u> | <u>(898)</u> |
| Net change in operating activities | <u>15,122</u> | <u>71,754</u> |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | <u>-</u> | <u>(1,420)</u> |
| Net change in investing activities | <u>-</u> | <u>(1,420)</u> |
| Net change in cash and cash equivalents | <u>15,122</u> | <u>70,334</u> |
| Cash and cash equivalents, beginning of year | <u>177,916</u> | <u>107,582</u> |
| Cash and cash equivalents, end of year | <u>\$ 193,038</u> | <u>\$ 177,916</u> |

Supplemental disclosures of cash flow information

There were no financing activities for the years ended June 30, 2016 and 2015.

For the years ended June 30, 2016 and 2015, there was no cash paid for interest or income taxes.

There were no non-cash financing activities for the years ended June 30, 2016 and 2015.

See accompanying notes and independent auditors' report

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 – Summary of significant accounting policies

The significant accounting policies followed are presented to assist the reader in understanding the financial statements of Project Dignity (the Organization). The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of activities

The Organization is a nonprofit corporation established to provide food, clothing, education, financial aid, supplies, medical aid and other resources to the homeless, transients, and others in need in the Orange County, California area. The Organization is supported primarily through donor contributions and grants.

Basis of accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Basis of presentation

The Organization 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. There were no net assets considered permanently restricted for the years ended June 30, 2016 and 2015.

Comparative financial information

The accompanying financial statements include certain 2015 comparative information. With respect to the accompanying statements of activities, information for 2015 is presented in the aggregate and not displayed by category. Accordingly, such information should be read in conjunction with the Organization's fiscal 2015 financial statements from which summarized information was derived.

Financial statement estimates and assumptions

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 – Summary of significant accounting policies (continued)

Concentration of credit risk

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances in these accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management of the Organization does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents. Management asserts that no accounts either singly or cumulatively exceeded the \$250,000 FDIC limit during the years ended June 30, 2016 and 2015.

Cash and cash equivalents

For purposes of the statements of financial position and statements of cash flows, cash and cash equivalents includes cash on hand, and all highly liquid debt instruments purchased with an original maturity of three months or less.

Property and equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. There were no such donations for the years ended June 30, 2016 and 2015. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 and 39 years. Depreciation expense for the years ended June 30, 2016 and 2015 was \$366 and \$330, respectively.

Net assets

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. For contributions restricted by donors for the acquisition of property or equipment, the restriction is considered to be met when the property or other long-lived asset is placed in service. When the property or equipment is placed in service, the Organization reclassifies the net assets from temporarily restricted to unrestricted. The financial statements report amounts by classification of net assets as follows:

- **Unrestricted** amounts are those currently available at the discretion of the board for use in the Organization's operations and those resources invested in property and equipment. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.
- **Temporarily restricted** amounts are: (a) contributions or other inflows of assets which are stipulated by donors for specific operating purposes, including camp operations, that either expire by passage of time or when the Organization fulfills the specified purpose; and (b) endowment income restricted for specific purposes.

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 1 – Summary of significant accounting policies (continued)

Net assets (continued)

- **Permanently** restricted amounts are those for which the principal is stipulated by donors to be invested in perpetuity. The income on the endowments is used for either temporarily restricted projects or is available for use as the Organization determines, in accordance with the specifications from the donors.

Revenue recognition

Contributions are recorded when cash has been received, unconditional promises-to-give have been made, or ownership of donated assets is transferred to the Organization.

The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of donor restrictions. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period as temporarily restricted contributions and as net assets released from restrictions.

Donated services

The Organization records the value of donated services that create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to the activities of the Organization; however, since the above requirements were not met, the value of the contributed services is not recorded in the financial statements.

Functional allocation of expenses

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

Income taxes

The Organization is exempt from Federal and California income tax under Internal Revenue Code Section 501(c)(3). The Organization is subject, however, to Federal and California income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended June 30, 2016 and 2015, the Organization had no activities unrelated to its exempt purposes, and therefore incurred no tax liability due to unrelated business income.

Reclassifications

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Note 2 – Property and equipment

Property and equipment at June 30 consisted of the following:

| | 2016 | 2015 |
|------------------------------------|----------------------------|----------------------------|
| Automobile | \$ 40,913 | \$ 40,913 |
| Computers and software | 5,817 | 5,817 |
| Equipment | 6,431 | 6,431 |
| Furniture and fixtures | <u>501</u> | <u>501</u> |
| Total property and equipment | 53,662 | 53,662 |
| Less: accumulated depreciation | <u>(52,654)</u> | <u>(52,288)</u> |
| Property and equipment, net | <u><u>\$ 1,008</u></u> | <u><u>\$ 1,374</u></u> |

Note 3 –Net assets

Net assets at June 30 consisted of the following:

| | 2016 | 2015 |
|---|--------------------------|--------------------------|
| Unrestricted net assets | | |
| Unrestricted undesignated | <u>\$ 89,507</u> | <u>\$ 73,798</u> |
| Total unrestricted net assets | <u>89,507</u> | <u>73,798</u> |
| Temporarily restricted net assets | | |
| Feed the need | 35,581 | 39,235 |
| Backpacks | - | 12,806 |
| Motel expansion | 12,041 | 12,805 |
| Voucher program | 63 | 1,478 |
| After school program | - | 15 |
| Bumper to bumper | 59,529 | 41,234 |
| Other | <u>1,098</u> | <u>1,097</u> |
| Total temporarily restricted net assets | <u>108,312</u> | <u>108,670</u> |
| Total net assets | <u><u>\$ 197,819</u></u> | <u><u>\$ 182,468</u></u> |

Note 4 – Subsequent events

Management has evaluated subsequent events through September 28, 2016, the date on which the financial statements were available to be issued.