

**Serving People in Need, Inc.**

**Financial Statements**

**Year Ended December 31, 2016**  
**(With Independent Auditor's Report Thereon)**

**SERVING PEOPLE IN NEED, INC.**

**Financial Statements**

**Year Ended December 31, 2016**

Table of Contents

Independent Auditor’s Report .....	1-2
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 .....	7-12
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 .....	14-15

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

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, 2016, 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 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 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 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 Serving People in Need, Inc. as of December 31, 2016, 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 3, 2017 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 3, 2017

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF FINANCIAL POSITION**

December 31, 2016

**ASSETS**

Current assets

Cash and cash equivalents	\$ 207,188
Accounts receivable	24,530

**Total current assets** 231,718

Property and equipment, net of accumulated depreciation of \$116,654	11,635
Deposits	8,056

**Total assets** \$ 251,409

**LIABILITIES AND NET ASSETS**

Current liabilities

Accrued expenses	8,764
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**Total liabilities** 8,764

Net assets

Unrestricted	224,464
Temporarily restricted	18,181
Permanently restricted	-

**Total net assets** 242,645

**Total liabilities and net assets** \$ 251,409

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 278,302	\$ 20,000	298,302
United Way	40,000	-	40,000
Governmental assistance	431,606	-	431,606
Interest and other income	18	-	18
Donated materials	14,750	-	14,750
Subtotal support and revenue	<u>764,676</u>	<u>20,000</u>	<u>784,676</u>
Special events			
Special events revenue	212,650	-	212,650
Less direct expenses	<u>(81,529)</u>	<u>-</u>	<u>(81,529)</u>
Net support from special events	<u>131,121</u>	<u>-</u>	<u>131,121</u>
<b>Total support and revenue</b>	895,797	20,000	915,797
Satisfaction of program restrictions	<u>32,426</u>	<u>(32,426)</u>	<u>-</u>
	928,223	(12,426)	915,797
<b>Program service expenses</b>			
Guided assistance to permanent placement housing	826,999	-	826,999
Street services	<u>162,385</u>	<u>-</u>	<u>162,385</u>
Total unrestricted program services	989,384	-	989,384
<b>Supporting service expenses</b>			
Management and general	78,836	-	78,836
Fundraising	<u>100,328</u>	<u>-</u>	<u>100,328</u>
Total supporting services	<u>179,164</u>	<u>-</u>	<u>179,164</u>
<b>Total expenses</b>	<u>1,168,548</u>	<u>-</u>	<u>1,168,548</u>
<b>Increase (decrease) in net assets</b>	<u>(240,325)</u>	<u>(12,426)</u>	<u>(252,751)</u>
<b>Net assets at beginning of year</b>	<u>464,789</u>	<u>30,607</u>	<u>495,396</u>
<b>Net assets at end of year</b>	<u>\$ 224,464</u>	<u>\$ 18,181</u>	<u>\$ 242,645</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	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	\$ 272,795	\$ 96,041	\$ 368,836	\$ 48,261	\$ 48,079	\$ 96,340	\$ 465,176
Food	13,131	21,016	34,147	-	-	-	34,147
Client support services	154,522	-	154,522	-	-	-	154,522
Client housing	272,142	-	272,142	-	-	-	272,142
Rent	30,690	12,118	42,808	8,872	8,910	17,782	60,590
Professional services	47,892	19,118	67,010	14,490	14,962	29,452	96,462
Marketing & public relations	11,856	4,944	16,800	-	10,216	10,216	27,016
Meetings & promotions	-	-	-	429	5,860	6,289	6,289
Office expense	4,134	918	5,052	976	1,944	2,920	7,972
Insurance	4,082	1,633	5,715	1,225	1,225	2,450	8,165
Telephone	4,986	2,298	7,284	1,529	1,935	3,464	10,748
Utilities	1,794	718	2,512	538	538	1,076	3,588
Printing	504	74	578	-	2,495	2,495	3,073
Postage	409	145	554	66	709	775	1,329
Automobile	954	610	1,564	-	213	213	1,777
Dues & subscriptions	521	208	729	138	174	312	1,041
Bank and merchant charges	639	256	895	330	474	804	1,699
Repair & maintenance	2,298	821	3,119	629	616	1,245	4,364
Security	429	172	601	129	129	258	859
Equipment rent	1,465	593	2,058	451	474	925	2,983
Volunteer appreciation	-	-	-	-	1,094	1,094	1,094
Expenses before depreciation	825,243	161,683	986,926	78,063	100,047	178,110	1,165,036
Depreciation	1,756	702	2,458	527	527	1,054	3,512
Total expenses	\$ 826,999	\$ 162,385	\$ 989,384	\$ 78,836	\$ 100,328	\$ 179,164	\$ 1,168,548

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF CASH FLOWS**

December 31, 2016

Cash flows from operating activities	
Increase (decrease) in net assets	\$ (252,751)
Adjustments to reconcile change in net assets	
Depreciation expense	3,512
Net cash provided by operating activities	
(Increase) decrease in accounts receivable	(17,849)
(Increase) decrease in other current assets	257
Increase (decrease) in accrued expenses	<u>(543)</u>
Total adjustments	<u>(14,623)</u>
Net cash flows used in operating activities	(267,374)
Cash flows from investing activities	
Acquisition of equipment	<u>(8,112)</u>
Net cash used in investing activities	<u>(8,112)</u>
Net decrease in cash and cash equivalents	(275,486)
Cash and cash equivalents at beginning of year	<u>482,674</u>
Cash and cash equivalents at end of year	<u>\$ 207,188</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**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, 2016

**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 55% of its support and revenue in 2016 from government grants.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2016

**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 3, 2017, the date which the financial statements were available for issue.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2016

**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, 2016:

Furniture and equipment	\$ 99,254
Vehicles	24,262
Software	558
Leasehold improvements	<u>4,215</u>
Total	128,289
Less accumulated depreciation/amortization	<u>(116,654)</u>
	<u>\$ 11,635</u>

Depreciation expense for the year ended December 31, 2016 amounted to \$3,512.

**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, 2016 was \$8,249.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2016

**NOTE 5: DONATED MATERIALS, ASSETS AND SERVICES**

SPIN received client support materials (food, clothing, etc.) in the amount of \$14,750 during the year ended December 31, 2016.

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	5,906
Guided housing	3,748
Fundraising	1,348
General	<u>240</u>
	<u>11,242</u>

These volunteer hours were received and utilized by SPIN during 2016, 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, 2016 was \$60,590.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	
December 31, 2017	60,994
December 31, 2018	63,062
December 31, 2019	65,130
December 31, 2020	67,197
December 31, 2021	<u>34,115</u>
Total Future Minimum Lease Payments	<u>\$ 290,498</u>

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2016

**NOTE 7: GOVERNMENTAL ASSISTANCE**

For the year ended December 31, 2016, revenue from governmental assistance consisted of the following:

U.S. Dept. of Housing and Urban Development – Supportive Housing Program	\$ 406,606
Federal Emergency Management Agency	<u>25,000</u>
Total	<u>\$ 431,606</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, 2016, the temporarily restricted net assets consisted of the Croul Family Foundation donation in the amount of \$18,181.

**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, 2016

**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, 2016, 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 3, 2017.

**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 + Belle LLP*

Newport Beach, California  
May 3, 2017