

**Serving People in Need, Inc.**

**Financial Statements**

**Year Ended December 31, 2017**  
**(With Independent Auditor's Report Thereon)**

**SERVING PEOPLE IN NEED, INC.**

**Financial Statements**

**Year Ended December 31, 2017**

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## **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, 2017, 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, 2017, 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, 2018 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, 2018

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF FINANCIAL POSITION**

December 31, 2017

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 161,476
Investments in marketable securities	25,695
Accounts receivable	<u>66,312</u>
<b>Total current assets</b>	253,483
Property and equipment, net of accumulated depreciation of \$49,988	8,468
Deposits	<u>6,556</u>
<b>Total assets</b>	<u><u>\$ 268,507</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accrued expenses	<u>\$ 14,249</u>
<b>Total current liabilities</b>	14,249
Net assets	
Unrestricted	170,132
Temporarily restricted	84,126
Permanently restricted	<u>-</u>
<b>Total net assets</b>	<u>254,258</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 268,507</u></u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 388,365	\$ 140,000	\$ 528,365
United Way	125,000	-	125,000
Governmental assistance	423,881	-	423,881
Donated materials	16,801	-	16,801
Interest and other income	99	-	99
Realized and unrealized net gain on investments	318	-	318
Subtotal support and revenue	<u>954,464</u>	<u>140,000</u>	<u>1,094,464</u>
Special events			
Special events revenue	272,986	-	272,986
Less direct expenses	<u>(80,671)</u>	<u>-</u>	<u>(80,671)</u>
Net support from special events	<u>192,315</u>	<u>-</u>	<u>192,315</u>
<b>Total support and revenue</b>	1,146,779	140,000	1,286,779
Satisfaction of program restrictions	<u>74,055</u>	<u>(74,055)</u>	<u>-</u>
	1,220,834	65,945	1,286,779
<b>Program service expenses</b>			
Guided assistance to permanent placement housing	922,119	-	922,119
Street services	<u>171,551</u>	<u>-</u>	<u>171,551</u>
Total program service expenses	<u>1,093,670</u>	<u>-</u>	<u>1,093,670</u>
<b>Supporting service expenses</b>			
Management and general	79,960	-	79,960
Fundraising	<u>101,536</u>	<u>-</u>	<u>101,536</u>
Total supporting service expenses	<u>181,496</u>	<u>-</u>	<u>181,496</u>
<b>Total expenses</b>	<u>1,275,166</u>	<u>-</u>	<u>1,275,166</u>
<b>Increase (decrease) in net assets</b>	<u>(54,332)</u>	<u>65,945</u>	<u>11,613</u>
<b>Net assets at beginning of year</b>	<u>224,464</u>	<u>18,181</u>	<u>242,645</u>
<b>Net assets at end of year</b>	<u>\$ 170,132</u>	<u>\$ 84,126</u>	<u>\$ 254,258</u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	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	\$ 240,487	\$ 98,318	\$ 338,805	\$ 49,288	\$ 49,179	\$ 98,467	\$ 437,272
Food	32,004	24,342	56,346	-	-	-	56,346
Client support services	163,199	3,209	166,408	-	-	-	166,408
Client housing	363,001	-	363,001	-	-	-	363,001
Rent	31,846	12,738	44,584	9,554	9,554	19,108	63,692
Professional services	59,436	20,561	79,997	15,461	15,461	30,922	110,919
Marketing & public relations	12,382	4,953	17,335	-	9,399	9,399	26,734
Meetings & promotions	-	-	-	-	3,864	3,864	3,864
Office expense	1,530	572	2,102	602	901	1,503	3,605
Insurance	3,513	1,405	4,918	1,054	1,054	2,108	7,026
Telephone	4,259	2,004	6,263	1,277	1,997	3,274	9,537
Utilities	1,681	672	2,353	504	504	1,008	3,361
Printing	126	37	163	28	3,693	3,721	3,884
Postage	276	59	335	52	1,258	1,310	1,645
Automobile	1,617	-	1,617	28	568	596	2,213
Dues & subscriptions	378	151	529	113	171	284	813
Bank & merchant charges	784	315	1,099	299	1,426	1,725	2,824
Repair & maintenance	2,248	869	3,117	686	762	1,448	4,565
Security	429	172	601	129	129	258	859
Equipment rent	1,339	541	1,880	410	431	841	2,721
Volunteer appreciation	-	-	-	-	710	710	710
Expenses before depreciation	920,535	170,918	1,091,453	79,485	101,061	180,546	1,271,999
Depreciaton	1,584	633	2,217	475	475	950	3,167
Total expenses	\$ 922,119	\$ 171,551	\$ 1,093,670	\$ 79,960	\$ 101,536	\$ 181,496	\$ 1,275,166

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

**STATEMENT OF CASH FLOWS**

December 31, 2017

Cash flows from operating activities	
Increase (decrease) in net assets	\$ 11,613
Adjustments to reconcile change in net assets	
Depreciation expense	3,167
Contributed investments	(26,318)
Realized and unrealized net gain on investments	(318)
Net cash provided by operating activities	
(Increase) decrease in accounts receivable	(41,782)
(Increase) decrease in other assets	1,500
Increase (decrease) in accrued expenses	5,485
Total adjustments	<u>(58,266)</u>
Net cash used in operating activities	(46,653)
Cash flows from investing activities	
Proceeds from sale of investments	<u>941</u>
Net cash provided by investing activities	<u>941</u>
Net decrease in cash and cash equivalents	(45,712)
Cash and cash equivalents at beginning of year	<u>207,188</u>
Cash and cash equivalents at end of year	<u><u>\$ 161,476</u></u>

See accompanying notes to the financial statements.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

**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, 2017

**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 39% of its support and revenue in 2017 from government grants.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2017

**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.

**Investments Securities**

Investments in marketable securities which are available for sale are carried in the financial statements at fair value. Realized and unrealized gains and losses are included in the Statement of Activities.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Subsequent Events**

Management has evaluated subsequent events through May 3, 2018, the date which the financial statements were available for issue.

**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, 2017:

Furniture and equipment	\$ 43,683
Vehicles	10,000
Software	558
Leasehold improvements	<u>4,215</u>
Total	58,456
Less accumulated depreciation/amortization	<u>(49,988)</u>
	<u>\$ 8,468</u>

Depreciation expense for the year ended December 31, 2017 amounted to \$3,167.

**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, 2017 was \$11,907.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2017

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

SPIN received client support materials (food, clothing, etc.) in the amount of \$16,801 during the year ended December 31, 2017.

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 Service	5,327
Guided Housing	4,096
Fundraising	788
General	<u>418</u>
	<u>10,629</u>

These volunteer hours were received and utilized by SPIN during 2017, 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: INVESTMENTS IN MARKETABLE SECURITIES**

During the year, SPIN received marketable securities in the amount of \$26,318, of which \$991 was sold during the year. Realized and unrealized gains and losses are included in the Statement of Activities.

Fair value of marketable debt and equity securities at December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2017</u>		
Stock securities	\$ <u>25,695</u>	\$ <u>25,695</u>

As described in Note 1, these investments are included in the accompanying statement of financial position at fair value and the unrealized gains or losses are reported in the statement of activities. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Investments in marketable securities are considered to have the highest “Level 1” priority and are valued at quoted prices in active markets for identical assets. Investments using observable inputs other than quoted prices for identical assets are classified as “Level 2” measurement.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 6: INVESTMENTS IN MARKETABLE SECURITIES (continued)**

Assets valued using unobservable data represent “Level 3” valuations. Serving People in Need, Inc.’s investments are all considered Level 1.

**NOTE 7: 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, 2017 was \$63,692.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending</u>	
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>\$ 229,504</u>

**NOTE 8: GOVERNMENTAL ASSISTANCE**

For the year ended December 31, 2017, revenue from governmental assistance consisted of the following:

U.S. Dept. of Housing and Urban Development – Supportive Housing Program	\$ 398,881
Federal Emergency Management Agency	<u>25,000</u>
Total	<u>\$ 423,881</u>

**NOTE 9: 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.

SERVING PEOPLE IN NEED, INC.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2017

**NOTE 10: TEMPORARILY RESTRICTED NET ASSETS**

Certain awards, grants, and support are temporarily restricted by the donor for specific purposes or due to time. As of December 31, 2017, temporarily restricted net assets of \$84,126 consisted of the following:

Croul Family Foundation	\$ 18,182
DevTo Support Foundation	23,170
Dhont Family Foundation	7,024
Marisla Foundation	5,750
Margaret E. Oser Fund for Women	<u>30,000</u>
	<u>\$ 84,126</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, 2017

**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, 2017, 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, 2018.

**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 the 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 3, 2018