

PROJECT DIGNITY  
INDEPENDENT AUDITORS' REPORT  
June 30, 2012 and 2011

**PROJECT DIGNITY**

June 30, 2012 and 2011

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Balsler Horowitz Frank & Wakeling  
*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Project Dignity  
Garden Grove, California

We have audited the accompanying statements of financial position of Project Dignity as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Balsler, Horowitz, Frank & Wakeling*

BALSER, HOROWITZ, FRANK, & WAKELING  
Santa Ana, California  
October 24, 2012

PROJECT DIGNITY

STATEMENTS OF FINANCIAL POSITION  
June 30, 2012 and 2011

	2012	2011
<b>Assets</b>		
Cash and cash equivalents	\$ 78,197	\$ 131,780
Food bank	428	208
Deposits	714	714
Property and equipment, net	<u>16,388</u>	<u>25,750</u>
Total assets	<u>\$ 95,727</u>	<u>\$ 158,452</u>
<b>Liabilities</b>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>Net assets</b>		
Unrestricted	49,239	112,952
Temporarily restricted	<u>46,488</u>	<u>45,500</u>
Total net assets	<u>95,727</u>	<u>158,452</u>
Total liabilities and net assets	<u>\$ 95,727</u>	<u>\$ 158,452</u>

See accompanying notes and independent auditors' report

**PROJECT DIGNITY**

**STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2012 and 2011

(With summarized information for the Year Ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Support and revenues</b>				
Contributions - cash	\$ 100,337	\$ 80,500	\$ 180,837	\$ 241,697
Contributions - non-cash	132,198	-	132,198	115,969
Interest income	147	-	147	224
Other income	<u>402</u>	<u>-</u>	<u>402</u>	<u>-</u>
Total support and revenues	<u>233,084</u>	<u>80,500</u>	<u>313,584</u>	<u>357,890</u>
<b>Expenses</b>				
Program services:				
Grants made	197,827	79,512	277,339	218,956
Consulting services	39,683	-	39,683	39,283
Depreciation	9,362	-	9,362	9,278
Insurance	6,145	-	6,145	5,135
Wages	5,780	-	5,780	7,862
Supplies	<u>5,197</u>	<u>-</u>	<u>5,197</u>	<u>4,075</u>
Total program services expense	<u>263,994</u>	<u>79,512</u>	<u>343,506</u>	<u>284,589</u>
General and administrative:				
Accounting	9,939	-	9,939	9,376
Consulting services	13,228	-	13,228	13,094
Wages	1,927	-	1,927	2,621
Other general and administrative	<u>7,710</u>	<u>-</u>	<u>7,710</u>	<u>8,874</u>
Total general and administrative expense	<u>32,803</u>	<u>-</u>	<u>32,803</u>	<u>33,965</u>
Total expenses	<u>296,797</u>	<u>79,512</u>	<u>376,309</u>	<u>318,554</u>
Change in net assets	(63,713)	988	(62,725)	39,336
<b>Net assets, beginning of year</b>	<u>112,952</u>	<u>45,500</u>	<u>158,452</u>	<u>119,116</u>
<b>Net assets, end of year</b>	<u>\$ 49,239</u>	<u>\$ 46,488</u>	<u>\$ 95,727</u>	<u>\$ 158,452</u>

See accompanying notes and independent auditors' report

## PROJECT DIGNITY

### STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2012 and 2011

	2012	2011
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (62,725)	\$ 39,336
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	9,362	9,278
Changes in:		
Food bank	<u>(220)</u>	<u>(33)</u>
Net change in operating activities	<u>(53,583)</u>	<u>48,581</u>
 Cash flows from investing activities		
Acquisition of equipment	<u>-</u>	<u>(423)</u>
Net change in investing activities	<u>-</u>	<u>(423)</u>
Net change in cash and cash equivalents	<u>(53,583)</u>	<u>48,158</u>
 Cash and cash equivalents, beginning of year	<u>131,780</u>	<u>83,622</u>
 Cash and cash equivalents, end of year	<u>\$ 78,197</u>	<u>\$ 131,780</u>

#### Supplemental disclosures of cash flow information

There were no financing activities for the years ended June 31, 2012 and 2011.

For the years ended June 30, 2012 and 2011, there was no cash paid for interest or income taxes.

See accompanying notes and independent auditors' report

## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

#### **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.

##### Comparative financial information

The accompanying financial statements include certain 2011 comparative information. With respect to the accompanying statement of activities, information for 2011 is presented in the aggregate and not displayed by category. Accordingly, such information should be read in conjunction with the Organization's fiscal 2011 financial statements from which summarized information was derived.

##### 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.

##### 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.

##### Cash and cash equivalents

For purposes of the balance sheet and statement 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.

## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

#### Note 1 – Summary of significant accounting policies (continued)

##### 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, 2012 and 2011. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Depreciation expense for the years ended June 30, 2012 and 2011 was \$9,362 and \$9,278, 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.
- **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.

## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

#### Note 1 – Summary of significant accounting policies (continued)

##### 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 statement 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 statement 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, 2012 and 2011, the Organization had no activities unrelated to its exempt purposes, and therefore incurred no tax liability due to unrelated business income.

The Organization follows the provisions of Accounting Standards Codification (ASC) 740-10-50, *Accounting for Uncertainty in Income Taxes*. The statement requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The statement had no impact on the Organization's statement of financial position or statement of activities. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

**Note 2 – Property and equipment**

Property and equipment at June 30 consisted of the following:

	2012	2011
Automobile	\$ 40,913	\$ 40,913
Computers and software	4,533	4,533
Equipment	6,295	6,295
Furniture and fixtures	<u>501</u>	<u>501</u>
Total property and equipment	52,242	52,242
Less: accumulated depreciation	<u>(35,854)</u>	<u>(26,492)</u>
Property and equipment, net	<u><u>\$ 16,388</u></u>	<u><u>\$ 25,750</u></u>

**Note 3 – Temporarily restricted net assets**

Net assets at June 30 consisted of the following:

Unrestricted net assets		
Unrestricted undesignated	<u>\$ 49,239</u>	<u>\$ 112,952</u>
Total unrestricted net assets	<u>49,239</u>	<u>112,952</u>
Temporarily restricted net assets		
After school program	9,358	3,279
Meals on wheels	4,102	12,000
Voucher program	4,588	-
Other	<u>28,440</u>	<u>30,221</u>
Total temporarily restricted net assets	<u>46,488</u>	<u>45,500</u>
Total net assets	<u><u>\$ 95,727</u></u>	<u><u>\$ 158,452</u></u>

**Note 4 – Subsequent events**

Management has evaluated subsequent events through October 24, 2012, the date on which the financial statements were available to be issued.