

**PROJECT DIGNITY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**June 30, 2018 and 2017**

# PROJECT DIGNITY

June 30, 2018 and 2017

## TABLE OF CONTENTS

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4 – 5
Statements of cash flows	6
Notes to the financial statements	7 – 11

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, 2018 and 2017, and the related statements of activities, functional expenses, 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.

*Auditors' 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, 2018 and 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.

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PROJECT DIGNITY

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 69,092	\$ 98,369
Cash and cash equivalents - restricted	<u>108,446</u>	<u>81,928</u>
Total cash and cash equivalents	177,538	180,297
Prepaid expenses	1,679	1,736
Food bank	723	396
Deposits	<u>714</u>	<u>714</u>
Total current assets	<u>180,654</u>	<u>183,143</u>
Noncurrent assets:		
Property and equipment, net	<u>440</u>	<u>724</u>
Total noncurrent assets	<u>440</u>	<u>724</u>
Total assets	<u>\$ 181,094</u>	<u>\$ 183,867</u>
<b>LIABILITIES AND NET ASSETS</b>		
Net assets:		
Without donor restrictions	72,648	101,939
With donor restrictions	<u>108,446</u>	<u>81,928</u>
Total net assets	<u>181,094</u>	<u>183,867</u>
Total liabilities and net assets	<u>\$ 181,094</u>	<u>\$ 183,867</u>

See accompanying notes and independent auditors' report

## PROJECT DIGNITY

### STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Contributions - cash	\$ 87,362	\$ 121,000	\$ 208,362	\$ 74,198	\$ 105,250	\$ 179,448
Contributions - non-cash	120,272	-	120,272	127,367	-	127,367
Interest income	157	-	157	151	-	151
Other income	-	-	-	-	-	-
Net assets released from restrictions	<u>94,482</u>	<u>(94,482)</u>	<u>-</u>	<u>131,634</u>	<u>(131,634)</u>	<u>-</u>
Total support and revenues	<u>302,273</u>	<u>26,518</u>	<u>328,791</u>	<u>333,350</u>	<u>(26,384)</u>	<u>306,966</u>
Expenses:						
Program activities	<u>286,883</u>	<u>-</u>	<u>286,883</u>	<u>279,505</u>	<u>-</u>	<u>279,505</u>
Supporting activities:						
General and administrative	44,681	-	44,681	41,413	-	41,413
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total supporting activities	<u>44,681</u>	<u>-</u>	<u>44,681</u>	<u>41,413</u>	<u>-</u>	<u>41,413</u>
Total expenses	<u>331,564</u>	<u>-</u>	<u>331,564</u>	<u>320,918</u>	<u>-</u>	<u>320,918</u>
Change in net assets	(29,291)	26,518	(2,773)	12,432	(26,384)	(13,952)
<b>Net assets, beginning of year</b>	<u>101,939</u>	<u>81,928</u>	<u>183,867</u>	<u>89,507</u>	<u>108,312</u>	<u>197,819</u>
<b>Net assets, end of year</b>	<u><u>\$ 72,648</u></u>	<u><u>\$ 108,446</u></u>	<u><u>\$ 181,094</u></u>	<u><u>\$ 101,939</u></u>	<u><u>\$ 81,928</u></u>	<u><u>\$ 183,867</u></u>

See accompanying notes and independent auditors' report

PROJECT DIGNITY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program activities	Supporting activities		Total
		General and administrative	Fundraising	
Expenses:				
Accounting	\$ -	\$ 11,130	\$ -	\$ 11,130
Auto and trailer expense	3,164	-	-	3,164
Bank charges	6	-	-	6
Consulting fees	39,873	13,291	-	53,164
Depreciation	284	-	-	284
Dues and subscriptions	-	1,582	-	1,582
Grants	213,739	-	-	213,739
Insurance	6,657	-	-	6,657
Meals	-	192	-	192
Payroll expenses	-	10,202	-	10,202
Postage and delivery	-	725	-	725
Program expense	10,240	-	-	10,240
Research and development	-	3,184	-	3,184
Supplies	2,095	-	-	2,095
Telephone	-	1,484	-	1,484
Travel	1,981	-	-	1,981
Wages	8,672	2,891	-	11,563
Website	172	-	-	172
Total expenses	<u>\$ 286,883</u>	<u>\$ 44,681</u>	<u>\$ -</u>	<u>\$ 331,564</u>

See accompanying notes and independent auditors' report

PROJECT DIGNITY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Program activities	Supporting activities		Total
		General and administrative	Fundraising	
Expenses:				
Accounting	\$ -	\$ 10,743	\$ -	\$ 10,743
Auto and trailer expense	2,597	-	-	2,597
Consulting fees	40,460	13,486	-	53,946
Depreciation	284	-	-	284
Dues and subscriptions	-	1,535	-	1,535
Grants	210,390	-	-	210,390
Insurance	6,469	-	-	6,469
Licenses and permits	-	64	-	64
Meals	-	584	-	584
Payroll expenses	-	9,329	-	9,329
Postage and delivery	-	111	-	111
Program expense	9,678	-	-	9,678
Research and development	-	2,209	-	2,209
Supplies	1,390	-	-	1,390
Telephone	-	1,163	-	1,163
Travel	1,521	-	-	1,521
Wages	6,566	2,189	-	8,755
Website	150	-	-	150
	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Total expenses	<u>\$ 279,505</u>	<u>\$ 41,413</u>	<u>\$ -</u>	<u>\$ 320,918</u>

See accompanying notes and independent auditors' report

## PROJECT DIGNITY

### STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,773)	\$ (13,952)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	284	284
Changes in:		
Prepaid expenses	57	(1,511)
Food bank	(327)	2,438
	<u>(2,759)</u>	<u>(12,741)</u>
Net change in operating activities		
	<u>(2,759)</u>	<u>(12,741)</u>
Net change in cash and cash equivalents		
	<u>(2,759)</u>	<u>(12,741)</u>
<b>Total cash and cash equivalents, beginning of year</b>	<u>180,297</u>	<u>193,038</u>
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 177,538</u>	<u>\$ 180,297</u>

#### Supplemental disclosures of cash flow information

There were no investing or financing activities for the years ended June 30, 2018 and 2017.

For the years ended June 30, 2018 and 2017, there was no cash paid for interest or income taxes.

There were no non-cash financing activities for the years ended June 30, 2018 and 2017.

See accompanying notes and independent auditors' report



## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

#### **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 and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### 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

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

#### Cash and cash equivalents – restricted

The Organization routinely receives contributions that are subject to donor-imposed restrictions. Restricted cash consists of those amounts set aside to comply with such restrictions.

## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

#### 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, 2018 and 2017.

##### Property and equipment

Purchases of property and equipment in excess of \$1,000 are capitalized and presented at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. Donated assets are capitalized at their approximate fair market value at the date of the gift. 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, 2018 and 2017 was \$284 and \$284, respectively.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2018 and 2017, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

##### Net assets

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. At June 30, 2018 and 2017, net assets with donor restrictions totaled \$108,446 and \$81,928, respectively.

## PROJECT DIGNITY

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

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

##### Revenue recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a benefit interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

##### Contributed goods and services

Volunteers contribute amounts of time to the program activities, administration, and fundraising and development activities carried out by the Organization. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States. Contributed goods are recorded at fair value at the date of the donation. Donated professional services are recorded at their respective fair values. No significant contributions of such goods or services were received during the years ended June 30, 2018 and 2017.

##### Functional allocation of expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain significant expenses are allocated on a basis of square footage, such as depreciation; while others are allocated on a basis of time and effort estimates, such as consulting fees.

##### 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, 2018 and 2017, 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, 2018 and 2017

**Note 2 – Liquidity and availability**

As part of liquidity management, the Organization has put a policy in place to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure within one year consisted of the following at June 30, 2018:

Total cash and cash equivalents	\$ 177,538
Total financial assets	177,538
Donor contributions with specific purpose or time restrictions	<u>108,446</u>
Total financial assets available for general expenditure within one year	<u>\$ 69,092</u>

**Note 3 – Property and equipment**

Property and equipment consisted of the following at June 30:

	2018	2017
Automobile	\$ 40,913	\$ 40,913
Computers and software	5,816	5,816
Equipment	6,432	6,432
Furniture and fixtures	<u>501</u>	<u>501</u>
Total property and equipment	53,662	53,662
Less: accumulated depreciation	<u>(53,222)</u>	<u>(52,938)</u>
Property and equipment, net	<u>\$ 440</u>	<u>\$ 724</u>

PROJECT DIGNITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018 and 2017

**Note 4 – Net assets**

Net assets consisted of the following at June 30:

	2018	2017
Without donor restrictions		
Undesignatead	\$ <u>72,648</u>	\$ <u>101,939</u>
Total net assets without donor restrictions	<u>72,648</u>	<u>101,939</u>
With donor restrictions		
Feed the need	44,348	35,000
Motel expansion	10,758	10,931
Voucher program	16,520	-
Stay in school	11,618	27,848
Bumper to bumper	23,621	4,393
Other	<u>1,581</u>	<u>3,756</u>
Total net assets with donor restrictions	<u>108,446</u>	<u>81,928</u>
Total net assets	<u>\$ 181,094</u>	<u>\$ 183,867</u>

**Note 5 - New accounting standards adopted**

The Organization has elected to early adopt Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires significant changes in the following areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. There were no material impacts on the Organization's results of operations or financial condition upon adoption of the new standard.

**Note 6 – Subsequent events**

Management has evaluated subsequent events through September 7, 2018, the date on which the financial statements were available to be issued.