

**PEOPLE REACHING OUT
TO OTHER PEOPLE, INC. (PROP)**

**FINANCIAL STATEMENTS
Eighteen-Month Period Ended June 30, 2016
And Year Ended December 31, 2014**

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)

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Certified Public Accountants & Consultants
Meuwissen, Flygare, Kadrlík & Associates, P.A.
Independent Auditors' Report

The Board of Directors
People Reaching Out to Other People, Inc. (PROP)
Eden Prairie, Minnesota

We have audited the accompanying financial statements of People Reaching Out to Other People, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the eighteen-month period 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 audit. We conducted our audit 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 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People Reaching Out to Other People, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the eighteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited People Reaching Out To Other People, Inc.'s 2014 financial statements, and we express an unmodified audit opinion on those audited financial statements in our report dated July 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Melvinissen, Flygare
Kadrlik & Associates, P.A.*

September 29, 2016

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
With Comparative Totals for December 31, 2014

	June 30, 2016	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199,011	\$ 252,413
Certificates of deposit	78,651	50,000
Inventory	86,476	50,781
Total current assets	364,138	353,194
Property and equipment		
Building	1,053,147	1,053,147
Furniture, fixtures, and equipment	76,075	58,535
Accumulated depreciation	(231,925)	(170,476)
Total property and equipment, net	897,297	941,206
Total assets	\$ 1,261,435	\$ 1,294,400
LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued expenses	\$ 1,991	\$ 709
Total liabilities	1,991	709
Net assets		
Net assets - unrestricted	1,131,386	1,203,456
Net assets - temporarily restricted	128,058	90,235
Total net assets	1,259,444	1,293,691
Total liabilities and net assets	\$ 1,261,435	\$ 1,294,400

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2016
With Comparative Totals for the Year Ended December 31, 2014

	Eighteen Months Ended June 30, 2016			Year Ended
	Unrestricted	Temporarily Restricted	Total	December 31, 2014
Support and revenue				
Individual - unrestricted	\$ 295,292	\$ -	\$ 295,292	217,929
Grants	312,904	47,180	360,084	323,259
Faith based	49,742	-	49,742	44,626
Organizations	28,488	-	28,488	30,676
Corporations	84,635	-	84,635	41,907
In-kind contributions	-	2,104,238	2,104,238	1,214,136
All other	42,664	-	42,664	29,746
Net assets released from restrictions	2,113,595	(2,113,595)	-	-
Total support and revenue	2,927,320	37,823	2,965,143	1,902,279
Expenses				
Program services	2,665,360	-	2,665,360	1,677,151
General and administrative	208,513	-	208,513	158,195
Fundraising	125,517	-	125,517	72,308
Total expenses	2,999,390	-	2,999,390	1,907,654
Increase (decrease) in net assets	(72,070)	37,823	(34,247)	(5,375)
Net assets, beginning of period	1,203,456	90,235	1,293,691	1,299,066
Net assets, end of period	\$ 1,131,386	\$ 128,058	\$ 1,259,444	\$ 1,293,691

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FUNCTIONAL EXPENSES
EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2016
With Comparative Totals for the Year Ended December 31, 2014

	Eighteen Months Ended June 30, 2016				Year Ended
	Program Services	General and Administrative	Fundraising	Total	December 31, 2014
In-kind distributions	\$2,065,625	\$ -	\$ -	\$2,065,625	\$ 1,204,156
Contracted services	150	12,347	-	12,497	26,585
Depreciation	41,171	10,446	9,832	61,449	35,613
Housing/rent assistance	103,693	-	-	103,693	89,738
Insurance	7,058	2,991	1,914	11,963	5,295
Janitorial	7,961	2,017	1,889	11,867	8,286
Marketing	2,330	3,201	9,999	15,530	16,046
Medical & dental assistance	976	-	-	976	1,592
Office supplies	304	10,452	3,967	14,723	10,645
Other expenses	2,844	8,402	625	11,871	12,107
Purchased food	94,239	-	-	94,239	82,325
Repairs & maintenance	14,019	5,102	3,642	22,763	11,497
Salaries & benefits	248,931	143,756	85,990	478,677	346,425
Technology services	11,073	4,692	3,003	18,768	12,417
Transportation	2,434	159	-	2,593	933
Transportation assistance	19,789	-	-	19,789	7,610
Utilities	19,499	4,948	4,656	29,103	21,153
Utilities assistance	11,134	-	-	11,134	9,074
Youth scholarships	12,130	-	-	12,130	6,157
Total	<u>\$2,665,360</u>	<u>\$ 208,513</u>	<u>\$ 125,517</u>	<u>\$2,999,390</u>	<u>\$ 1,907,654</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF CASH FLOWS
EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2016
With Comparative Totals for the Year Ended December 31, 2014

	Eighteen Months Ended June 30, 2016	Year Ended December 31, 2014
Cash flows from operations		
Change in net assets	\$ (34,247)	\$ (5,375)
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	61,449	35,613
Change in assets and liabilities		
Inventory	(35,695)	4,221
Accrued expenses	1,282	709
Deferred revenue	-	(4,124)
Net cash from (used by) operating activities	<u>(7,211)</u>	<u>31,044</u>
Cash flows from investing activities		
Investment in certificates of deposit	(28,651)	(50,000)
Purchase of property and equipment	<u>(17,540)</u>	<u>(45,171)</u>
Net cash used by investing activities	(46,191)	(95,171)
Net change in cash and equivalents	(53,402)	(64,127)
Cash and cash equivalents - beginning of period	252,413	316,540
Cash and cash equivalents - end of period	<u>\$ 199,011</u>	<u>\$ 252,413</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
With Comparative Totals for December 31, 2014

NOTE 1 – ORGANIZATION

People Reaching Out to Other People, Inc. (PROP) is a Minnesota nonprofit corporation organized in 1982. PROP was formed to provide assistance in all areas of human services to individuals residing in the cities of Eden Prairie and Chanhassen. Services include a food shelf, together with financial assistance in areas, such as, housing, utilities, medical emergencies and other basic needs.

Effective January 1, 2015, the Organization changed from a calendar year end of December 31 to a fiscal year end June 30. An eighteen-month fiscal transition period from January 1, 2015, through June 30, 2016 precedes the start of the new fiscal-year cycle.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets are the net assets of the Organization that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.
- Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
- Permanently restricted net assets are subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

At June 30, 2016 and December 31, 2014, PROP had \$128,058 and \$90,235 of temporarily restricted assets and no permanently restricted assets.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
With Comparative Totals for December 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all debt instruments with an original maturity of 1 year or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit have a fifteen-month and an eighteen-month term and mature in April 2017 and February 2017, respectively. Certificates of deposit are valued at cost.

Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received, less an allowance for promises estimated to be uncollectible. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors primarily in the form of food and services.

Services donated from a variety of volunteers have not been recognized in the accompanying statements of activities as the criteria for recognition of such volunteer efforts in accordance with FASB codification have not been met.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation).

Property and Equipment and Depreciation

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at time of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis ranging from three to fifteen years.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
With Comparative Totals for December 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

Government grants are generally considered exchange transactions and are recorded as revenues when earned. Revenue is earned when eligible expenditures, as defined in each grant, are incurred. Funds received, but not yet earned are recorded as deferred revenue.

Functional Expenses

The cost of providing various programs and other activities are presented on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services that received benefits.

Comparative Total Column

The financial statements include certain prior-period summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with PROP's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Date of Management Review

Management has evaluated subsequent events through September 29, 2016, the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances with various financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such balances may be in excess of the FDIC limit. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

NOTE 4 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except on net income derived from unrelated business activities. The Organization is classified as a public charity.

The Organization assesses whether it is more likely than not that the tax position will be sustained on examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of the tax position is not recognized in the financial statements. The Organization recorded no assets or liabilities for uncertain tax positions or unrecognized tax benefits.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2012 and thereafter, are subject to examination by the IRS, generally for three years after they were filed.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
With Comparative Totals for December 31, 2014

NOTE 5 – DONATED FOOD INVENTORY

Inventory consists of perishable and non-perishable foods and related products. The estimated fair market value of food donated was performed by an independent source and is generally valued based on the current market value. The total amount of food at period-end was counted on June 30, 2016 and December 31, 2014. The Organization's ending food inventory is classified as a temporarily restricted net asset until the food is distributed and totaled \$86,476 and \$50,781 at June 30, 2016 and December 31, 2014.

NOTE 6 – FUND-RAISING EXPENSE

Total fund-raising expense for the eighteen-month period ended June 30, 2016 and year ended December 31, 2014, was \$125,517 and \$72,308, respectively, or 4.2% and 3.8% of the total annual campaign contribution revenue. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2016 and December 31, 2014:

	June 30, 2016	December 31, 2014
Building and improvements	\$ 1,053,147	\$ 1,053,147
Furniture, fixtures, and equipment	76,075	58,535
	<u>1,129,222</u>	<u>1,111,682</u>
Accumulated depreciation	(231,925)	(170,476)
	<u>\$ 897,297</u>	<u>\$ 941,206</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2016 and December 31, 2014:

	June 30, 2016	December 31, 2014
Food in inventory	\$ 86,476	\$ 50,781
Funds for program services	41,582	39,454
Total	<u>\$ 128,058</u>	<u>\$ 90,235</u>

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016
With Comparative Totals for December 31, 2014

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets released from restriction were as follows:

	June 30, 2016	December 31, 2014
Inventory distributed to individuals	\$ 2,003,627	\$ 1,204,156
Funds for program services	109,968	118,444
Total	<u>\$ 2,113,595</u>	<u>\$ 1,322,600</u>

NOTE 9 – RETIREMENT PLANS

In 2014, the Organization added a retirement SIMPLE IRA plan covering substantially all of its employees. The Organization makes a contribution of 2% of eligible compensation. The expense related to the SIMPLE IRA plan for the eighteen-month period ended June 30, 2016 and year ended December 31, 2014 were \$5,514 and \$5,735, respectively.