

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

**FINANCIAL STATEMENTS
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 statements of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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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Eden Prairie, MN 55344

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 December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited People Reaching Out To Other People, Inc.'s 2013 financial statements, and we express an unmodified audit opinion on those audited financial statements in our report dated August 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Minneapolis, MN
July 22, 2015

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 252,413	\$ 316,540
Certificate of deposit	50,000	-
Inventory	50,781	55,002
Total current assets	<u>353,194</u>	<u>371,542</u>
Property and equipment		
Building	1,053,147	1,053,147
Furniture, fixtures, and equipment	58,535	13,364
Accumulated depreciation	(170,476)	(134,863)
Total property and equipment, net	<u>941,206</u>	<u>931,648</u>
Total assets	<u>\$ 1,294,400</u>	<u>\$ 1,303,190</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Deferred revenue	\$ -	\$ 4,124
Accrued expenses	709	-
Total liabilities	<u>709</u>	<u>4,124</u>
Net assets		
Net assets - unrestricted	1,203,456	1,188,220
Net assets - temporarily restricted	90,235	110,846
Total net assets	<u>1,293,691</u>	<u>1,299,066</u>
Total liabilities and net assets	<u>\$ 1,294,400</u>	<u>\$ 1,303,190</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				
Individual - unrestricted	\$ 217,929	\$ -	\$ 217,929	184,036
Individual - debt retirement	-	-	-	434,662
Grants	235,406	87,853	323,259	244,212
Faith based	44,626	-	44,626	43,164
Organizations	30,676	-	30,676	34,338
Corporations	41,907	-	41,907	46,326
In-kind contributions	-	1,214,136	1,214,136	1,191,456
All other	29,746	-	29,746	19,500
Net assets released from restriction	1,322,600	(1,322,600)	-	-
Total support and revenue	1,922,890	(20,611)	1,902,279	2,197,694
Expenses				
Program services	1,677,151	-	1,677,151	1,636,702
General and administrative	158,195	-	158,195	111,654
Fundraising	72,308	-	72,308	66,005
Total expenses	1,907,654	-	1,907,654	1,814,361
Increase (decrease) in net assets	15,236	(20,611)	(5,375)	383,333
Net assets, beginning of year	1,188,220	110,846	1,299,066	915,733
Net assets, end of year	\$ 1,203,456	\$ 90,235	\$ 1,293,691	\$ 1,299,066

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

	2014			Total	2013
	Program Services	General and Administrative	Fundraising		
In-kind distributions	\$ 1,204,156	\$ -	\$ -	\$ 1,204,156	\$ 1,187,571
Amortization	-	-	-	-	6,759
Contracted services	18,025	8,560	-	26,585	30,205
Depreciation	23,861	6,054	5,698	35,613	29,035
Housing/rent assistance	89,738	-	-	89,738	85,193
Insurance	3,124	1,324	847	5,295	7,169
Interest	-	-	-	-	11,456
Janitorial	5,552	1,408	1,326	8,286	8,003
Marketing	9,467	4,012	2,567	16,046	7,517
Medical & dental assistance	1,592	-	-	1,592	1,460
Office supplies	6,281	2,661	1,703	10,645	10,477
Other expenses	7,648	4,459	-	12,107	7,479
Purchased food	82,325	-	-	82,325	52,781
Repairs & maintenance	7,703	1,954	1,840	11,497	11,315
Salaries & benefits	173,339	120,312	52,774	346,425	306,774
Technology services	7,326	3,104	1,987	12,417	12,239
Transportation	-	751	182	933	3,811
Transportation assistance	7,610	-	-	7,610	7,967
Utilities	14,173	3,596	3,384	21,153	14,919
Utilities assistance	9,074	-	-	9,074	8,550
Youth scholarships	6,157	-	-	6,157	3,681
Total	\$ 1,677,151	\$ 158,195	\$ 72,308	\$ 1,907,654	\$ 1,814,361

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operations		
Change in net assets	\$ (5,375)	\$ 383,333
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	35,613	29,035
Change in assets and liabilities		
Inventory	4,221	705
Closing costs	-	6,759
Accrued expenses	709	-
Deferred revenue	(4,124)	4,124
Net cash from operating activities	<u>31,044</u>	<u>423,956</u>
Cash flows from investing activities		
Investment in certificates of deposit	(50,000)	-
Maturity of certificates of deposit	-	27,497
Purchase of property and equipment	(45,171)	(17,799)
Net cash from (used by) investing activities	<u>(95,171)</u>	<u>9,698</u>
Cash flows from financing activities		
Payments on long-term debt	-	(440,527)
Net cash used by financing activities	<u>-</u>	<u>(440,527)</u>
Net change in cash and equivalents	(64,127)	(6,873)
Cash and cash equivalents - beginning of year	316,540	323,413
Cash and cash equivalents - end of year	<u>\$ 252,413</u>	<u>\$ 316,540</u>
Supplemental disclosure of cash flow data:		
Interest paid	<u>\$ -</u>	<u>\$ 11,456</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

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.

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 December 31, 2014 and 2013 PROP had \$90,235 and \$110,846 of temporarily restricted assets and no permanently restricted assets.

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.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certificate of Deposit

Certificate of deposit has an eighteen-month term and matures in August 2015.

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.

Investments

Investments are generally recorded at fair value based on quoted market prices, when available, or estimates of fair value. Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and related gains and losses, both realized and unrealized, are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor law.

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
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

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 year 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 July 22, 2015, 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 2011 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
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

NOTE 5 - DONATED FOOD INVENTORY

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 year-end was counted by hand on December 31, 2014 and 2013. The Organization's ending food inventory is classified as a temporarily restricted net asset until the food is distributed and totaled \$50,781 and \$55,002 at December 31, 2014 and 2013.

NOTE 6 – FUND-RAISING EXPENSE

Total fund-raising expense for the years ended December 31, 2014 and 2013, was \$72,308 and \$66,005, respectively, or 4% and 3% 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 December 31, 2014 and 2013:

	2014	2013
Building and improvements	\$ 1,053,147	\$ 1,053,147
Furniture, fixtures, and equipment	58,535	13,364
	<u>1,111,682</u>	<u>1,066,511</u>
Accumulated depreciation	(170,476)	(134,863)
	<u>\$ 941,206</u>	<u>\$ 931,648</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2014 and 2013:

	2014	2013
Food in inventory	\$ 50,781	\$ 55,002
Funds for program services	39,454	55,844
Total	<u>\$ 90,235</u>	<u>\$ 110,846</u>

Net assets released from restriction were as follows:

	2014	2013
Funds for purchase and operation of building	\$ -	\$ 13,918
Inventory distributed to individuals	1,204,156	1,192,161
Funds for debt retirement	-	434,662
Funds for program services	118,444	61,643
Total	<u>\$ 1,322,600</u>	<u>\$ 1,702,384</u>

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

NOTE 9 – RETIREMENT PLANS

During 2014, the Organization added a retirement SIMPLE IRA plan covering substantially all of its employees. The Organization makes a matching contribution of 2% of eligible compensation.

NOTE 10 – RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.