

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

**FINANCIAL STATEMENTS
Year Ended June 30, 2017
And Eighteen-Month Period Ended June 30, 2016**

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

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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, 2017, 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.

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, 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.

Report on Summarized Comparative Information

We have previously audited People Reaching Out To Other People, Inc.'s 2016 financial statements, and we express an unmodified audit opinion on those audited financial statements in our report dated September 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the eighteen-month period ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

August 23, 2017

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017
With Comparative Totals for June 30, 2016

	June 30, 2017	June 30, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 345,313	\$ 277,662
Inventory	98,374	86,476
Total current assets	<u>443,687</u>	<u>364,138</u>
Property and equipment		
Building	1,053,147	1,053,147
Furniture, fixtures, and equipment	80,079	76,075
Accumulated depreciation	(272,638)	(231,925)
Total property and equipment, net	<u>860,588</u>	<u>897,297</u>
 Total assets	 <u>\$ 1,304,275</u>	 <u>\$ 1,261,435</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 6,067	\$ -
Accrued expenses	1,727	1,991
Total liabilities	<u>7,794</u>	<u>1,991</u>
Net assets		
Net assets - unrestricted	1,178,979	1,131,386
Net assets - temporarily restricted	117,502	128,058
Total net assets	<u>1,296,481</u>	<u>1,259,444</u>
 Total liabilities and net assets	 <u>\$ 1,304,275</u>	 <u>\$ 1,261,435</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017
With Comparative Totals for the Eighteen-Month Period Ended June 30, 2016

	Year Ended June 30, 2017			Eighteen Months Ended June 30, 2016
	Unrestricted	Temporarily Restricted	Total	
Support and revenue				
Individual - unrestricted	\$ 300,743	\$ -	\$ 300,743	\$ 295,292
Grants	280,811	29,000	309,811	360,084
Faith based	31,883	-	31,883	49,742
Organizations	30,374	-	30,374	28,488
Corporations	53,985	-	53,985	84,635
In-kind contributions	-	1,418,507	1,418,507	2,104,238
All other	52,534	-	52,534	42,664
Net assets released from restrictions	1,458,063	(1,458,063)	-	-
Total support and revenue	2,208,393	(10,556)	2,197,837	2,965,143
Expenses				
Program services	1,843,158	-	1,843,158	2,665,360
General and administrative	159,563	-	159,563	208,513
Fundraising	158,079	-	158,079	125,517
Total expenses	2,160,800	-	2,160,800	2,999,390
Increase (decrease) in net assets	47,593	(10,556)	37,037	(34,247)
Net assets, beginning of period	1,131,386	128,058	1,259,444	1,293,691
Net assets, end of period	\$ 1,178,979	\$ 117,502	\$ 1,296,481	\$ 1,259,444

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

With Comparative Totals for the Eighteen-Month Period Ended June 30, 2016

	Year Ended June 30, 2017			Total	Eighteen Months Ended June 30, 2016
	Program Services	General and Administrative	Fundraising		
In-kind distributions	\$ 1,406,609	\$ -	\$ -	\$ 1,406,609	\$ 2,065,625
Contracted services	-	6,000	-	6,000	12,497
Depreciation	27,278	6,921	6,514	40,713	61,449
Development	-	250	21,285	21,535	-
Housing/rent assistance	89,326	-	-	89,326	103,693
Insurance	5,177	2,194	1,404	8,775	11,963
Janitorial	5,701	1,447	1,361	8,509	11,867
Marketing	209	3,512	17,032	20,753	15,530
Medical & dental assistance	371	-	-	371	976
Office supplies	2,885	6,693	751	10,329	13,855
Other expenses	2,708	11,191	352	14,251	11,871
Purchased food	49,655	-	-	49,655	94,239
Repairs & maintenance	10,404	2,815	1,175	14,394	23,631
Salaries & benefits	197,562	96,330	101,397	395,289	478,677
Technology services	8,959	3,797	2,430	15,186	18,768
Transportation	800	82	-	882	2,593
Transportation assistance	20,064	-	-	20,064	19,789
Utilities	12,850	4,113	4,378	21,341	29,103
Utilities assistance	9,445	-	-	9,445	11,134
Youth scholarships	7,373	-	-	7,373	12,130
Total	\$ 1,857,376	\$ 145,345	\$ 158,079	\$ 2,160,800	\$ 2,999,390

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017
With Comparative Totals for the Eighteen-Month Period Ended June 30, 2016

	Year Ended <u>June 30, 2017</u>	Eighteen Months Ended <u>June 30, 2016</u>
Cash flows from operations		
Increase (decrease) in net assets	\$ 37,037	\$ (34,247)
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	40,713	61,449
Change in assets and liabilities		
Inventory	(11,898)	(35,695)
Accounts payable	6,067	-
Accrued expenses	(264)	1,282
Net cash from (used by) operating activities	<u>71,655</u>	<u>(7,211)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(4,004)</u>	<u>(17,540)</u>
Net cash used by investing activities	(4,004)	(17,540)
Net change in cash and equivalents	67,651	(24,751)
Cash and cash equivalents - beginning of period	277,662	302,413
Cash and cash equivalents - end of period	<u>\$ 345,313</u>	<u>\$ 277,662</u>

See Notes to Financial Statements.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
With Comparative Totals for June 30, 2016

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

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, 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, 2017 and June 30, 2016, PROP had \$117,502 and \$128,058 of temporarily restricted assets and no permanently restricted assets.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017
With Comparative Totals for June 30, 2016

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 a remaining maturity of 1 year or less to be cash equivalents.

Comparative Financial Information

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 eighteen-month period ended June 30, 2016, from which the summarized information was derived.

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, 2017
With Comparative Totals for June 30, 2016

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.

Date of Management Review

Management has evaluated subsequent events through August 23, 2017, 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 may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of Minnesota. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ended 2013 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, 2017
With Comparative Totals for June 30, 2016

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, 2017 and 2016. The Organization's ending food inventory is classified as a temporarily restricted net assets until the food is distributed, and totaled \$98,374 and \$86,476 at June 30, 2017 and 2016, respectively.

NOTE 6 – FUND-RAISING EXPENSE

Total fund-raising expense for the year ended June 30, 2017 and eighteen-month period ended June 30, 2016, was \$158,079 and \$125,517, respectively, or 7.2% and 4.2% of the total campaign contribution revenue. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2017 and 2016:

	2017	2016
Food in inventory	\$ 98,374	\$ 86,476
Funds for program services	19,128	41,582
Total	<u>\$ 117,502</u>	<u>\$ 128,058</u>

Net assets released from restriction were as follows:

	2017	2016
Inventory distributed to individuals	\$ 1,406,609	\$ 2,003,627
Funds for program services	51,454	109,968
Total	<u>\$ 1,458,063</u>	<u>\$ 2,113,595</u>

NOTE 8 – 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 year ended June 30, 2017 and eighteen-month period ended June 30, 2016 was \$6,373 and \$5,514, respectively.

NOTE 9 – RECLASSIFICATIONS

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