

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

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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 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.

Auditor's 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 audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Meuwissen, Flygare
Kadrlík & Associates, P.A.*

September 17, 2018



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PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 270,356	\$ 345,313
Inventory	122,040	98,374
Total current assets	<u>392,396</u>	<u>443,687</u>
Property and equipment		
Building and building improvements	1,074,692	1,053,147
Furniture, fixtures, and equipment	96,984	80,079
Accumulated depreciation	(311,990)	(272,638)
Total property and equipment, net	<u>859,686</u>	<u>860,588</u>
Other assets		
Investments	<u>100,109</u>	<u>-</u>
Total assets	<u><u>\$ 1,352,191</u></u>	<u><u>\$ 1,304,275</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 12,260	\$ 6,067
Accrued expenses	674	1,727
Total liabilities	<u>12,934</u>	<u>7,794</u>
Net assets		
Net assets - unrestricted	1,213,217	1,178,979
Net assets - temporarily restricted	126,040	117,502
Total net assets	<u>1,339,257</u>	<u>1,296,481</u>
Total liabilities and net assets	<u><u>\$ 1,352,191</u></u>	<u><u>\$ 1,304,275</u></u>

See accompanying notes and independent auditors' report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Individual - unrestricted	\$ 389,567	\$ -	\$ 389,567	\$ 300,743	\$ -	\$ 300,743
Grants	258,904	4,000	262,904	280,811	29,000	309,811
Faith based	43,817	-	43,817	31,883	-	31,883
Organizations	17,235	-	17,235	30,374	-	30,374
Corporations	55,274	-	55,274	53,985	-	53,985
In-kind contributions	-	1,479,934	1,479,934	-	1,418,507	1,418,507
All other	65,442	-	65,442	52,534	-	52,534
Net assets released from restrictions	<u>1,475,396</u>	<u>(1,475,396)</u>	<u>-</u>	<u>1,458,063</u>	<u>(1,458,063)</u>	<u>-</u>
Total support and revenue	2,305,635	8,538	2,314,173	2,208,393	(10,556)	2,197,837
Expenses						
Program services	1,944,107	-	1,944,107	1,857,376	-	1,857,376
General and administrative	164,811	-	164,811	145,345	-	145,345
Fundraising	<u>162,479</u>	<u>-</u>	<u>162,479</u>	<u>158,079</u>	<u>-</u>	<u>158,079</u>
Total expenses	<u>2,271,397</u>	<u>-</u>	<u>2,271,397</u>	<u>2,160,800</u>	<u>-</u>	<u>2,160,800</u>
Increase in net assets	34,238	8,538	42,776	47,593	(10,556)	37,037
Net assets, beginning of year	<u>1,178,979</u>	<u>117,502</u>	<u>1,296,481</u>	<u>1,131,386</u>	<u>128,058</u>	<u>1,259,444</u>
Net assets, end of year	<u>\$ 1,213,217</u>	<u>\$ 126,040</u>	<u>\$ 1,339,257</u>	<u>\$ 1,178,979</u>	<u>\$ 117,502</u>	<u>\$ 1,296,481</u>

See accompanying notes and independent auditors' report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
In-kind distributions	\$ 1,456,268	\$ -	\$ -	\$ 1,456,268	\$ 1,406,609	\$ -	\$ -	\$ 1,406,609
Contracted services	-	6,000	-	6,000	-	6,000	-	6,000
Depreciation	26,366	6,690	6,296	39,352	27,278	6,921	6,514	40,713
Development	-	2,350	21,547	23,897	-	250	21,285	21,535
Housing/rent assistance	78,790	-	-	78,790	89,326	-	-	89,326
Insurance	5,048	2,139	1,369	8,556	5,177	2,194	1,404	8,775
Janitorial	6,664	1,691	1,591	9,946	5,701	1,447	1,361	8,509
Marketing	2,497	11,509	678	14,684	209	3,512	17,032	20,753
Medical & dental assistance	185	-	-	185	371	-	-	371
Office supplies	4,555	7,089	623	12,267	2,885	6,693	751	10,329
Other expenses	7,143	8,071	-	15,214	2,708	11,191	352	14,251
Purchased food	56,636	-	-	56,636	49,655	-	-	49,655
Repairs & maintenance	18,123	3,871	1,793	23,787	10,404	2,815	1,175	14,394
Salaries & benefits	214,196	105,322	120,214	439,732	197,562	96,330	101,397	395,289
Technology services	11,447	4,850	3,104	19,401	8,959	3,797	2,430	15,186
Transportation	1,516	240	-	1,756	800	82	-	882
Transportation assistance	25,533	-	-	25,533	20,064	-	-	20,064
Utilities	14,040	4,989	5,264	24,293	12,850	4,113	4,378	21,341
Utilities assistance	6,684	-	-	6,684	9,445	-	-	9,445
Youth scholarships	8,416	-	-	8,416	7,373	-	-	7,373
Total	\$ 1,944,107	\$ 164,811	\$ 162,479	\$ 2,271,397	\$ 1,857,376	\$ 145,345	\$ 158,079	\$ 2,160,800

See accompanying notes and independent auditors' report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operations		
Increase in net assets	\$ 42,776	\$ 37,037
Adjustment to reconcile the change in net assets to net cash from operating activities		
Depreciation	39,352	40,713
Change in assets and liabilities		
Inventory	(23,666)	(11,898)
Accounts payable	6,193	6,067
Accrued expenses	(1,053)	(264)
Net cash from operating activities	<u>63,602</u>	<u>71,655</u>
Cash flows from investing activities		
Purchase of property and equipment	(38,450)	(4,004)
Purchase of investments	(100,109)	-
Net cash used by investing activities	<u>(138,559)</u>	<u>(4,004)</u>
Net change in cash and equivalents	(74,957)	67,651
Cash and cash equivalents, beginning of year	345,313	277,662
Cash and cash equivalents, end of year	<u>\$ 270,356</u>	<u>\$ 345,313</u>

See accompanying notes and independent auditors' report.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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

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, 2018 and June 30, 2017, PROP had \$126,040 and \$117,502 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 certificates of deposit with a remaining maturity of 1 year or less to be cash equivalents.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 thirty-nine years.

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.

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.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 September 17, 2018, 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 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are cash and certificates of deposit. The recorded values of cash and certificates of deposit approximate their fair values based on their limited nature.

NOTE 5 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

PEOPLE REACHING OUT TO OTHER PEOPLE, INC. (PROP)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value, including the general classification of such pursuant to the valuation hierarchy.

Certificates of Deposit: Valued at the closing price reported by the financial institution holding the certificate of deposit.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>June 30, 2018</u>		
Certificates of deposit	<u>\$ 100,109</u>	<u>\$ 100,109</u>
<u>June 30, 2017</u>		
Certificates of deposit	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – 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 Form 990, Return of Organization Exempt from Income Tax, for the years ended 2014 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, 2018 AND 2017

NOTE 7 – 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 year-end was counted on June 30, 2018 and 2017. The Organization's ending food inventory is classified as a temporarily restricted net assets until the food is distributed, and totaled \$122,040 and \$98,374 at June 30, 2018 and 2017, respectively.

NOTE 8 – FUND-RAISING EXPENSE

Total fund-raising expense for the years ended June 30, 2018 and 2017, was \$162,479 and \$158,079, respectively, or 7.0% and 7.2% 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 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30, 2018 and 2017:

	2018	2017
Food in inventory	\$ 122,040	\$ 98,374
Funds for program services	4,000	19,128
Total	<u>\$ 126,040</u>	<u>\$ 117,502</u>

Net assets released from restriction were as follows:

	2018	2017
Inventory distributed to individuals	\$ 1,460,268	\$ 1,406,609
Funds for program services	15,128	51,454
Total	<u>\$ 1,475,396</u>	<u>\$ 1,458,063</u>

NOTE 10 – RETIREMENT PLANS

The Organization has 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 years ended June 30, 2018 and 2017 was \$5,551 and \$6,373, respectively.

NOTE 11 – 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.