

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2015



Gurseley | Schneider ^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

Independent Accountant’s Review Report

To the Board of Directors
The Giving Spirit
Los Angeles, California

We have reviewed the accompanying financial statements of The Giving Spirit (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

July 18, 2016
Los Angeles, California

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THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 270,250
Investments	71,962
Contributions receivable	7,300
Inventory	12,329

TOTAL ASSETS \$ 361,841

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 64,575
Due to related party	12,498

TOTAL LIABILITIES 77,073

NET ASSETS

Unrestricted	284,768
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TOTAL LIABILITIES AND NET ASSETS \$ 361,841

See Accompanying Notes to Financial Statements

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2015

REVENUES AND SUPPORT:	
Contributions	\$ 281,017
Donated goods and services	96,397
Interest	29
Unrealized losses on marketable securities	<u>(8,337)</u>
TOTAL REVENUES AND SUPPORT	<u>369,106</u>
FUNCTIONAL EXPENSES:	
Program services	302,122
Management and general	31,629
Fundraising	<u>26,586</u>
TOTAL FUNCTIONAL EXPENSES	<u>360,337</u>
CHANGE IN NET ASSETS	8,769
NET ASSETS, BEGINNING OF YEAR	<u>275,999</u>
NET ASSETS, END OF YEAR	<u><u>\$ 284,768</u></u>

See Accompanying Notes to Financial Statements

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Bank charges and credit card fees	\$ -	\$ -	\$ 2,951	\$ 2,951
Consulting fees	12,498	12,498	12,498	37,494
Delivery	5,139	-	-	5,139
Events	11,397	-	-	11,397
Insurance	-	3,687	-	3,687
Kits assembled and delivered	256,639	-	-	256,639
Marketing	7,170	2,390	3,662	13,222
Office and administration	-	2,351	-	2,351
Photography and videography	4,800	-	3,200	8,000
Printing and design	-	4,275	4,275	8,550
Professional fees	-	5,300	-	5,300
Storage	4,479	-	-	4,479
Volunteer events	-	1,128	-	1,128
TOTAL	\$ 302,122	\$ 31,629	\$ 26,586	\$ 360,337
<i>% of Total Expenses</i>	<u>84%</u>	<u>9%</u>	<u>7%</u>	<u>100%</u>

See Accompanying Notes to Financial Statements

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 8,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized losses on marketable securities	8,337
(Increase) decrease in assets:	
Contributions receivable	(5,267)
Inventory	4,309
Increase (decrease) in liabilities:	
Accounts payable	(22,493)
Due to related party	12,498
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NET CASH PROVIDED BY OPERATING ACTIVITIES	6,153
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of marketable securities	(14,984)
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NET CASH USED IN INVESTING ACTIVITIES	(14,984)
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,831)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	279,081
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CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 270,250
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See Accompanying Notes to Financial Statements

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Giving Spirit, a California non-profit public benefit corporation (the "Organization"), was incorporated on November 30, 2001. The Organization's mission is to help the homeless in the greater Los Angeles area one individual at a time by assembling backpacks and duffel bags (called "survival kits") filled with essential items for survival on the streets and distributing kits directly to recipients.

The Organization is governed by volunteer Board of Directors who oversees the Organization's operations and activities. Substantially all of the Organization's activities are conducted by volunteers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets – The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses 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 – represent the portion of expendable funds that are available to support the operations and are not subject to donor-imposed restrictions.
- Temporarily restricted net assets – consist of contributions that are restricted for use in specific programs or whose restrictions expire with the passage of time. The Organization records temporarily restricted cash contributions that are received and expended in the same year as temporarily restricted revenue. As the donor restrictions are satisfied, net assets are released from restrictions. At December 31, 2015, there were no temporarily restricted net assets.
- Permanently restricted net assets - comprise funds that are subject to restrictions that the principal may be maintained in perpetuity and invested for the purpose of producing present and future income that may be expended by the Organization. At December 31, 2015, there were no permanently restricted net assets.

Cash and Cash Equivalents – For financial statement purposes, the Organization considers cash on hand, cash held in checking accounts and highly liquid, short-term money market investments to be cash and cash equivalents.

Investments in Marketable Securities – The Organization accounts for its investments in marketable securities at fair value, determined by quoted market prices. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporary or permanently restricted by donors to a specified purpose or future period.

Investments, totaling \$71,962 consist entirely of publicly traded common stock and are valued at the closing price at the end of the year. This represents a Level 1 fair value measure.

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Contributions Receivable – Unconditional contributions are recorded at fair value and recognized as revenues in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. At December 31, 2015, the Organization evaluated the collectability of its contributions receivable and determined that no allowance for uncollectible contributions was considered necessary.

Inventory – At December 31, 2015, inventory on hand consists primarily of duffel bags, clothing, blankets, home health products, small dry grocery items, and other miscellaneous gifts. The inventory is warehoused in storage units that are rented on a month-to-month basis.

The Organization receives some of the items it distributes in backpacks and duffel bags from private donations from corporations and individuals. Contributed inventory is recorded as unrestricted contributions when they are received and is valued at management's best estimate of fair value at the time they are received (a Level 3 fair value measure). Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of similar items, if known, or (c) management's own subjective appraisals based on research. Upon distribution, the inventory is recorded as a decrease in unrestricted net assets. Contributed inventory for the year ended December 31, 2015 totaled \$61,847 and is included in in-kind donations in the accompanying statement of activities.

Contributed Services – Some management services provided to the Organization are donated. Contributed services are recognized by the Organization if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management estimates the fair value of such services to be \$34,550 for the year ended December 31, 2015 (includes website and database management, design and printing, accounting, and legal services). The valuation of donated salaries is based on prevailing labor costs of executive and supervisory employees engaged in non-profit and logistics management roles. The key roles of contributed service which meet the criteria for recognition discussed would include a minimum level of employed staffing required to run the Organization.

Additionally, the Organization receives a significant amount of contributed time from volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. Management estimates that approximately 10,000 volunteer hours for solicitation, collection, staging, letter writing, survival kit package assembly and survival kit distribution were received during the year ended December 31, 2015 by a support network of volunteers. The purpose of the Organization could not be fulfilled without the significant contributions of volunteer time, which is not reflected in the accompanying financial statements.

Functional Allocation of Expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Income Tax – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. The Organization is also exempt from California Franchise taxes under Section 23701(d) of the State Revenue and Taxation Code. Therefore, no provision for federal or state income taxes is reflected in the accompanying financial statements.

The Organization’s federal income tax and informational returns for tax years 2012 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2011 and subsequent.

Fair Value of Financial Instruments – FASB ASC Topic No. 820. “Fair Value Measurements” (“ASC 820”), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in the orderly transactions between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirement around fair value and established a fair value hierarchy for valuation inputs. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the follow three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs that are not corroborated by market data

In general and where applicable, the Organization uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

In accordance with ASC 820, the Organization has classified all of its cash and cash equivalents and investments in marketable securities in the Level 1 fair value hierarchy measured at fair value on a recurring basis at December 31, 2015. The carrying amounts of the Organization’s other financial instruments such as contributions receivable, and accounts payable approximate their fair value because of the short maturity of these instruments.

Concentration of Credit Risks - The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015, the Organization had no deposits with financial institutions that exceeded the FDIC limit of \$250,000.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through July 18, 2016, the date the financial statements were available to be issued.

THE GIVING SPIRIT
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2015

NOTE 4 – INVESTMENTS

Investments are comprised of the following at December 31, 2015:

	<u>Cost or Amortized Cost</u>	<u>Fair Value</u>
Common stock	<u>\$ 51,007</u>	<u>\$ 71,962</u>

All investments were classified by level within the level one fair value hierarchy.

NOTE 5 – RELATED PARTY TRANSACTIONS

During 2015, the Organization entered into a consulting agreement with a former board member to provide certain administrative support and management services as outlined in the agreement. The agreement commenced on April 1, 2015 and terminated on March 31, 2016. This agreement provided for a monthly consulting fee of \$4,166. For the year ended December 31, 2015, the Organization has recorded consulting expenses \$37,494 relating to this agreement of which \$12,498 remained unpaid at December 31, 2015, and has been included in “due to related party” in the accompanying financial statements.

Some administrative operations are conducted in the residences of the directors and officers without cost. No provision for donated rent, utilities, or small office equipment is included in the accompanying financial statements.