# THE GIVING SPIRIT

**(A California Nonprofit Public Benefit Corporation)**

**FINANCIAL STATEMENTS**

**December 31, 2016**

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Gursey | Schneider LLP

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

# Independent Accountant's Compilation Report

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

Management is responsible for 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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Gursey | Schneider LLP

February 22, 2018
Los Angeles, California

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**THE GIVING SPIRIT**
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2016

## ASSETS

| | | |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ | 407,047 |
| Investments | | 126,399 |
| Contributions receivable | | 10,975 |
| Inventory and program supplies | | 12,947 |
| TOTAL CURRENT ASSETS | | 557,368 |
| **OTHER ASSETS** | | |
| Property and Equipment, net | | 1,092 |
| **TOTAL ASSETS** | $ | 558,460 |

## LIABILITIES AND NET ASSETS

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ | 63,752 |
| **NET ASSETS** | | |
| Unrestricted | | 494,708 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 558,460 |

**THE GIVING SPIRIT**
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2016

| | | |
|---|---|---|
| **REVENUES AND SUPPORT:** | | |
| Contributions | $ | 469,649 |
| Donated goods and services | | 102,279 |
| Interest | | 44 |
| Unrealized gains on marketable securities | | 18,308 |
| **TOTAL REVENUES AND SUPPORT** | | 590,280 |
| **FUNCTIONAL EXPENSES:** | | |
| Program services | | 332,915 |
| Management and general | | 23,615 |
| Fundraising | | 23,810 |
| **TOTAL FUNCTIONAL EXPENSES** | | 380,340 |
| **CHANGE IN NET ASSETS** | | 209,940 |
| **NET ASSETS, BEGINNING OF YEAR** | | 284,768 |
| **NET ASSETS, END OF YEAR** | $ | 494,708 |

**THE GIVING SPIRIT**
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2016

| | Program Services | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Bank charges and credit card fees | $ - | $ - | $ 3,793 | $ 3,793 |
| Consulting fees | 9,766 | 9,767 | 9,767 | 29,300 |
| Delivery | 5,308 | - | - | 5,308 |
| Depreciation | - | 273 | - | 273 |
| Events | 10,197 | - | - | 10,197 |
| Insurance | - | 3,973 | - | 3,973 |
| Kits assembled and delivered | 283,410 | - | - | 283,410 |
| Marketing | 4,250 | 2,480 | 4,250 | 10,980 |
| Office and administration | - | 2,534 | - | 2,534 |
| Photography and videography | 4,500 | - | 3,000 | 7,500 |
| Printing and design | 3,000 | | 3,000 | 6,000 |
| Professional fees | - | 4,588 | - | 4,588 |
| Storage | 12,484 | - | - | 12,484 |
| **TOTAL** | $ 332,915 | $ 23,615 | $ 23,810 | $ 380,340 |
| *% of Total Expenses* | *87.5%* | *6.2%* | *6.3%* | *100.0%* |

**THE GIVING SPIRIT**
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2016

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ | 209,940 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | | 273 |
| Unrealized gains on marketable securities | | (18,308) |
| Non-cash donation of investments | | (36,129) |
| (Increase) decrease in assets: | | |
| Contributions receivable | | (3,675) |
| Inventory | | (618) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | | (823) |
| Due to related party | | (12,498) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | | 138,162 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of fixed assets | | (1,365) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 136,797 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | 270,250 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ | 407,047 |

## 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, 2016, 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, 2016, 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** – Investments are stated at fair market value. 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 temporarily or permanently restricted by donors to a specified purpose or future period. Unrealized gains and losses on investments resulting from fair value fluctuations are recorded in the statement of activities in the period such fluctuations occur.

Investments, totaling $126,399 consist of publicly traded common stock and mutual funds and are valued at the closing price at the end of the year.

**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, 2016, the Organization had contributions receivable of $10,975.

**Inventory** – At December 31, 2016, inventory on hand consists primarily of duffle 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, 2016 totaled $69,679 and is included in in-kind donations in the accompanying statement of activities.

**Property and Equipment** – Property and equipment are stated at cost when purchased or at estimated fair market value at the date of gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Computers | 5 years |

Depreciation expense was $273 for the year ended December 31, 2016.

**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 $32,600 for the year ended December 31, 2016 (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, 2016 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.

**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 2013 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 2012 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, 2016. 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, 2016, the Organization had deposits with financial institutions that exceeded the FDIC limit of $250,000.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial condition.

**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.

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

**Effect of Recently Issued Accounting Standards** — In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases" (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the organization's financial statements and related disclosures.

On August 18, 2016, FASB issued new rules for nonprofit organizations under ASU 2016-14 "Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities" ("NFP"). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets. Five changes included in ASU 2016-14 include:

(1) The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.

(2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.

(3) NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

(4) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.

(5) Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

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

ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this Update is permitted. Management is currently evaluating the impact this change in accounting standards will have on the organization's financial statements and related disclosures.

**Subsequent Events -** Subsequent events have been evaluated through February 22, 2018, the date the financial statements were available to be issued.

**NOTE 3 – INVESTMENTS**

Investments are comprised of the following at December 31, 2016:

| | Cost or Amortized Cost | Fair Value (Level 1 Hierarchy Measure) |
|---|---|---|
| Common stock and mutual funds | $ 87,136 | $ 126,399 |

**NOTE 4 – 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. The agreement was renewed in June 2016 and provided for a monthly consulting fee of $2,400 ($30 per hour for a up to 80 hours per month). For the year ended December 31, 2016, the Organization has recorded and paid consulting expenses of $29,300 relating to this agreement.

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.