

STRENGTH IN SUPPORT
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strength In Support

We have audited the accompanying financial statements of Strength In Support, (a nonprofit organization), which comprise the financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 auditors' 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 Strength In Support, as of December 31, 2016, 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.



GUZMAN & GRAY

Long Beach, CA

June 26, 2017

STRENGTH IN SUPPORT
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

	Total
CURRENT ASSETS	
Cash and cash equivalents	\$ 109,721
Prepaid expense	4,364
Deposits	10,784
Total Current Assets	124,869
PROPERTY AND EQUIPMENT, NET ACCUMULATED DEPRECIATION OF \$3,572	13,040
TOTAL ASSETS	137,909
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Accrued expenses	8,043
Credit card payable	1,191
Total Current Liabilities	9,234
NET ASSETS	
Unrestricted	37,675
Temp Restricted	91,000
Total Net Assets	128,675
TOTAL LIABILITIES AND NET ASSETS	\$ 137,909

See independent auditors' report and notes to the financial statements

STRENGTH IN SUPPORT
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Donations	\$ 5,330		\$ 5,330
Grants	22,539	242,000	264,539
Interest	1		1
Special events net of direct donor benefits of \$68,588	35,058		35,058
Other	4,972		4,972
	<u>67,900</u>	<u>242,000</u>	<u>309,900</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>180,864</u>	<u>(180,864)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE			
	<u>248,764</u>	<u>61,136</u>	<u>309,900</u>
EXPENSES			
Program services	261,395		261,395
Management and general	50,075		50,075
Fundraising	11,890		11,890
	<u>323,360</u>		<u>323,360</u>
CHANGE IN NET ASSETS			
	(74,596)	61,136	(13,460)
BEGINNING NET ASSETS			
	<u>112,271</u>	<u>29,864</u>	<u>142,135</u>
ENDING NET ASSETS			
	<u>\$ 37,675</u>	<u>\$ 91,000</u>	<u>\$ 128,675</u>

See independent auditors' report and notes to the financial statements

STRENGTH IN SUPPORT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED ENDED DECEMBER 31, 2016

	2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (13,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,370
(Increase) decrease in assets:	
Deposit	(1,524)
Prepaid expenses	(4,365)
Increase (decrease) in liabilities:	
Accounts payable	(9,000)
Accrued expenses	2,667
Credit card payable	(19,567)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(41,879)
 CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase fixed assets	(2,194)
NET CASH USED IN INVESTING ACTIVITIES	(2,194)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,073)
 BEGINNING CASH AND CASH EQUIVALENTS	153,794
 ENDING CASH AND CASH EQUIVALENTS	\$ 109,721
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>	
INTEREST PAID	NONE
TAXES PAID	NONE

See independent auditors' report and notes to the financial statements

STRENGTH IN SUPPORT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES AND BENEFITS				
Salaries and wages	\$ 117,733	\$ 22,075	\$ 7,358	\$ 147,166
Payroll taxes	10,097	1,893	631	12,621
Total Salaries	<u>127,830</u>	<u>23,968</u>	<u>7,989</u>	<u>159,787</u>
OTHER EXPENSES				
Office expenses		794		794
Professional services	38,604	5,200		43,804
Bank fee				-
Supplies				-
Depreciation	2,696	506	168	3,370
Rent	41,433	11,884		53,317
Grant writing	28,125			28,125
Program expense	11,425			11,425
Website	300	2,801		3,101
Inkind				-
Training	462			462
Other		4,557		4,557
Insurance	10,270			10,270
Travel				-
Fundraising			3,733	3,733
Fees	250	365		615
	<u>133,565</u>	<u>26,107</u>	<u>3,901</u>	<u>163,573</u>
TOTAL EXPENSES	<u>\$ 261,395</u>	<u>\$ 50,075</u>	<u>\$ 11,890</u>	<u>\$ 323,360</u>

See independent auditors' report and notes to the financial statements

STRENGTH IN SUPPORT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Strength In Support is a non-profit Organization formed to provide no cost/low cost counseling, mentorship, and education services to military members and their families. Strength In Support provides faster access to needed services to veterans and their families. The clients come from throughout Los Angeles, Orange County and neighboring countries. As of December 11, 2013, Strength In Support received their exempted 501(c)3 status from the Internal Revenue Service.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization has adopted the provisions of GAAP which requires, among other things, the recognition at fair value of contributions received, including unconditional promises to give, in the period received and establishes standards for general purpose external financial statements. Focusing on the entity as a whole, the standard requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets and a statement of cash flows and that net assets and changes in net assets be classified as permanently restricted, temporarily restricted or unrestricted.

A description of the categories of net assets is as follows:

Unrestricted Net Assets

Unrestricted net assets are utilized to record contributions, special events, fees and other forms of unrestricted revenue and expenditures related to the general operations and special events efforts of the organization that are not restricted by the donor through use or time restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets are utilized to record resources received that are restricted as to use or timing of receipt by the donor or grantor. Temporarily restricted resources whose restrictions are met in the same reporting period are recorded as unrestricted.

Permanently Restricted Net Assets

Permanently restricted net assets are utilized to record resources received that are permanently restricted as to use by the donor or grantor. The Organization does not currently have permanently restricted net assets.

Net Assets Released From Restrictions

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

STRENGTH IN SUPPORT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Fair Value of Financial Instruments

The Organization has adopted the provisions of GAAP for fair value measurements of financial assets and financial liabilities and nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis as well nonfinancial assets and liabilities that are recognized at fair value subsequent to initial recognition in the financial statements. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash, cash equivalents, and investments. Cash and cash equivalents are maintained at high-quality financial institutions and accounts at each institution. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support

STRENGTH IN SUPPORT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Revenues and Receivables

Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or the nature of any donor restrictions. Restrictions met in the same reporting period are reported as unrestricted support.

Grant revenues earned, but not received, are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as refundable advances. Grant expenditures are recorded when the liability is incurred.

As of December 31, 2016 there were no receivables of any kind.

Special Events

The Organization conducts special events in order to assist in the program operations. All events are conducted in accordance with applicable Federal, State, and local laws and ordinances. All revenues received from such events in excess of expenses are used for the program operations.

Donated Services

A number of businesses and unpaid volunteers have made contributions of time to the Organization's fundraising, and operations. Contributed services are recorded at fair value at the date of donation only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year the contributed services were not significant and were not recorded to the financial statements.

Donated Materials

Donated materials are recorded at their fair market value where an objective basis is available to measure their value. Such items are capitalized or charged to operations as appropriate. During the year the value of contributed material was insignificant and has not been recorded to the financial statements.

Property and Equipment, net

Property and Equipment, net are stated at cost or if contributed, at fair market value at the date of contribution. Depreciation is computed under the straight line method, with estimated useful lives ranging from three to forty years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

STRENGTH IN SUPPORT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's program and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated by the management between program and supporting services benefited.

During the year ended December 31, 2016, 81% of expenses were allocated to program services.

Income Taxes

The Organization is exempt from California franchise tax and Federal income tax under the provisions of Section 23701(d) of the California Revenue Code and Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has classified the Organization as a public charity. Income for certain activities not directly related the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Subsequent Events

In connection with the adoption of GAAP, the Organization has evaluated subsequent events through June 26, 2017 which was the date the financial statements were available to be issued for the year ended December 31, 2016.

NOTE 2 – CONCENTRATIONS

Strength In Support operates in Los Angeles and Orange County, California and is dependent upon the local economy. It receives the majority of its support from contributions. In 2016, the Organization received 87% of its total revenue and support from grants and donations. There is no assurance that these contributions will continue in the future, although management is not aware of any potential reductions at this time.

NOTE 3 – PROPERTY AND EQUIPMENT, net

Property and Equipment, net consist of the following:

Furniture and Equipment	<u>\$ 16,612</u>
Less: Accumulated Depreciation	<u>(3,572)</u>
	<u>\$ 13,040</u>

Depreciation for the year ended December 31, 2016 was \$3,370.

STRENGTH IN SUPPORT
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016, Strength In Support had temporarily restricted net assets of \$91,000 for programs.

NOTE 4 – CONTINGENCIES

The Organization receives funding from federal, state, and local agencies for specific purposes that may be subject to review and audit by those agencies. Although such audits could generate expenditure disallowances under the terms of the grants or additional expenditures being allowed under the terms of the grants, the effects of all such audits cannot be reasonably estimated at the present time. Management believes they are in full compliance with all grant requirements.

NOTE 5 - RELATED PARTY TRANSACTIONS

Two of the Organization's Board Members provides therapy services to some of the Organization's clients. All transactions, including fee rates for these services have been reviewed and approved by the Board of Directors. The Organization paid these board members \$96,000 for these services.

NOTE 6 – LEASE COMMITMENTS

The Organization is located in Laguna Hills that it leases under non-cancelable operating lease through January 31, 2019. Future minimum payments under the leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 52,499
2018	54,075
2019	4,630
	<hr/>
Total	\$ <u>111,204</u>