

Precious Life Shelter, Inc.

Financial Statements

Years Ended December 31, 2011 and 2010

Stafford and Warren, LLP  
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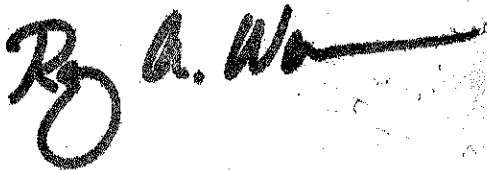
## INDEPENDENT AUDITOR'S REPORT

To the Board of Director's of  
Precious Life Shelter, Inc.

We have audited the accompanying statements of financial position of Precious Life Shelter, Inc. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of activities, statements of cash flows, and statements of functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Precious Life Shelter, Inc. as of December 31, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "R. A. Warren". The signature is written in a cursive style with a long horizontal stroke at the end.

Stafford & Warren, LLP  
May 31, 2012

PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note A)	\$ 387,002✓	\$ 287,227
Investments (Notes A and B)	423,163✓	411,020
Grants receivable	65,009✓	125,131
Prepays	4,443✓	4,696
Property and equipment, net of accumulated depreciation (Note C)	<u>2,481,400</u>	<u>2,547,635</u>
TOTAL ASSETS	<u><u>\$ 3,361,017</u></u>	<u><u>\$ 3,375,709</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 8,561✓	\$ 6,300
Prepaid rents and resident deposits	1,400✓	1,650
Resident trust set aside	7,976✓	5,366
Long-term debt (Note D)	<u>63,709✓</u>	<u>83,161</u>
TOTAL LIABILITIES	<u>81,646</u>	<u>96,477</u>
<b>NET ASSETS</b>		
Unrestricted	<u>3,279,371✓</u>	<u>3,279,232</u>
TOTAL NET ASSETS	<u>3,279,371</u>	<u>3,279,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,361,017</u></u>	<u><u>\$ 3,375,709</u></u>

PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and Revenue		
Contributions and donations (Notes E and F)	\$ 349,725	\$ 314,562
Contracts and grants	209,579	205,435
Thrift store sales	202,259	186,271
Program service fees	37,203	31,291
Interest and other income	12,778	14,034
Unrealized gains/losses	<u>(12)</u>	<u>(248)</u>
Subtotal Support and Revenue	811,532	751,345
Fundraising Activity		
Fundraising revenue	63,823	49,597
Direct fundraising costs	<u>(44,905)</u>	<u>(23,856)</u>
Net Fundraising Activity	<u>18,918</u>	<u>25,741</u>
Total Support and Revenue	830,450	777,086
Expenses		
Program services		
Housing	430,978	419,564
Living skills	114,870	85,930
Child care	102,312	82,457
Supporting services		
Management and general	64,855	71,018
Fundraising	<u>117,296</u>	<u>114,906</u>
Total Expenses	<u>830,311</u>	<u>773,875</u>
INCREASE IN UNRESTRICTED NET ASSETS	139	3,211
NET ASSETS AT BEGINNING OF YEAR	<u>3,279,232</u>	<u>3,276,021</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,279,371</u>	<u>\$ 3,279,232</u>

PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 139	\$ 3,211
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation	94,672	96,126
Decrease (increase) in grants receivable	60,122	(86,966)
Decrease (increase) in prepaids expenses	253	(128)
Decrease (increase) in deposits	-	1,000
(Decrease) increase in accounts payable	2,261	(813)
(Decrease) increase in prepaid rent and resident deposits	(250)	430
(Decrease) increase in resident trust set aside	<u>2,610</u>	<u>951</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 <u>159,807</u>	 <u>13,811</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(12,143)	(11,817)
Acquisition of property and equipment	<u>(28,437)</u>	<u>(11,491)</u>
 <b>NET CASH USED FOR INVESTING ACTIVITIES</b>	 <u>(40,580)</u>	 <u>(23,308)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(19,452)	(53,693)
 <b>NET CASH USED FOR FINANCING ACTIVITIES</b>	 <u>(19,452)</u>	 <u>(53,693)</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 99,775	 (63,190)
 <b>BEGINNING CASH AND CASH EQUIVALENTS</b>	 <u>287,227</u>	 <u>350,417</u>
 <b>ENDING CASH AND CASH EQUIVALENTS</b>	 <u>\$ 387,002</u>	 <u>\$ 287,227</u>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
Donated services and materials	<u>\$ 109,525</u>	<u>\$ 79,218</u>
 Cash paid during the year for interest	 <u>\$ 5,577</u>	 <u>\$ 8,154</u>

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Years ended December 31, 2011 and 2010

	Program Services				Supporting Services			2010 Total
	Child Care	Housing	Living Skills	Management and General	Fundraising	2011		
						Total	Total	
Advertising	\$ -	\$ -	\$ -	\$ 4,107	\$ 1,846	\$ 5,953	\$ 10,151	
Auto/transportation	-	397	1,193	-	-	1,590	2,016	
Bank charges	105	-	300	4,327	304	5,036	4,769	
Child care	7,050	-	-	3,156	8,615	7,050	11,128	
Depreciation	4,589	78,312	-	1,706	-	94,672	96,126	
Dues and subscriptions	-	-	-	558	17,266	1,706	1,288	
Food	-	3,743	-	-	-	3,743	4,300	
Insurance	-	10,610	-	-	-	28,434	28,890	
Interest	-	-	-	-	5,577	5,577	8,154	
Internet	-	-	-	1,607	-	1,607	1,544	
License and fees	-	354	-	-	-	354	310	
Maintenance/renovation	2,161	15,072	-	1,156	7,501	25,890	24,707	
Materials	1,374	-	-	1,212	3,865	35,138	1,425	
Payroll taxes	7,028	23,033	-	2,394	3,350	5,744	30,624	
Postage	-	-	-	-	16,171	16,171	4,882	
Printing & newsletter	-	-	109,525	6,300	-	115,825	13,000	
Professional fees	-	-	-	-	-	7,585	86,623	
Program development	-	7,585	-	-	-	-	5,595	
Property tax	-	2,165	-	-	405	2,570	2,387	
Salaries	74,788	253,538	-	13,344	40,599	382,269	353,569	
Staff development	216	-	3,852	-	-	4,068	7,053	
Supplies	-	7,276	-	11,176	2,866	21,318	23,901	
Telephone	1,867	1,636	-	6,849	1,152	11,504	12,276	
Utilities	852	19,780	-	1,041	6,524	28,197	26,329	
Volunteer expense	-	-	-	5,528	-	5,528	3,949	
Workman's compensation	2,282	7,477	-	394	1,255	11,408	8,879	
<b>TOTAL EXPENSES</b>	<b>\$ 102,312</b>	<b>\$ 430,978</b>	<b>\$ 114,870</b>	<b>\$ 64,855</b>	<b>\$ 117,296</b>	<b>\$ 830,311</b>	<b>\$ 773,875</b>	

See accompanying notes and auditor's report

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note A - Summary of Significant Accounting Policies**

Nature of Activities

Precious Life Shelter, Inc. (the Organization) exists to provide dignified transitional and emergency housing for pregnant and homeless women within a compassionate environment. The Organization combines its housing programs with supportive living skills such as permanent housing direction, social and child development and personal responsibility. The program operates in Los Alamitos, California. During the year ending December 31, 2011 the Organization served 160 women and children. As an additional service to the community, the Organization operates a thrift store, bringing goods contributed by the general public and private enterprise to the low-income segment of society at prices they can afford.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Fundraising costs are considered to be supporting services.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of donor restrictions.

Contributions of donated materials are recorded at their fair values in the period received if there is an objective basis available to measure their value. Contributions of donated services meeting the criteria for recognition in the financial statements are recorded at their fair value.

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note A - Summary of Significant Accounting Policies, Con't**

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Income Taxes

The organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

Property and Equipment

Acquisitions of fixed assets are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations when the donated assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are



**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note A - Summary of Significant Accounting Policies, Con't**

valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities as unrestricted revenue.

**Note B - Investments**

Investments consist of mutual funds and variable annuity contracts and are stated at fair market value. The fair values of investments that are measured on a recurring basis are listed below. The values presented are based on quoted prices in active markets (Level 1 inputs) as follows:

	<u>2011</u>	<u>2010</u>
Mutual Funds	\$ 5,160	\$ 5,153
Annuity Contracts	<u>418,003</u>	<u>405,867</u>
Total Investments	<u>\$ 423,163</u>	<u>\$ 411,020</u>

Unrealized Gains (Losses) for the years ended December 31, 2011 and 2010 amounted to \$(12) and \$(248), respectively. Interest and dividend income for the years ended December 31, 2011 and 2010 amounted to \$12,597 and \$12,671, respectively.

**Note C - Land, Buildings, Furniture and Equipment**

Land, buildings, furniture and equipment are recorded at cost and depreciated on a straight-line basis over the estimated economic lives of the assets (20 to 35 years for buildings and improvements and 5 to 10 years for furniture and equipment). Expenditures that extend the useful life of the asset or enhance its productivity are capitalized. The cost of such assets at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 653,473 <sup>✓</sup>	\$ 653,473
Buildings and improvements	2,361,617 <sup>✓</sup>	2,342,730
Furniture, fixtures, and equipment	<u>339,925<sup>✓</sup></u>	<u>330,375</u>
	3,355,015	3,326,578
Less: Accumulated depreciation	<u>873,615</u>	<u>778,943</u>
	<u>\$ 2,481,400</u>	<u>\$ 2,547,635</u>

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2011 and 2010**

**Note C - Land, Buildings, Furniture and Equipment, Con't**

Depreciation expense for the years ended December 31, 2011 and 2010 was \$94,672 and \$96,126, respectively.

**Note D - Long-Term Debt**

Long-term debt at December 31, 2011 and 2010 consists of one Mortgage note payable to an individual in monthly installments of \$2,086 through September 2014, including interest at 7.4994%, with balance of \$2,076 due at October 2014, collateralized by land and buildings. The balance of the mortgage payable at December 31, 2011 and 2010 was \$63,709 and \$83,161, respectively.

Maturities by year are as follows:

2012	\$	20,963
2013		22,590
2014		<u>20,156</u>
Total	\$	<u>63,709</u>

Interest expense for the years ended December 31, 2011 and 2010 was \$5,577 and \$8,154, respectively.

**Note E - Donated Services and Materials**

Donated professional services were \$109,525 and \$79,218 for the years ended December 31, 2011 and 2010, respectively. There were no donated materials recorded in the financial statements for the years ended December 31, 2011 and 2010, respectively. These amounts are included in contribution income.

**Note F - Related Party Transactions**

During the years ended December 31, 2011 and 2010 the Organization received Board of Directors contributions of \$3,703 and \$3,763, respectively.

**Note G - Subsequent Events**

Management has evaluated subsequent events through May 31, 2012, the date which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.