



## **stafford & warren**

certified public accountants

To the Senior Management and  
The Board of Directors of  
Precious Life Shelter, Inc.

In planning and performing our audit of the financial statements of Precious Life Shelter, Inc. for the year ended December 31, 2013, we considered the organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated June 3, 2014 on the financial statements of Precious Life Shelter, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### **Accounts Payable**

#### Observation

While reviewing accounts payable, we noted that some December 2013 bills that were not recorded at year end, but rather, in the next fiscal period.

#### Recommendation

We recommend that the organization develop proper year end cut-off procedures so that bills get reported in the proper fiscal year.

### **Thrift Shop**

#### Observation

We observed on several occasions that the Thrift shop register tape did not agree to the daily sales worksheet or the deposits made at the bank though the differences were usually very minor.


#### Recommendation

No recommendation since the differences were insignificant.

\*\*\*\*\*

We wish to thank Theresa Murphy, Martha Alejandre, and Nancy Stock for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

  
R. A. Warren, LLP  
June 3, 2014



**stafford & warren**  
certified public accountants

June 3, 2014

To the Board of Directors  
Precious Life Shelter, Inc.

We have audited the financial statements of Precious Life Shelter, Inc. for the year end December 31, 2013 and 2012, and have issued our report thereon dated June 3, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Finding

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Precious Life Shelter are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financials statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive area regarding accounting estimates was depreciation expense.

*Difficulties Encountered in Performing Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the

appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 3, 2014.

*Management Consultations with Other Independent Accountants*


In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statement or a determination of the type of auditors opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Finding or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our response were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Precious Life Shelter and is not intended to be and should be used by anyone other than these specified parties.

Sincerely,

  
Roger A. Warren, CPA  
Of Stanford & Warren, LLP

**Precious Life Shelter, Inc.**  
**Financial Statements**  
**Years Ended December 31, 2013 and 2012**

**Stafford and Warren, LLP**  
**17310 Red Hill Ave., Ste. 290**  
**Irvine, CA 92614**



**stafford & warren**

certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Precious Life Shelter, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, statements of cash flows, and statements of functional expenses 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 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 auditor's judgment, including the assessment of the risk 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 Precious Life Shelter, Inc. as of December 31, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Stafford & Warren, LLP  
Irvine, CA

June 3, 2014

17310 Redhill Avenue, Suite 290, Irvine, CA 92614-5640  
J.D. Stafford, C.P.A. 949.250.0930  
R.A. Warren, C.P.A. 949.250-1650  
FAX 949.250.3080  
staffordandwarren.com

PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note A)	\$ 571,919 ✓	\$ 382,173
Investments (Notes A and B)	448,925 ✓	435,779
Grants receivable	68,684 ✓	91,942
Other receivables	-	780
Prepays	4,603	4,485
Deposits	2,000 ✓	575
Property and equipment, net of accumulated depreciation (Note C)	<u>2,315,659</u>	<u>2,401,196</u>
TOTAL ASSETS	<u><u>\$ 3,411,790</u></u>	<u><u>\$ 3,316,930</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 5,614 ✓	\$ 4,045
Deferred revenue	60 ✓	2,585
Prepaid rents and resident deposits	3,750 ✓	2,200
Resident trust set aside	31,613 ✓	32,476
Long-term debt (Note D)	<u>20,158 ✓</u>	<u>42,747</u>
TOTAL LIABILITIES	<u>61,195</u>	<u>84,053</u>
<b>NET ASSETS</b>		
Unrestricted	<u>3,350,595 ✓</u>	<u>3,232,877</u>
TOTAL NET ASSETS	<u>3,350,595</u>	<u>3,232,877</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,411,790</u></u>	<u><u>\$ 3,316,930</u></u>

PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF ACTIVITIES  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support and Revenue		
Contributions and donations (Notes E and F)	\$ 367,957	\$ 282,463
Contracts and grants	224,242✓	216,979
Thrift store sales	257,930✓	218,211
Program service fees	52,772	36,860
Interest and other income	14,560	14,470
Realized gains/losses	-	5
Unrealized gains/losses	-	(48)
	<u>917,461</u>	<u>768,940</u>
Fundraising Activity		
Fundraising revenue	83,359 ✓	62,540
Direct fundraising costs	(43,660) ✓	(39,450)
	<u>39,699 ✓</u>	<u>23,090</u>
Net Fundraising Activity		
	<u>39,699 ✓</u>	<u>23,090</u>
Total Support and Revenue	957,160	792,030
Expenses		
Program services		
Housing	440,410 ✓	454,275
Living skills	116,088	78,230
Child care	118,803 ✓	114,449
Supporting services		
Management and general	72,116	80,639
Fundraising	92,025	110,931
	<u>839,442</u>	<u>838,524</u>
Total Expenses	839,442	838,524
INCREASE IN UNRESTRICTED NET ASSETS	117,718	(46,494)
NET ASSETS AT BEGINNING OF YEAR	<u>3,232,877</u>	<u>3,279,371</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,350,595</u>	<u>\$ 3,232,877</u>



PRECIOUS LIFE SHELTER, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 117,718	\$ (46,494)
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation	94,090	95,816
Unrealized (gain) loss from investments	-	48
Decrease (increase) in grants receivable	23,258	(26,933)
Decrease (increase) in other receivable	780	(780)
Decrease (increase) in prepaids expenses	(118)	(42)
Decrease (increase) in deposits	(1,425)	(575)
(Decrease) increase in accounts payable	1,569	(4,516)
(Decrease) increase in deferred revenue	(2,525)	2,585
(Decrease) increase in prepaid rent and resident deposits	1,550	800
(Decrease) increase in resident trust set aside	(863)	24,500
	<u>234,034</u>	<u>44,409</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(13,146)	(12,664)
Acquisition of property and equipment	(8,553)	(15,612)
	<u>(21,699)</u>	<u>(28,276)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(22,589)	(20,962)
	<u>(22,589)</u>	<u>(20,962)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	189,746	(4,829)
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>382,173</u>	<u>387,002</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u>\$ 571,919</u>	<u>\$ 382,173</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
Donated services and materials	<u>\$ 113,634</u>	<u>\$ 73,115</u>
Cash paid during the year for interest	<u>\$ 2,440</u>	<u>\$ 4,067</u>
Cash paid during the year for taxes	<u>\$ -</u>	<u>\$ -</u>

PRECIOUS LIFE SHELTER, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Years ended December 31, 2013 and 2012

	Program Services			Supporting Services			2012 Total
	Child Care	Housing	Living Skills	Management and General		Fundraising	
				2013 Total	2012 Total		
Advertising	\$ -	\$ -	\$ -	\$ 5,449✓	\$ 5,136✓	\$ -	\$ 14,174
Auto/transportation	-	-	1,800✓	600✓	-	-	2,067
Bank charges	420✓	-	-	7,358✓	-	-	4,779
Child care	4,943✓	-	-	-	-	4,943	-
Depreciation	4,472✓	75,867✓	-	3,993✓	9,758✓	94,090	95,816
Dues and subscriptions	-	-	-	1,328✓	-	-	1,608
Food	-	3,968✓	-	-	-	3,968	4,121
Equipment lease	-	-	-	6,650✓	-	-	5,950
Insurance	-	8,736✓	-	460✓	17,911✓	27,107	27,305
Interest	-	-	-	-	2,440✓	-	4,067
Internet	-	-	-	1,679✓	-	-	2,011
License and fees	-	315✓	-	-	-	315	355
Maintenance/renovation	1,516✓	12,010✓	-	263✓	5,004✓	18,793	21,314
Materials	1,516✓	-	-	-	-	1,516	1,157
Office expenses	-	-	-	929✓	-	929	3,458
Payroll taxes	8,345✓	23,784✓	-	1,252✓	1,391✓	34,772	38,189
Postage	-	-	-	1,840✓	1,900✓	3,740	4,935
Printing & newsletter	-	-	-	-	19,035✓	19,035	16,282
Professional fees	-	-	111,285✓	6,800✓	-	118,085	79,915
Program development	-	11,074✓	-	-	-	11,074	13,224
Promotional items	-	-	-	-	-	-	619
Property tax	-	2,932	-	-	471	3,403	2,649
Salaries	92,812✓	267,313	-	14,069✓	17,432	391,626	407,246
Staff development	-	1,971✓	3,003	-	-	4,974	4,237
Supplies	-	3,095✓	-	3,469✓	3,212✓	9,776	16,622
Telephone	974	1,719	-	9,758✓	1,425✓	13,876	12,493
Utilities	1,094✓	19,902	-	1,047✓	6,458✓	28,501	27,774
Volunteer expense	-	-	-	4,765✓	-	4,765	9,034
Workman's compensation	2,711✓	7,724	-	407✓	452	11,294	17,123
<b>TOTAL EXPENSES</b>	<b>\$ 118,803</b>	<b>\$ 440,410</b>	<b>\$ 116,088</b>	<b>\$ 72,116</b>	<b>\$ 92,025</b>	<b>\$ 839,442</b>	<b>\$ 838,524</b>

675,301  
 < 111,285 >  
 564,016

See accompanying notes and auditor's report

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

**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, 2013 the Organization served 143 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, 2013 and 2012**

**Note A - Summary of Significant Accounting Policies, Cont.**

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, 2013 and 2012**

**Note A - Summary of Significant Accounting Policies, Cont.**

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 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>2013</u>	<u>2012</u>
Annuity Contracts	\$ 448,925	\$ 435,779
Total Investments	<u>\$ 448,925</u>	<u>\$ 435,779</u>

Realized Gains for the years ended December 31, 2013 and 2012 amounted to \$0 and \$5, respectively. Unrealized Losses for the years ended December 31, 2013 and 2012 amounted to \$(0) and \$(48), respectively. Interest and dividend income for the years ended December 31, 2013 and 2012 amounted to \$13,676 and \$13,357, 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, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 653,473	\$ 653,473
Buildings and improvements	2,369,771	2,369,771
Furniture, fixtures, and equipment	<u>355,936</u>	<u>347,383</u>
	3,379,180	3,370,627
Less: Accumulated depreciation	<u>1,063,521</u>	<u>969,431</u>
	<u>\$ 2,315,659</u>	<u>\$ 2,401,196</u>

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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

Depreciation expense for the years ended December 31, 2013 and 2012 was \$94,090 and \$95,816, respectively.

**Note D - Long-Term Debt**

Long-term debt at December 31, 2013 and 2012 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, 2013 and 2012 was \$20,158 and \$42,747, respectively.

Maturities by year are as follows:

2014	<u>20,158</u>
Total	<u>\$ 20,158</u>

Interest expense for the years ended December 31, 2013 and 2012 was \$2,440 and \$4,067, respectively.

**Note E - Donated Services and Materials**

Donated professional services were \$111,285 and \$73,115 for the years ended December 31, 2013 and 2012, respectively. Donated materials were \$2,349 and \$0 for the years ended December 31, 2013 and 2012, respectively. These amounts are included in contribution income.

**Note F – Related Party Transactions**

During the years ended December 31, 2013 and 2012 the Organization received Board of Directors contributions of \$6,530 and \$6,440, respectively.

**Note G – Commitments and Contingencies**

The Organization has entered into an operating lease agreement to lease office equipment. The lease agreement calls for monthly lease payments of \$370 through February 2016.

**PRECIOUS LIFE SHELTER, INC.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

**Note G – Commitments and Contingencies, Cont.**

The annual lease commitments for each fiscal year end are as follows:

2014	\$	4,440
2015		4,440
2016		<u>740</u>
Total	\$	<u>9,620</u>

Equipment lease expense for the years ended December 31, 2013 and 2012 was \$6,650 and \$5,950, respectively.

**Note H – Subsequent Events**

Management has evaluated subsequent events through June 3, 2014, 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.