

Precious Life Shelter, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

**Stafford and Warren, LLP
17310 Red Hill Ave., Ste. 290
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stafford & warren
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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, 2015 and 2014, 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, 2015 and 2014, 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 27, 2016

PRECIOUS LIFE SHELTER, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (Note A)	\$ 813,357	\$ 659,952
Investments (Note C)	166,244	161,405
Grants receivable	122,087	60,125
Prepays	6,460	5,013
Deposits	13,800	16,000
Property and equipment, net of accumulated depreciation (Note D)	<u>2,687,418</u>	<u>2,764,369</u>
TOTAL ASSETS	<u><u>\$ 3,809,366</u></u>	<u><u>\$ 3,666,864</u></u>
LIABILITIES		
Accounts payable	\$ 9,001	\$ 4,626
Prepaid rents and resident deposits	4,650	2,090
Resident trust set aside	19,552	9,715
Long-term debt (Note E)	<u>195,320</u>	<u>200,000</u>
TOTAL LIABILITIES	<u>228,523</u>	<u>216,431</u>
NET ASSETS		
Unrestricted	<u>3,580,843</u>	<u>3,450,433</u>
TOTAL NET ASSETS	<u>3,580,843</u>	<u>3,450,433</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,809,366</u></u>	<u><u>\$ 3,666,864</u></u>

PRECIOUS LIFE SHELTER, INC.
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and donations (Notes A and F)	\$ 374,741	\$ 386,903
Contracts and grants	201,113	200,078
Thrift store sales	339,124	307,018
Program service fees	41,028	41,542
Rental income	20,000	-
Interest and other income	10,381	13,836
Loss on disposal of fixed assets	<u>(4,072)</u>	<u>-</u>
Subtotal Support and Revenue	982,315	949,377
Fundraising Activity		
Fundraising revenue	118,684	118,464
Direct fundraising costs	<u>(58,173)</u>	<u>(61,192)</u>
Net Fundraising Activity	<u>60,511</u>	<u>57,272</u>
Total Support and Revenue	1,042,826	1,006,649
Expenses		
Program services		
Housing	456,312	433,698
Living skills	114,335	131,377
Child care	115,519	128,969
Supporting services		
Management and general	101,048	87,976
Fundraising	<u>125,202</u>	<u>124,791</u>
Total Expenses	<u>912,416</u>	<u>906,811</u>
INCREASE IN UNRESTRICTED NET ASSETS	130,410	99,838
NET ASSETS AT BEGINNING OF YEAR	<u>3,450,433</u>	<u>3,350,595</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 3,580,843</u></u>	<u><u>\$ 3,450,433</u></u>

PRECIOUS LIFE SHELTER, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 130,410	\$ 99,838
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation	95,631	91,181
Loss on disposition of assets	4,072	-
Decrease (increase) in grants receivable	(61,962)	8,559
Decrease (increase) in prepaids expenses	(1,447)	(410)
Decrease (increase) in deposits	2,200	(14,000)
(Decrease) increase in accounts payable	4,375	(988)
(Decrease) increase in deferred revenue	-	(60)
(Decrease) increase in prepaid rent and resident deposits	2,560	(1,660)
(Decrease) increase in resident trust set aside	9,837	(21,898)
	<u>185,676</u>	<u>160,562</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,839)	(12,615)
Proceeds from disposition of annuities	-	300,135
Acquisition of property and equipment	(22,752)	(539,891)
	<u>(27,591)</u>	<u>(252,371)</u>
NET CASH USED FOR INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	-	200,000
Payments on long-term debt	(4,680)	(20,158)
	<u>(4,680)</u>	<u>179,842</u>
NET CASH USED FOR FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,405	88,033
BEGINNING CASH AND CASH EQUIVALENTS	659,952	571,919
ENDING CASH AND CASH EQUIVALENTS	\$ 813,357	\$ 659,952
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated services and materials	<u>\$ 110,401</u>	<u>\$ 124,030</u>
Cash paid during the year for interest	<u>\$ 8,405</u>	<u>\$ 699</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

PRECIOUS LIFE SHELTER, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2015

	Program Services			Supporting Services		2015 Total
	Child Care	Housing	Living Skills	Management and General	Fundraising	
Advertising	\$ -	\$ -	\$ -	\$ 4,771	\$ 6,768	\$ 11,539
Auto/transportation	-	533	1,599	-	-	2,132
Bank charges	385	-	-	10,233	-	10,618
Depreciation	4,471	77,465	-	4,077	9,618	95,631
Dues and subscriptions	-	-	-	2,093	-	2,093
Food	-	3,178	-	-	-	3,178
Equipment lease	-	-	-	8,091	-	8,091
Insurance	5,934	9,667	-	2,130	15,113	32,844
Interest	-	8,405	-	-	-	8,405
Internet	-	-	-	4,833	-	4,833
License and fees	242	95	-	-	-	337
Maintenance/renovation	1,669	15,399	-	7,670	5,023	29,761
Materials	1,186	-	-	-	-	1,186
Office expenses	-	-	-	45	-	45
Payroll taxes	7,781	23,936	-	1,260	4,076	37,053
Postage	-	-	-	2,662	3,450	6,112
Printing & newsletter	-	-	-	-	19,707	19,707
Professional fees	-	-	110,401	9,377	-	119,778
Program development	-	11,048	-	-	-	11,048
Promotional items	-	-	-	-	444	444
Property tax	760	2,395	-	4,844	505	8,504
Salaries	86,893	271,424	-	14,286	46,528	419,131
Staff development	-	25	2,335	-	-	2,360
Supplies	-	3,309	-	4,572	3,773	11,654
Telephone	1,730	3,939	-	12,676	1,801	20,146
Utilities	1,818	18,775	-	2,207	7,275	30,075
Volunteer expense	-	-	-	4,867	-	4,867
Workman's compensation	2,650	6,719	-	354	1,121	10,844
TOTAL EXPENSES	\$ 115,519	\$ 456,312	\$ 114,335	\$ 101,048	\$ 125,202	\$ 912,416

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2014

	Program Services				Supporting Services		2014 Total
	Child Care	Housing	Living Skills	Management and General	Fundraising		
Advertising	\$ -	\$ -	\$ -	\$ 9,199	\$ 4,346	\$ 13,545	
Auto/transportation	-	581	1,742	-	-	2,323	
Bank charges	105	-	-	10,180	-	10,285	
Child care	-	-	-	-	-	-	
Depreciation	4,471	73,015	-	3,843	9,852	91,181	
Dues and subscriptions	-	-	-	2,134	-	2,134	
Food	-	3,156	-	-	-	3,156	
Equipment lease	-	-	-	7,573	-	7,573	
Insurance	1,281	7,755	-	408	18,822	28,266	
Interest	-	-	-	-	699	699	
Internet	-	-	-	3,931	-	3,931	
License and fees	242	190	-	-	-	432	
Maintenance/renovation	2,230	18,425	-	205	4,047	24,907	
Materials	1,260	-	-	-	-	1,260	
Office expenses	-	-	-	779	-	779	
Payroll taxes	9,419	22,907	-	1,206	4,144	37,676	
Postage	-	-	-	1,840	2,734	4,574	
Printing & newsletter	-	-	-	-	17,807	17,807	
Professional fees	-	-	124,030	9,775	-	133,805	
Program development	-	11,654	-	-	-	11,654	
Promotional items	-	-	-	-	319	319	
Property tax	802	1,308	-	-	490	2,600	
Salaries	101,803	253,884	-	13,362	44,945	413,994	
Staff development	-	2,393	5,605	-	-	7,998	
Supplies	-	6,541	-	3,610	6,178	16,329	
Telephone	1,369	3,303	-	12,379	1,688	18,739	
Utilities	1,942	20,149	-	1,060	7,564	30,715	
Volunteer expense	-	-	-	6,048	-	6,048	
Workman's compensation	4,045	8,437	-	444	1,156	14,082	
TOTAL EXPENSES	\$ 128,969	\$ 433,698	\$ 131,377	\$ 87,976	\$ 124,791	\$ 906,811	

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 the Organization served 103 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

The Organization recognizes contribution revenues for certain services received at the fair value of those services. Contributed services are recognized if the services received (a) create 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. 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, 2015 and 2014

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.

The Organization purchased a property in 2014 with the intent of converting it into permanent housing for residents graduating from its transitional housing programs. During the interim period that the Organization is seeking building permits, architect design plans, and funding for the construction; the Organization has rented the building to an individual that is not part of the Organization's targeted group, therefore resulting in unrelated business income. The expenses associated with deriving this income, including interest and depreciation, exceed the rental income. Therefore, no unrelated business income tax provision has been provided in these financial statements.

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

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2015 and 2014

Note A - Summary of Significant Accounting Policies, Cont.

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 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 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Assets recorded at fair value in the statement of activities and changes in net assets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, are as follows:

Level Input	Input Definition
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, which are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2015 and 2014

Note C – 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>2015</u>	<u>2014</u>
Annuity Contracts	\$ 166,244	\$ 161,405
Total Investments	<u>\$ 166,244</u>	<u>\$ 161,405</u>

Realized Gains for the years ended December 31, 2015 and 2014 amounted to \$0 and \$0, respectively. Unrealized Losses for the years ended December 31, 2015 and 2014 amounted to \$(0) and \$(0), respectively. Interest and dividend income for the years ended December 31, 2015 and 2014 amounted to \$4,836 and \$12,687, respectively.

Note D - 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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 1,086,809	\$ 1,086,809
Buildings and improvements	2,456,663	2,459,855
Furniture, fixtures, and equipment	<u>286,729</u>	<u>372,407</u>
	3,830,201	3,919,071
Less: Accumulated depreciation	<u>1,142,783</u>	<u>1,154,702</u>
	<u>\$ 2,687,418</u>	<u>\$ 2,764,369</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$95,631 and \$91,181, respectively.

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2015 and 2014

Note E - Long-Term Debt

The Organization purchased a property secured by a mortgage note payable to a bank in monthly installments of \$1,090 through November 2019, including interest at 4.25%, with a balloon payment of \$176,241 due in December 2019, collateralized by land and buildings. The balance of the mortgage payable at December 31, 2015 and 2014 was \$195,320 and \$200,000, respectively.

Maturities by year are as follows:

2016	4,733
2017	4,965
2018	5,183
2019	<u>180,439</u>
Total	<u>\$ 195,320</u>

Interest expense for the years ended December 31, 2015 and 2014 was \$8,405 and \$699, respectively.

Note F - Donated Services and Materials

Donated professional services were \$110,401 and \$124,030 for the years ended December 31, 2015 and 2014, respectively. Donated materials were \$0 and \$0 for the years ended December 31, 2015 and 2014, respectively. These amounts are included in contribution income.

Note G - Related Party Transactions

During the years ended December 31, 2015 and 2014 the Organization received Board of Directors contributions of \$10,800 and \$8,155, respectively.

Note H - Commitments and Contingencies

The Organization has entered into operating lease agreements to lease office equipment. The lease agreements call for monthly lease payments of \$516 and \$81 through September 2017.

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2015 and 2014

Note H – Commitments and Contingencies, Cont.

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

2016	\$	7,164
2017		<u>5,373</u>
Total	\$	<u>12,537</u>

Equipment lease expense for the years ended December 31, 2015 and 2014 was \$8,091 and \$7,573, respectively.

Note I – Subsequent Events

Management has evaluated subsequent events through June 27, 2016, 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.