

Precious Life Shelter, Inc.

Financial Statements

Years Ended December 31, 2017 and 2016

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



stafford & warren

certified public accountants

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

INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, 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, 2017 and 2016, 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 18, 2018

PRECIOUS LIFE SHELTER, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents (Note A)	\$ 844,307	\$ 909,634
Investments (Note C)	387,785	376,523
Pledges receivable	58,159	400
Grants receivable	37,831	54,256
Prepays	5,269	8,123
Deposits	1,804	12,995
Property and equipment, net of accumulated depreciation (Note D)	<u>2,952,159</u>	<u>2,624,798</u>
TOTAL ASSETS	<u><u>\$ 4,287,314</u></u>	<u><u>\$ 3,986,729</u></u>
LIABILITIES		
Accounts payable	\$ 21,162	\$ 11,309
Prepaid rents and resident deposits	6,630	3,625
Resident trust set aside	61,473	33,631
Long-term debt (Note E)	<u>185,597</u>	<u>190,580</u>
TOTAL LIABILITIES	<u>274,862</u>	<u>239,145</u>
NET ASSETS		
Unrestricted	<u>4,012,452</u>	<u>3,747,584</u>
TOTAL NET ASSETS	<u>4,012,452</u>	<u>3,747,584</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,287,314</u></u>	<u><u>\$ 3,986,729</u></u>

PRECIOUS LIFE SHELTER, INC.
 STATEMENTS OF ACTIVITIES
 Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Contributions and donations (Notes A and F)	\$ 552,639	\$ 384,262
Contracts and grants	193,632	206,169
Thrift store sales	354,018	332,398
Program service fees	53,676	46,023
Rental income	-	21,000
Interest and other income	14,364	12,189
	<u>1,168,329</u>	<u>1,002,041</u>
Fundraising Activity (Note H)		
Fundraising event revenue	142,716	133,402
Direct fundraising costs	(59,953)	(58,588)
	<u>82,763</u>	<u>74,814</u>
Net Fundraising Activity	<u>82,763</u>	<u>74,814</u>
Total Support and Revenue	1,251,092	1,076,855
Expenses		
Program services		
Housing	491,278	458,105
Living skills	119,835	88,983
Child care	134,449	126,640
Supporting services		
Management and general	110,946	106,720
Fundraising	129,716	129,666
	<u>986,224</u>	<u>910,114</u>
Total Expenses	<u>986,224</u>	<u>910,114</u>
INCREASE IN UNRESTRICTED NET ASSETS	264,868	166,741
NET ASSETS AT BEGINNING OF YEAR	<u>3,747,584</u>	<u>3,580,843</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,012,452</u></u>	<u><u>\$ 3,747,584</u></u>

PRECIOUS LIFE SHELTER, INC.
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 264,868	\$ 166,741
Adjustments to reconcile change in net assets to net cash provided operating activities		
Capitalized In-kind contributions	(101,760)	
Depreciation	92,709	94,710
Decrease (increase) in pledges receivable	(57,759)	(400)
Decrease (increase) in grants receivable	16,425	67,831
Decrease (increase) in prepaids expenses	2,854	(1,663)
Decrease (increase) in deposits	11,191	805
(Decrease) increase in accounts payable	9,853	2,308
(Decrease) increase in prepaid rent and resident deposits	3,005	(1,025)
(Decrease) increase in resident trust set aside	27,842	14,079
	<u>269,228</u>	<u>343,386</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,262)	(210,279)
Acquisition of property and equipment	(318,310)	(32,090)
	<u>(329,572)</u>	<u>(242,369)</u>
NET CASH USED FOR INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(4,983)	(4,740)
	<u>(4,983)</u>	<u>(4,740)</u>
NET CASH USED FOR FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(65,327)	96,277
BEGINNING CASH AND CASH EQUIVALENTS		
	<u>909,634</u>	<u>813,357</u>
ENDING CASH AND CASH EQUIVALENTS		
	<u>\$ 844,307</u>	<u>\$ 909,634</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated services and materials	<u>\$ 218,138</u>	<u>\$ 84,008</u>
Cash paid during the year for interest	<u>\$ 8,112</u>	<u>\$ 8,345</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program Services			Supporting Services			2017 Total
	Child Care	Housing	Living Skills	Management and General		Fundraising	
Advertising	\$ -	\$ -	\$ -	\$ 3,091	\$ 5,550	\$ -	\$ 8,641
Auto/transportation	-	546	1,638	-	-	-	2,184
Bank charges	210	-	-	9,363	-	-	9,573
Depreciation	-	78,895	-	4,152	9,662	-	92,709
Dues and subscriptions	-	-	-	2,023	-	-	2,023
Food	-	2,833	-	-	-	-	2,833
Equipment lease	-	-	-	8,105	-	-	8,105
Insurance	6,644	10,493	-	2,274	13,231	-	32,642
Interest	-	-	-	8,112	-	-	8,112
Internet	-	-	-	6,066	-	-	6,066
License and fees	242	95	-	-	-	-	337
Maintenance/renovation	641	11,931	-	4,806	3,929	-	21,307
Materials	2,416	-	-	-	-	-	2,416
Office expenses	-	-	-	1,469	-	-	1,469
Payroll taxes	8,506	26,169	-	1,377	4,456	-	40,508
Pledge drive expenses	-	-	-	-	1,831	-	1,831
Postage	-	-	-	2,745	2,506	-	5,251
Printing & newsletter	-	-	-	-	20,476	-	20,476
Professional fees	-	-	116,378	7,950	-	-	124,328
Program development	-	7,796	-	-	-	-	7,796
Property tax	795	1,083	-	6,126	532	-	8,536
Resident gifts & supplies	-	1,250	-	-	-	-	1,250
Salaries	107,235	304,408	-	16,021	50,331	-	477,995
Staff development	-	4,732	1,819	-	-	-	6,551
Supplies	-	6,109	-	2,996	5,806	-	14,911
Telephone	1,544	4,726	-	13,303	1,886	-	21,459
Utilities	1,963	19,707	-	1,010	7,819	-	30,499
Volunteer expense	-	-	-	9,404	-	-	9,404
Workman's compensation	4,253	10,505	-	553	1,701	-	17,012
TOTAL EXPENSES	\$ 134,449	\$ 491,278	\$ 119,835	\$ 110,946	\$ 129,716	\$ -	\$ 986,224

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 Year ended December 31, 2016

	Program Services			Supporting Services			2016 Total
	Child Care	Housing	Living Skills	Management and General	Fundraising		
Advertising	\$ -	\$ -	\$ -	\$ 3,611	\$ 6,605	\$	10,216
Auto/transportation	-	588	1,763	-	-	-	2,351
Bank charges	-	-	-	8,309	-	-	8,309
Depreciation	4,471	77,089	-	4,057	9,093	-	94,710
Dues and subscriptions	-	-	-	2,289	-	-	2,289
Food	-	2,819	-	-	-	-	2,819
Equipment lease	-	-	-	7,921	-	-	7,921
Insurance	5,856	9,459	-	1,970	12,661	-	29,946
Interest	-	-	-	8,345	-	-	8,345
Internet	-	-	-	5,045	-	-	5,045
License and fees	242	402	-	-	-	-	644
Maintenance/renovation	1,226	9,192	-	7,528	4,728	-	22,674
Materials	1,994	-	-	-	-	-	1,994
Office expenses	-	-	-	1,868	-	-	1,868
Payroll taxes	8,182	25,170	-	1,325	4,286	-	38,963
Pledge drive expenses	-	-	-	-	2,470	-	2,470
Postage	-	-	-	2,158	2,650	-	4,808
Printing & newsletter	-	-	-	-	21,675	-	21,675
Professional fees	-	-	84,008	6,630	-	-	90,638
Program development	-	6,095	-	-	-	-	6,095
Property tax	778	2,276	-	6,433	519	-	10,006
Salaries	95,589	287,301	-	15,121	48,967	-	446,978
Staff development	-	516	3,212	-	-	-	3,728
Supplies	-	3,546	-	3,702	4,546	-	11,794
Telephone	1,714	4,391	-	13,894	1,858	-	21,857
Utilities	1,629	17,012	-	2,096	7,624	-	28,361
Volunteer expense	-	-	-	3,773	-	-	3,773
Workman's compensation	4,959	12,249	-	645	1,984	-	19,837
TOTAL EXPENSES	\$ 126,640	\$ 458,105	\$ 88,983	\$ 106,720	\$ 129,666	\$	\$ 910,114

See accompanying notes and auditor's report

PRECIOUS LIFE SHELTER, INC.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2016 the Organization served 124 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, 2017 and 2016

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

PRECIOUS LIFE SHELTER, INC.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016

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 inputs other than quoted prices, which are observable through corroboration with market data at the measurement date (Level 2 inputs). The fair value measurements are as follows:

	<u>2016</u>	<u>2015</u>
Annuity Contracts	\$ 387,785	\$ 376,523
Total Investments	<u>\$ 387,785</u>	<u>\$ 376,523</u>

There were no Realized or Unrealized Gains or Losses for the years ended December 31, 2017 and 2016. Interest and dividend income for the years ended December 31, 2017 and 2016 amounted to \$11,262 and \$10,279, 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 costs of such assets at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,151,259	\$ 1,151,259
Buildings and improvements	2,799,153	2,400,262
Furniture, fixtures, and equipment	<u>327,870</u>	<u>306,791</u>
	4,278,282	3,858,212
Less: Accumulated depreciation	<u>1,326,123</u>	<u>1,233,414</u>
	<u>\$ 2,952,159</u>	<u>\$ 2,624,798</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$92,709 and \$94,710, respectively.

PRECIOUS LIFE SHELTER, INC.

Notes to Financial Statements

December 31, 2017 and 2016

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, 2017 and 2016 was \$185,597 and \$190,580, respectively.

Maturities by year are as follows:

2018	5,158
2019	<u>180,439</u>
Total	<u>\$ 185,597</u>

Interest expense for the years ended December 31, 2017 and 2016 was \$8,112 and \$8,345, respectively.

Note F - Donated Services and Materials

Donated professional services were \$195,234 and \$84,008 for the years ended December 31, 2017 and 2016, respectively. Donated materials were \$22,904 and \$0 for the years ended December 31, 2017 and 2016, respectively. These amounts are included in contribution income.

Note G - Related Party Transactions

During the years ended December 31, 2017 and 2016 the Organization received Board of Directors contributions of \$15,850 and \$11,775, respectively.

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Note H – Fundraising Event Income

Fundraising event income consists of the following revenues and direct fundraising costs:

2017	<u>Golf Tournament</u>	<u>Dinner Dance</u>	<u>Taste of Life BBQ</u>	<u>Total</u>
Event Income	42,457	84,695	15,564	142,716
Less: Direct Costs	<u>(20,636)</u>	<u>(34,399)</u>	<u>(4,918)</u>	<u>(59,953)</u>
Net Fundraising Event Income	<u>21,821</u>	<u>50,296</u>	<u>10,646</u>	<u>82,763</u>

2016	<u>Golf Tournament</u>	<u>Dinner Dance</u>	<u>Taste of Life BBQ</u>	<u>Total</u>
Event Income	42,000	79,325	12,077	133,402
Less: Direct Costs	<u>(20,008)</u>	<u>(33,548)</u>	<u>(5,032)</u>	<u>(58,588)</u>
Net Fundraising Event Income	<u>21,992</u>	<u>45,777</u>	<u>7,045</u>	<u>74,814</u>

PRECIOUS LIFE SHELTER, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Note I – Commitments and Contingencies

The Organization has entered into operating lease agreement to lease office equipment. The lease agreement calls for monthly lease payments of \$612 through January 2023.

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

2018	\$	7,344
2019		7,344
2020		7,344
2021		7,344
2022		<u>7,344</u>
Total	\$	<u>36,720</u>

Equipment lease expense for the years ended December 31, 2017 and 2016 was \$8,105 and \$7,921, respectively.

Note J – Subsequent Events

Management has evaluated subsequent events through July 21, 2017, 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.