

MARY'S SHELTER

FINANCIAL STATEMENTS

Year ended September 30, 2015

(With Independent Auditors' Report Thereon)

MARY'S SHELTER
FINANCIAL STATEMENTS

Year ended September 30, 2015

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Board of Directors
Mary's Shelter
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Mary's Shelter as of September 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended and 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Mary's Shelter as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of Mary's Shelter for the fiscal year ended September 30, 2014 were audited by other auditors whose report dated February 18, 2015 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2016 on our consideration of Mary's Shelter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mary's Shelter's internal control over financial reporting and compliance.



Irvine, California
March 30, 2016

MARY'S SHELTER
STATEMENT OF FINANCIAL POSITION

September 30, 2015
(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash (note 2)	\$ 487,193	498,336
Restricted cash (note 2)	1,007	688
Investments (note 3)	327,423	336,334
Contracts and contributions receivable	176,433	157,398
Contributions receivable	2,500	-
Prepaid expense	11,682	-
TOTAL CURRENT ASSETS	1,006,238	992,756
NONCURRENT ASSETS		
Fixed assets, net (note 4)	601,209	625,659
Restricted investments - Endowment (note 3)	217,345	214,724
TOTAL NONCURRENT ASSETS	818,554	840,383
TOTAL ASSETS	\$ 1,824,792	1,833,139
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 22,088	26,051
Accrued compensation	71,041	56,146
Accrued paid time off	35,997	38,670
Unearned revenue	3,730	-
TOTAL CURRENT LIABILITIES	132,856	120,867
TOTAL LIABILITIES	132,856	120,867
NET ASSETS (note 7)		
Unrestricted	1,608,303	1,624,463
Temporarily restricted	7,630	23,416
Permanently restricted (note 13)	76,003	64,393
TOTAL NET ASSETS	1,691,936	1,712,272
TOTAL LIABILITIES AND NET ASSETS	\$ 1,824,792	1,833,139

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF ACTIVITIES

Year Ended September 30, 2015
(with prior year data for comparison purposes only)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015</u>	<u>2014</u>
SUPPORT, REVENUES AND GAINS:					
Government funding (note 10)	\$ 1,494,801	3,181	-	1,497,982	1,408,939
Contributions - private funding (note 9)	389,227	-	16,240	405,467	461,253
Special events, net (note 8)	127,857	-	-	127,857	111,884
Donated services and equipment	10,399	-	-	10,399	7,052
Investment income - loss (note 3)	(22,653)	1,993	-	(20,660)	35,351
Other	5,152	-	-	5,152	1,132
	<u>2,004,783</u>	<u>5,174</u>	<u>16,240</u>	<u>2,026,197</u>	<u>2,025,611</u>
Subtotal support, revenues and gains					
Net assets released from restrictions	<u>25,590</u>	<u>(20,960)</u>	<u>(4,630)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>2,030,373</u>	<u>(15,786)</u>	<u>11,610</u>	<u>2,026,197</u>	<u>2,025,611</u>
EXPENSES:					
Program services	<u>1,756,175</u>	<u>-</u>	<u>-</u>	<u>1,756,175</u>	<u>1,673,586</u>
TOTAL PROGRAM SERVICES	<u>1,756,175</u>	<u>-</u>	<u>-</u>	<u>1,756,175</u>	<u>1,673,586</u>
SUPPORTING SERVICES					
Management and general	105,035	-	-	105,035	98,262
Fundraising	<u>185,323</u>	<u>-</u>	<u>-</u>	<u>185,323</u>	<u>151,971</u>
TOTAL SUPPORTING SERVICES	<u>290,358</u>	<u>-</u>	<u>-</u>	<u>290,358</u>	<u>250,233</u>
TOTAL EXPENSES	<u>2,046,533</u>	<u>-</u>	<u>-</u>	<u>2,046,533</u>	<u>1,923,819</u>
INCREASE (DECREASE) IN NET ASSETS	(16,160)	(15,786)	11,610	(20,336)	101,792
NET ASSETS AT BEGINNING OF YEAR	<u>1,624,463</u>	<u>23,416</u>	<u>64,393</u>	<u>1,712,272</u>	<u>1,610,480</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,608,303</u>	<u>7,630</u>	<u>76,003</u>	<u>1,691,936</u>	<u>1,712,272</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2015
(with prior year data for comparison purposes only)

	Program Services	Support Services			Totals	
		Management and General	Fund Raising	Total	2015	2014
Salaries and benefits	\$ 1,296,181	70,561	138,938	209,499	1,505,680	1,388,252
Professional Services	10,640	6,746	3,040	9,786	20,426	14,900
Depreciation	36,348	1,913	-	1,913	38,261	34,307
Groceries and clothing	112,326	-	-	-	112,326	104,805
Insurance expense	88,421	4,810	9,564	14,374	102,795	91,920
Medical insurance	52,954	2,881	5,728	8,609	61,563	60,734
Office expenses	8,096	2,659	9,733	12,392	20,488	24,754
Other expenses	3,923	3,674	1,258	4,932	8,855	6,710
Printing and postage	3,684	1,018	14,974	15,992	19,676	22,597
Property and maintenance	34,405	3,079	-	3,079	37,484	49,953
Resident activities and supplies	46,379	-	-	-	46,379	48,258
Staff recruitment and training	4,750	335	503	838	5,588	13,452
Telephone	6,340	5,941	1,585	7,526	13,866	6,436
Transportation	24,875	-	-	-	24,875	25,889
Utilities	26,853	1,418	-	1,418	28,271	30,852
Total expenses	\$ 1,756,175	105,035	185,323	290,358	2,046,533	1,923,819
Percentage of total expenses	86%	5%	9%		100%	

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF CASH FLOWS

Year ended September 30, 2015
(with prior year data for comparison purposes only)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (20,336)	101,792
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	38,261	34,307
Net realized loss (gain) on investments	(4,409)	(428)
Net unrealized loss (gain) on investments	44,003	(19,281)
(Increase) decrease in contracts receivable	(19,035)	(22,788)
(Increase) decrease in contributions receivable	(2,500)	-
(Increase) decrease in prepaid expenses	(11,682)	18,570
Increase (decrease) in accounts payable	(3,963)	12,894
Increase (decrease) in accrued compensation and paid time off	12,222	25,553
Increase (decrease) in deferred revenue	<u>3,730</u>	<u>-</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>36,291</u>	<u>150,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	4,991	19,967
Purchases of investments	(38,295)	(55,863)
Cash paid for property and equipment	<u>(13,811)</u>	<u>(7,786)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(47,115)</u>	<u>(43,682)</u>
NET INCREASE (DECREASE) IN CASH	(10,824)	106,937
CASH AT BEGINNING OF YEAR	<u>499,024</u>	<u>392,087</u>
CASH AT END OF YEAR	<u>\$ 488,200</u>	<u>499,024</u>

Noncash investing and financing activities:

During the years ended September 30, 2015 and 2014, there were no significant noncash investing or financing activities.

See accompanying notes to financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2015

(1) **Summary of Significant Accounting Policies**

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting principles to be used in the preparation of financial statements. A description of significant accounting policies employed in the preparation of these financial statements are as follows:

Organization and Nature of Services – Mary's Shelter provides comprehensive residential care in a loving and supportive environment for pregnant and parenting minors who are in foster care, homeless or in another crisis situation. The programs of the organization are designed to ensure the health of the young mothers and their babies, and to develop the responsibility and maturity of each resident.

Basis of Accounting – The financial statements of Mary's Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation – Mary's Shelter follows the financial statement presentation recommended by the Financial Accounting Standards Boards (FASB) in its Auditing Standards Codification (ASC) ASC 958-205, *Presentation of Financial Statements*. Under ASC 958-205, Mary's Shelter 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.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, Mary's Shelter considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents consist of various demand deposits.

Restricted Cash – Mary's Shelter receives some government funding from each resident's county to be used specifically for clothing for residents of the Shelter. A separate account is maintained to track these funds.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Investments – Investments represent funds invested primarily in money market and mutual funds. In accordance with ASC 958-320, *Investments – Debt and Equity Securities*, the Shelter has reflected all investments in the accompanying financial statements at market value. Net appreciation (depreciation) in the fair value of investments, which consists of realized and unrealized gains or losses on these investments, is shown in the Statement of Activities as a component of investment income.

Fair Value Measurements - ASC 820-10, Fair Value Measurements establishes a framework for measuring fair value using generally accepted accounting principles, and expands disclosures related to fair value measurements. The Statement applies to other accounting pronouncements that require or permit fair value measurements. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described below:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities
- Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets
- Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data

Donated Property and Equipment – Donated property and equipment are recorded as support at their estimated fair values at the date of the donation. 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 these donated assets must be maintained, Mary's Shelter reports expirations of donor restrictions when the donated equipment or acquired assets are placed in service as instructed by the donor. Mary's Shelter reclassifies temporarily restricted net assets to unrestricted net assets at that time.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Donated Property and Equipment (continued) – As of September 30, 2015, Mary's Shelter has no donor restricted property and equipment.

Income Taxes – Mary's Shelter is a tax-exempt organization ("other than a private foundation") under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code.

Donated Services – Donated services are reflected in the accompanying statements at their estimated market values at date of receipt. Contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. See note 6 for further details.

Restricted and Unrestricted Revenue and Support – The organization follows ASC 958-605, *Revenue Recognition*. In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 (that is, when a stipulated time restriction ends or the purpose for the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Prior Year Data – Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Mary's Shelter's prior year financial statements, from which this selected financial data was derived.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) **Summary of Significant Accounting Policies, (Continued)**

Revenue Recognition and Concentration of Revenues – Mary's Shelter received approximately 74% of its total support and revenue from government funding for the year ended September 30, 2015. Revenue from government grants are recognized as exchange transactions and are recorded when earned. Amounts received in advance are reflected as deferred revenue.

Expense Allocation – The costs of providing the program and other activities have been summarized on a functional basis in the "Statement of Activities" and in the "Statement of Functional Expenses". Accordingly, certain costs have been allocated among the program and supporting services benefited. Where expenses apply to more than one function, the allocation is based on either square footage (such as for utilities) or estimated percentage of use or time for each purpose (telephone and postage.)

Accrued Paid Time Off (PTO) – Accrued employee paid time off (PTO) payable represents vacation, sick and personal time earned by Mary's Shelter employees which has not yet been taken. Employees may accrue and accumulate PTO up to a maximum of twenty (20) days. As of September 30, 2015, the amount of accrued PTO benefits was \$35,997 and is being reported in the Statement of Financial Position as accrued compensation and paid time off.

Endowment Funds – In August 2008 the FASB issued FASB Staff Position (FSP) No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and Enhanced Disclosures for All Endowment Funds. FSP No. 117-1 improves disclosures about an organization's endowment funds (whether the organization is subject to the Uniform Management of Institutional Funds Act ("UMIFA"), or its replacement legislation, UPMIFA. The State of California enacted UPMIFA effective January 1, 2009.

To build the Endowment Fund and encourage supporters to include Mary's Shelter in their estate plans, a 'Guardian Angel' designation was created. As of the end of the 2015 fiscal year, eighteen Guardian Angels were identified. Current gifts have been received from three of them, while the other fifteen named Mary's Shelter in their wills, trusts, or as beneficiaries of insurance policies. Mary's Shelter has not recorded these wills, trusts, and life insurance policies in the financial statements because the legal documents are not irrevocable. Guardian Angel gifts do not include those directed to the Endowment Fund by the Board of Directors, or gifts donated as part of an endowment campaign for the 21th Anniversary.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and Cash Equivalents

Cash and cash equivalents is presented in the accompanying statement of net assets at September 30, 2015 as follows:

Cash	\$ 487,193
Restricted cash	<u>1,007</u>
Total cash	<u>\$ 488,200</u>

At September 30, 2015, cash is comprised of bank accounts and a certificate of deposit. There were no accounts in excess of federally insured limits at year-end.

(3) Investments

Investments consist of the following as of September 30, 2015:

<u>Investments:</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Mutual funds	\$ 245,138	245,793	655
Common stock	<u>80,300</u>	<u>81,630</u>	<u>1,330</u>
	<u>325,428</u>	<u>327,423</u>	<u>1,985</u>
 <u>Restricted Investments:</u>			
Board Designated Endowment- Common fund (OCCF)	131,267	141,342	10,075
Donor Restricted Endowment- Common fund (OCCF)	<u>70,585</u>	<u>76,003</u>	<u>5,418</u>
	<u>201,852</u>	<u>217,345</u>	<u>15,493</u>
 Total investments	 <u>\$ 527,290</u>	 <u>544,768</u>	 <u>17,478</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Investments, (Continued)

Investment income is comprised of the following at September 30, 2015:

Interest and dividend income	\$ 18,934
Realized gains (losses)	4,409
Unrealized gains (losses)	<u>(44,003)</u>
Total	<u>\$ (20,660)</u>

Fair values of assets measured on a recurring basis at September 30, 2015:

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Mutual funds	\$ 245,793	245,793	-	-
Common stock	81,630	81,630	-	-
Common fund	<u>217,345</u>	<u>-</u>	<u>-</u>	<u>217,345</u>
Total	<u>\$ 544,768</u>	<u>327,423</u>	<u>-</u>	<u>217,345</u>

Changes in investments reported at Level 3 (Endowment Fund at OCCF) for the period October 1, 2014 to September 30, 2015, were as follows:

Balance at beginning of period	\$ 214,724
Reinvested interest and dividend income	18,934
Investment purchases	25,717
Investment fees	(2,436)
Change in fair value of investments	<u>(39,594)</u>
Balance at end of period	<u>\$ 217,345</u>

The common fund fair value equals the accumulated cash contributions, distributions, gains or losses and interest credited to the fund. The common fund is held with the Community Foundation, which holds, manages, invested and re-invest the funds as well as collects the interest earned and distributes the total return as determined by the Community Foundation's Board of Governors on an annual basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A framework for measuring fair value prioritizes the use of observable market-based inputs over the use of unobservable inputs when measuring fair value.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Investments, (Continued)

An investment categorization is based upon the lowest level of input that is significant to the fair value measurement. The estimated fair value may differ from the values that would have been used had a ready market for these securities existed.

(4) Fixed Assets

Fixed assets are recorded at cost. Depreciation of fixed assets is recorded using the straight-line method over a useful life of 5 to 40 years applied to individual items. It is the policy of Mary's Shelter to capitalize all assets over \$1,000. Depreciation expense for the year ended September 30, 2015 amounted to \$38,261. Fixed assets consist of the following at September 30, 2015:

Land	\$ 260,310
Buildings	680,568
Furniture	28,725
Vehicles	114,285
Equipment	<u>4,841</u>
Total	1,088,729
Less accumulated depreciation	<u>(487,520)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 601,209</u>

(5) Lease Commitment

Mary's Shelter entered into two long-term operating lease agreements for their copier and postage equipment. The rental expense under the long-term leases for the year ended September 30, 2015 was \$3,686.

Future minimum lease payment under long-term operating leases consist of the following:

Fiscal Year:		
	2016	\$ 3,609
	2017	3,609
	2018	2,879
	2019	2,873
	2020	<u>2,873</u>
Total minimum future payments		<u>\$ 15,843</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(6) Donated Services

Mary's Shelter received \$ 6,170 of donated services for the year ended September 30, 2015 as follows:

Professional Services:	
Legal	\$ 2,148
Printing	1,422
Accounting	<u>2,600</u>
Total donated services	\$ <u>6,170</u>

(7) Net Assets

Net assets consisted of the following as of September 30, 2015:

Unrestricted Net Assets:	
Net investment in property & equipment	\$ 601,209
Available for programs	865,752
Unrestricted Net Assets	
Board Designated Endowment	<u>141,342</u>
Total	<u>1,608,303</u>
Temporarily Restricted Net Assets:	
Clothing allowance for residents	1,007
Endowment investment earnings	<u>6,623</u>
Total	<u>7,630</u>
Permanently Restricted Net Assets:	
Donor Endowment	<u>76,003</u>
Total	<u>76,003</u>
Total Net Assets	\$ <u>1,691,936</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Special Events

Mary's Shelter held one significant special event in the current year, a gala. The results of all special events held are as follows:

	<u>Gala</u>	<u>Other</u>	<u>Total</u>
Contribution revenue	\$160,054	-	160,054
Less direct expenses	<u>(31,052)</u>	<u>(1,145)</u>	<u>(32,197)</u>
Net support from special events	<u>\$129,002</u>	<u>(1,145)</u>	<u>127,857</u>

(9) Contributions - Private Funding

Mary's Shelter received the following contributions from private funding and grants for the year ended September 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Corporate donations	\$ 1,712	-	-	1,712
Foundation grants	59,039	-	15,000	74,039
Individual donations	281,185	-	1,240	282,425
Institutional donations	<u>47,291</u>	<u>-</u>	<u>-</u>	<u>47,291</u>
	<u>\$ 389,227</u>	<u>-</u>	<u>16,240</u>	<u>405,467</u>

(10) Government Funding

Mary's Shelter received the following government funding for the year ending September 30, 2015:

Aid to Families with Dependent Children (AFDC)	\$ 1,494,801
County Clothing Allowance	<u>3,181</u>
Total governmental funding	<u>\$ 1,497,982</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(11) Retirement Plan

Mary's Shelter has adopted a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code whereby employees may elect to defer a portion of their compensation to be invested in mutual funds on their behalf. The amount of contributions made by Mary's Shelter, if any, is at the sole discretion of Mary's Shelter. For the fiscal year ended September 30, 2015, Mary's Shelter has not made any contributions.

(12) Contingencies

Financial assistance from state and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against Mary's Shelter for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

(13) Endowment Funds

Mary's Shelter has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds and the maintenance of the original purchasing power of donor-directed gifts and board-directed contributions over time, while safeguarding funds during market fluctuations and providing stability and liquidity for annual distributions. As a result of this interpretation, donor-directed gifts are classified as permanently restricted net assets; however restrictions on the use of permanently endowed funds are not accepted. Board-directed contributions are classified as unrestricted net assets as there is a provision for invasion of the principal of these funds by the Mary's Shelter Board of Directors under specified conditions, when also approved by the Orange County Community Foundation Board of Governors. According to Shelter policy, distributions of earnings may only be taken from the Endowment Fund after it reaches \$1 million, and distributions may only be used for operating expenses. Any distributable amount from earnings, as determined by the OCCF, will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Shelter in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Shelter considers the following factors in determining whether to appropriate or accumulate available endowment funds:

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(13) Endowment Funds, (Continued)

- (1) Fund duration, balance and preservation of the fund
- (2) The needs of the Shelter to accomplish its core mission
- (3) General economic conditions
- (4) The possible impact of inflation and deflation on the fund
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Shelter
- (7) The investment policies of the Shelter

Endowment Composition and Changes in Endowment Net Assets

Endowment net asset composition by type of fund as of September 30, 2015:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Board designated	\$ 134,719	6,623	-	141,342
Donor restricted	<u>-</u>	<u>-</u>	<u>76,003</u>	<u>76,003</u>
Total	<u>\$ 134,719</u>	<u>6,623</u>	<u>76,003</u>	<u>217,345</u>

Changes in endowment net assets for the fiscal year ended September 30, 2015 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 150,331	-	64,393	214,724
Investment return:				
Investment income (loss)	(15,612)	-	-	(15,612)
Investment fees	-	(2,436)	-	(2,436)
Contribution to endowment	-	4,429	16,240	20,669
Reclassification of investment income	<u>-</u>	<u>4,630</u>	<u>(4,630)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 134,719</u>	<u>6,623</u>	<u>76,003</u>	<u>217,345</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(13) Endowment Funds. (Continued)

Return Objectives and Risk Parameters

The Mary's Shelter Board of Directors holds the Mary's Shelter Endowment Fund in the Orange County Community Foundation, to be managed pursuant to the Endowment Fund policy adopted by the Board. The goal is to create conservative long-term growth of the Endowment Fund corpus to maintain purchasing power over time, while safeguarding funds during market fluctuations and providing stable income and liquidity for annual distributions. The policy further directs conservative risk tolerance to preserve and grow the Endowment Fund over time and social screens/mission based investing where possible.

(14) Related Party Transactions

Mary's Shelter has a Capital Reserve Fund with the banking institution, Banc of California. A Board member is an employee at Banc of California. No fees were paid to Banc of California during the year ended September 30, 2015.

(15) Subsequent events

Management has evaluated subsequent events through March 30, 2016 (the date the financial statements were available to be issued). Management believes no events have occurred subsequent to the statement of financial position date and through March 30, 2016 that would require adjustment to or disclosure in Mary's Shelter's financial statements.