

MARY'S SHELTER

FINANCIAL STATEMENTS

Year ended September 30, 2009

(With Independent Auditors' Report Thereon)

MARY'S SHELTER
FINANCIAL STATEMENTS
Year ended September 30, 2009

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Board of Directors
Mary's Shelter
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Mary's Shelter (a nonprofit organization) as of September 30, 2009 and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Mary's Shelter's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of Mary's Shelter for the year ended September 30, 2008 and, in our report dated January 8, 2009, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2010 on our consideration of Mary's Shelter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
January 11, 2010

MARY'S SHELTER
STATEMENT OF FINANCIAL POSITION
September 30, 2009
(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash (note 2)	\$ 252,035	\$ 183,048
Restricted cash (note 2)	2,371	1,415
Investments (note 3)	153,864	166,391
Contracts receivable	80,047	83,116
Contributions receivable	5,470	-
TOTAL CURRENT ASSETS	<u>493,787</u>	<u>433,970</u>
NONCURRENT ASSETS		
Fixed assets, net (note 4)	761,236	794,738
Restricted investments - Endowment (note 3)	11,381	11,070
TOTAL NONCURRENT ASSETS	<u>772,617</u>	<u>805,808</u>
TOTAL ASSETS	<u>\$1,266,404</u>	<u>\$1,239,778</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 13,001	\$ 9,870
Accrued compensation and paid time off	63,534	92,245
Deferred revenue	-	245
TOTAL CURRENT LIABILITIES	<u>76,535</u>	<u>102,360</u>
TOTAL LIABILITIES	<u>76,535</u>	<u>102,360</u>
NET ASSETS (note 7)		
Unrestricted	1,189,869	1,137,418
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>1,189,869</u>	<u>1,137,418</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,266,404</u>	<u>\$1,239,778</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF ACTIVITIES

Year ended September 30, 2009
(with prior year data for comparison purposes only)

UNRESTRICTED

	<u>2009</u>	<u>2008</u>
SUPPORT AND REVENUES		
Government funding (note 9)	\$ 1,063,315	\$ 900,191
Contributions - private funding (note 8)	463,180	514,699
Special events, net (note 6)	119,017	139,815
Donated services and equipment (note 5)	6,078	61,492
Investment income (loss) (note 3)	(28,129)	(33,817)
Other	12,394	5,785
SUBTOTAL SUPPORT AND REVENUES	<u>1,635,855</u>	<u>1,588,165</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,635,855</u>	<u>1,588,165</u>
 EXPENSES		
Program services	1,395,352	1,533,616
TOTAL PROGRAM SERVICES	<u>1,395,352</u>	<u>1,533,616</u>
 SUPPORTING SERVICES		
Management and general	87,720	92,036
Fundraising	100,332	106,813
TOTAL SUPPORTING SERVICES	<u>188,052</u>	<u>198,849</u>
TOTAL EXPENSES	<u>1,583,404</u>	<u>1,732,465</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>52,451</u>	<u>(144,300)</u>
 <u>TEMPORARILY RESTRICTED</u>		
SUPPORT AND REVENUE		
Contributions - private funding (note 8)	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>-</u>	<u>-</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>52,451</u>	<u>(144,300)</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>1,137,418</u>	<u>1,281,718</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,189,869</u>	<u>\$ 1,137,418</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2009
(with prior year data for comparison purposes only)

	Program Services	Support Services			Totals	
		Management and General	Fund Raising	Total	2009	2008
Salaries and benefits	\$ 1,063,367	65,681	70,643	136,324	1,199,691	1,317,312
Audit	10,877	1,341	2,682	4,023	14,900	13,676
Depreciation	33,396	663	631	1,294	34,690	34,961
Groceries and clothing	70,967	-	-	-	70,967	70,093
Medical insurance	64,311	5,416	4,238	9,654	73,965	76,144
Office expenses	5,763	1,999	7,788	9,787	15,550	20,683
Other expenses	12,660	1,517	333	1,850	14,510	20,217
Printing and postage	2,730	817	10,613	11,430	14,160	12,786
Property and maintenance	22,207	1,764	-	1,764	23,971	30,272
Resident activities and supplies	20,034	-	-	-	20,034	23,051
Staff recruitment and training	10,381	-	-	-	10,381	13,722
Telephone	3,930	4,290	872	5,162	9,092	10,287
Transportation	16,239	-	-	-	16,239	12,563
Utilities	19,985	1,865	-	1,865	21,850	21,171
Workers compensation insurance	<u>38,505</u>	<u>2,367</u>	<u>2,532</u>	<u>4,899</u>	<u>43,404</u>	<u>55,527</u>
Total expenses	<u>\$ 1,395,352</u>	<u>87,720</u>	<u>100,332</u>	<u>188,052</u>	<u>1,583,404</u>	<u>1,732,465</u>
Percentage of total expenses	88%	6%	6%		100%	

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF CASH FLOWS

Year ended September 30, 2009
(with prior year data for comparison purposes only)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 52,451	\$(144,300)
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	34,690	34,961
Net realized gain on investments	-	(88,180)
Net unrealized loss on investments	38,699	47,386
(Increase) decrease in receipt of donated vehicles	-	(57,492)
(Increase) decrease in contracts receivable	3,069	251,933
(Increase) decrease in contributions receivable	(5,470)	11,070
Increase (decrease) in accounts payable	3,131	(905)
Increase (decrease) in accrued compensation and paid time off	(28,711)	(30)
Increase (decrease) in deferred revenue	<u>(245)</u>	<u>(115)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>97,614</u>	<u>54,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	(37,053)	86,537
Investment income	<u>10,570</u>	<u>13,569</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(26,483)</u>	<u>100,106</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for fixed assets	<u>(1,188)</u>	<u>(17,962)</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>(1,188)</u>	<u>(17,962)</u>
NET INCREASE (DECREASE) IN CASH	69,943	136,472
CASH AT BEGINNING OF YEAR	<u>184,463</u>	<u>47,991</u>
CASH AT END OF YEAR, (note 2)	<u>\$ 254,406</u>	<u>\$ 184,463</u>

SUPPLEMENTAL DISCLOSURES

There were no noncash investing or financing activities for the fiscal year ended September 30, 2009.

See accompanying notes to financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2009

(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 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. As of September 30, 2009, Mary's Shelter has no temporarily restricted or 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 government funding from each resident's county to be used specifically for clothing for residents of the Shelter. As of September 30, 2009, the restricted cash amount was \$2,371. 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 - In September 2006, the Financial Accounting Standards Board (“FASB”) issued ASC 820-10, *Fair Value Measurements and Disclosures*, which establishes a framework for measuring fair value using generally accepted accounting principles, and expands disclosures related to fair value measurements. The Statement does not expand the use of fair value in any new circumstances. ASC 820-10 is effective for financial statements issued for fiscal periods beginning after November 15, 2007. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities.

The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

- 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

Although ASC 820-10 increases the level of disclosures required, it did not have a material impact on the financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

As of September 30, 2009, 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 5 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.

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted and Unrestricted Revenue and Support (Continued) – For the year ended September 30, 2009, Mary's Shelter received no contributions that were deemed to be temporarily restricted.

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.

Revenue Recognition and Concentration of Revenues – Mary's Shelter received approximately 65% of its total support and revenue from government funding for the year ended September 30, 2009. 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.

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 fifteen (15) days. As of September 30, 2009, the amount of accrued PTO benefits was \$26,379.

Subsequent Events -Management has evaluated subsequent events through January 11, 2010 (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 January 11, 2010 that would require adjustment to or disclosure in the Organization's financial statements.

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash

Cash is presented in the accompanying statement of net assets at September 30, 2009 as follows:

Cash	\$ 252,035
Restricted cash	<u>2,371</u>
Total cash	<u>\$ 254,406</u>

At September 30, 2009, cash is comprised of bank accounts and a certificate of deposit. There were no amounts in excess of federally insured limits.

(3) Investments

Investments consist of the following as of September 30, 2009:

<u>Unrestricted</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Money market	\$ 39,009	39,009	-
Mutual funds	<u>110,714</u>	<u>114,855</u>	<u>4,141</u>
Sub-totals unrestricted	<u>\$ 149,723</u>	<u>153,864</u>	<u>4,141</u>
 <u>Board Designated Endowment</u>			
Mutual funds	<u>\$ 11,381</u>	<u>11,381</u>	<u>-</u>

Investment income is comprised of the following at September 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 10,570	-	10,570
Current Period Unrealized gains (losses)	<u>(38,699)</u>	<u>-</u>	<u>(38,699)</u>
Total	<u>\$ (28,129)</u>	<u>-</u>	<u>(28,129)</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Investments, (Continued)

Fair values of assets measured on a recurring basis at September 30, 2009:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money market	\$ 39,009	39,009	-	-
Mutual funds	<u>114,855</u>	<u>114,855</u>	-	-
Total	<u>\$153,864</u>	<u>153,864</u>	<u>-</u>	<u>-</u>

(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. Depreciation expense for the year ended September 30, 2009 amounted to \$34,690. Fixed assets consist of the following at September 30, 2009:

Land	\$ 260,310
Buildings	680,569
Furniture	25,097
Vehicles	109,945
Equipment	<u>23,982</u>
Total	<u>1,099,903</u>
Less accumulated depreciation	<u>(338,667)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 761,236</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(5) Donated Services

Mary's Shelter received \$6,078 of donated services for the year ended September 30, 2009 as follows:

Professional Services:	
Accounting	\$ 2,350
HR Legal	<u>3,728</u>
Total donated services	<u>\$ 6,078</u>

(6) Special Events

Mary's Shelter held two significant special events in the current year, a golf tournament and a gala, the results of all special events held are as follows:

2009	Golf Tournament	Gala	Other Events	Total
Event revenue	\$ 8,580	67,135	-	75,715
Contribution revenue	18,165	50,880	13,100	82,145
Less direct expenses	<u>(10,041)</u>	<u>(25,576)</u>	<u>(3,226)</u>	<u>(38,843)</u>
Net support from special events	<u>\$ 16,704</u>	<u>92,439</u>	<u>9,874</u>	<u>119,017</u>
<hr style="border: 0.5px solid black;"/>				
2008				
Net support from special events	<u>\$ 26,418</u>	<u>99,017</u>	<u>14,380</u>	<u>139,815</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(7) Net Assets

Net assets consisted of the following as of September 30, 2009:

Unrestricted net assets:	
Net investment in land, buildings and equipment	\$ 761,236
Clothing allowance for residents	2,371
Available for programs	414,881
Unrestricted, board designated net assets:	
Endowment	<u>11,381</u>
 Total unrestricted net assets	 <u>1,189,869</u>
 Total temporarily restricted net assets	 _____ -
 Total permanently restricted net assets	 _____ -
 Total net assets	 <u>\$1,189,869</u>

(8) Contributions - Private Funding

Mary's Shelter received the following contributions from private funding and grants for the year ended September 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009</u>	<u>2008</u>
Corporate donations	\$ 61,490	\$ -	\$ 61,490	\$ 32,399
Foundation grants	194,750	-	194,750	206,809
Individual donations	158,265	-	158,265	219,926
Institutional donations	<u>48,675</u>	<u>-</u>	<u>48,675</u>	<u>55,565</u>
 Total private funding	 <u>\$ 463,180</u>	 <u>\$ -</u>	 <u>\$463,180</u>	 <u>\$514,699</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) Government Funding

Mary's Shelter received the following governmental funding for the year ending September 30, 2009:

California County Dependents (AFDC)	\$1,023,822
Department of Education	22,427
County Clothing Allowance	7,066
Children and Families Commission	<u>10,000</u>
 Total governmental funding	 <u>\$1,063,315</u>

(10) 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 annuity contracts on their behalf. The amount of contributions made by Mary's Shelter, if any, is at the sole discretion of Mary's Shelter. As of September 20, 2009, Mary's Shelter has not made any contributions.

(11) 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.