

MARY'S SHELTER

FINANCIAL STATEMENTS

Year Ended September 30, 2008

(With Independent Auditors' Report Thereon)

MARY'S SHELTER
FINANCIAL STATEMENTS
Year Ended September 30, 2008

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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, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Mary's Shelter's management. Our responsibility is to express an opinion 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, 2007 and, in our report dated January 14, 2008, 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 the 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 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, 2008 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 our report dated January 8, 2009 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 8, 2009

MARY'S SHELTER
STATEMENT OF FINANCIAL POSITION

September 30, 2008
(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash (note 2)	\$ 183,048	\$ 46,824
Restricted cash (note 2)	1,415	1,167
Investments (note 3)	166,391	236,773
Contracts receivable	83,116	335,049
Contributions receivable	-	11,070
TOTAL CURRENT ASSETS	<u>433,970</u>	<u>630,883</u>
NONCURRENT ASSETS		
Fixed assets, net (note 4)	794,738	754,245
Restricted investments - Endowment (note 3)	11,070	-
TOTAL NONCURRENT ASSETS	<u>805,808</u>	<u>754,245</u>
TOTAL ASSETS	<u>\$1,239,778</u>	<u>\$1,385,128</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 9,870	\$ 10,775
Accrued compensation and paid time off	92,245	92,275
Deferred revenue	245	360
TOTAL CURRENT LIABILITIES	<u>102,360</u>	<u>103,410</u>
TOTAL LIABILITIES	<u>102,360</u>	<u>103,410</u>
 NET ASSETS (note 7)		
Unrestricted	1,137,418	1,281,718
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>1,137,418</u>	<u>1,281,718</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,239,778</u>	<u>\$1,385,128</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF ACTIVITIES

Year ended September 30, 2008
(with prior year data for comparison purposes only)

UNRESTRICTED

	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUES		
Government funding (note 9)	\$ 900,191	\$ 1,109,911
Contributions - Private funding (note 8)	514,699	425,043
Special events, net (note 6)	139,815	169,649
Donated services and equipment (note 5)	61,492	4,064
Investment income (loss) (note 3)	(33,817)	45,446
Other	<u>5,785</u>	<u>5,565</u>
SUBTOTAL SUPPORT AND REVENUES	<u>1,588,165</u>	<u>1,759,678</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUES	<u>1,588,165</u>	<u>1,759,678</u>
 EXPENSES		
PROGRAM SERVICES	<u>1,533,616</u>	<u>1,476,012</u>
TOTAL PROGRAM SERVICES	<u>1,533,616</u>	<u>1,476,012</u>
 SUPPORTING SERVICES		
Management and general	92,036	83,984
Fundraising	<u>106,813</u>	<u>113,899</u>
TOTAL SUPPORTING SERVICES	<u>198,849</u>	<u>197,883</u>
TOTAL EXPENSES	<u>1,732,465</u>	<u>1,673,895</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(144,300)</u>	<u>85,783</u>
 <u>PERMANENTLY 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 PERMANENTLY RESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(144,300)</u>	<u>85,783</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>1,281,718</u>	<u>1,195,935</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,137,418</u>	<u>\$ 1,281,718</u>

See accompanying notes to financial statements.

MARY'S SHELTER

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2008
(with prior year data for comparison purposes only)

	<u>Program Services</u>	<u>Support Services</u>			<u>Totals</u>	
		<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	<u>2008</u>	<u>2007</u>
Salaries and benefits	\$ 1,178,592	65,158	73,562	138,720	1,317,312	1,274,775
Audit	9,993	1,228	2,455	3,683	13,676	13,970
Depreciation	31,232	1,660	2,069	3,729	34,961	32,996
Groceries and clothing	70,093	-	-	-	70,093	65,973
Medical insurance	68,102	3,765	4,277	8,042	76,144	71,930
Office expenses	8,249	2,058	10,376	12,434	20,683	20,832
Other expenses	14,803	4,612	802	5,414	20,217	15,937
Printing and postage	2,551	650	9,585	10,235	12,786	24,225
Property and maintenance	28,149	2,123	-	2,123	30,272	24,582
Resident activities and supplies	23,051	-	-	-	23,051	18,797
Staff recruitment and training	13,722	-	-	-	13,722	11,884
Telephone	2,742	6,977	568	7,545	10,287	9,742
Transportation	12,563	-	-	-	12,563	15,614
Utilities	20,112	1,059	-	1,059	21,171	21,453
Workers compensation insurance	<u>49,662</u>	<u>2,746</u>	<u>3,119</u>	<u>5,865</u>	<u>55,527</u>	<u>51,185</u>
Total expenses	<u>\$ 1,533,616</u>	<u>92,036</u>	<u>106,813</u>	<u>198,849</u>	<u>1,732,465</u>	<u>1,673,895</u>
Percentage of total expenses	89%	5%	6%		100%	

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF CASH FLOWS

Year ended September 30, 2008
(with prior year data for comparison purposes only)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$(144,300)	\$ 85,783
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	34,961	32,996
Net realized gains on investments	(88,180)	(14,213)
Net unrealized loss on investments	47,386	(26,581)
(Increase) decrease in receipt of donated vehicles	(57,492)	-
(Increase) decrease in contracts receivable	251,933	(126,023)
(Increase) decrease in contributions receivable	11,070	(11,070)
Increase (decrease) in accounts payable	(905)	4,346
Increase (decrease) in accrued compensation and paid time off	(30)	(2,262)
Increase (decrease) in deferred revenue	(115)	360
	<u>54,328</u>	<u>(56,664)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	86,537	27,245
Investment income	13,569	4,652
	<u>100,106</u>	<u>31,897</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash paid for fixed assets	(17,962)	(11,326)
	<u>(17,962)</u>	<u>(11,326)</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	136,472	(36,093)
CASH AT BEGINNING OF YEAR	<u>47,991</u>	<u>84,084</u>
CASH AT END OF YEAR, (note 2)	<u>\$ 184,463</u>	<u>\$ 47,991</u>

SUPPLEMENTAL DISCLOSURES

There were no noncash investing or financing activities for the fiscal year ended September 30, 2008, except for \$57,492 donated vehicles received by Mary's Shelter.

See accompanying notes to financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2008

(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 Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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, 2008, Mary's Shelter has no temporarily 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 and cash equivalents consist of various demand deposits and certificate of deposit for the year ended.

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, 2008, the restricted cash amount was \$1,415. 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 FASB statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, 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.

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, 2008, 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.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted and Unrestricted Revenue and Support – The organization follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, 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. For the year ended September 30, 2008, 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 57% of its total support and revenue from government funding for the year ended September 30, 2008. 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 thirty (30) days. As of September 30, 2008, the amount of accrued PTO benefits was \$46,786.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash

Cash is presented in the accompanying statement of net assets at September 30, 2008 as follows:

Cash	\$ 183,048
Restricted cash	<u>1,415</u>
Total cash	<u>\$ 184,463</u>

At September 30, 2008, 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, 2008:

<u>Unrestricted</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Money market	\$ 356	356	-
Mutual funds	<u>199,852</u>	<u>166,035</u>	<u>(33,817)</u>
Sub-Totals Unrestricted	<u>200,208</u>	<u>166,391</u>	<u>(33,817)</u>
<u>Board Designated Endowment</u>			
Mutual funds	<u>11,070</u>	<u>11,070</u>	<u>-</u>

Investment income is comprised of the following at September 30, 2008:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 13,569	-	13,569
Current Period Unrealized gains (losses)	<u>(47,386)</u>	<u>-</u>	<u>(47,386)</u>
Total	<u>\$ (33,817)</u>	<u>-</u>	<u>(33,817)</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(4) **Fixed Assets**

Fixed assets are recorded at cost. Donated property and equipment are recorded as support at their estimated fair values at the date of the donation. 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, 2008 amounted to \$34,961. Fixed assets consist of the following at September 30, 2008:

Land	\$ 260,310
Buildings	680,569
Furniture	25,097
Vehicles	109,945
Equipment	<u>22,794</u>
Total	1,098,715
Less accumulated depreciation	<u>(303,977)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 794,738</u>

(5) **Donated Services and Equipment**

Mary's Shelter received \$4,000 of donated services and \$57,492 of donated equipment for the year ended September 30, 2008 as follows:

Professional Services:	
Accounting	\$ 2,320
HR Legal	<u>1,680</u>
Sub-total donated services	<u>4,000</u>
Equipment:	
Vehicles	<u>57,492</u>
Total donated services and equipment	<u>\$ 61,492</u>

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(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 were are as follows:

<u>2008</u>	Golf <u>Tournament</u>	<u>Gala</u>	Other <u>Events</u>	<u>Total</u>
Event revenue	\$ 11,055	85,210	3,822	100,087
Contribution revenue	32,306	45,245	11,100	88,651
Less direct expenses	<u>(16,943)</u>	<u>(31,438)</u>	<u>(542)</u>	<u>(48,923)</u>
Net support from special events	<u>\$ 26,418</u>	<u>99,017</u>	<u>14,380</u>	<u>139,815</u>
 <u>2007</u>				
Net support from special events	<u>\$ 47,750</u>	<u>121,899</u>	<u>-</u>	<u>169,649</u>

(7) Net Assets

Net assets consisted of the following as of September 30, 2008:

Unrestricted net assets:	
Net investment in land, buildings and equipment	\$ 794,738
Clothing allowance for residents	1,415
Available for programs	<u>330,195</u>
Unrestricted, board designated net assets:	
Endowment	<u>11,070</u>
Total unrestricted net assets	<u>1,137,410</u>
Total temporarily restricted net assets	<u>-</u>
Total permanently restricted net assets	<u>-</u>
Total net assets	<u>\$1,137,418</u>

The permanently restricted endowment was established on September 26, 2008.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Contributions - Private Funding

Mary's Shelter received the following contributions from private funding and grants for the year ended September 30, 2008:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2008</u>	<u>2007</u>
Corporate donations	\$ 32,399	\$ -	\$ 32,399	\$ 42,806
Foundation grants	206,809	-	206,809	113,000
Individual donations	219,926	-	219,926	205,032
Institutional donations	<u>55,565</u>	<u>-</u>	<u>55,565</u>	<u>64,205</u>
Total private funding	<u>\$ 514,699</u>	<u>\$ -</u>	<u>\$514,699</u>	<u>\$425,043</u>

(9) Government Funding and Contracts Receivable

Mary's Shelter received the following governmental funding for the year ending September 30, 2008:

California County Dependents (AFDC)	\$ 1,002,914
Department of Education	17,794
County Clothing Allowance	<u>4,765</u>
Governmental funding	<u>\$ 1,025,473</u>
Less uncollectible government funding	<u>(125,282)</u>
Total governmental funding	<u>\$ 900,191</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 30, 2008, Mary's Shelter has not made any contributions.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

(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.