

MARY'S SHELTER

FINANCIAL STATEMENTS

Year ended September 30, 2007

(With Independent Auditors' Report Thereon)

MARY'S SHELTER
FINANCIAL STATEMENTS

Year ended September 30, 2007

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200

Irvine, California 92612

949-474-2020 ph

949-263-5520 fx

www.mhm-pc.com

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, 2007 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, 2006 and, in our report dated December 14, 2006, 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, 2007 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 14, 2008 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.

Irvine, California
January 14, 2008

MARY'S SHELTER
STATEMENT OF FINANCIAL POSITION

September 30, 2007
(with prior year data for comparison purposes only)

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash (note 2)	\$ 46,824	\$ 82,754
Restricted cash (note 2)	1,167	1,330
Investments (note 3)	236,773	227,876
Contracts receivable (note 9)	335,049	66,145
Contributions receivable (note 10)	11,070	-
TOTAL CURRENT ASSETS	<u>630,883</u>	<u>378,105</u>
NONCURRENT ASSETS		
Fixed assets, net (note 4)	<u>754,245</u>	<u>775,915</u>
TOTAL NONCURRENT ASSETS	<u>754,245</u>	<u>775,915</u>
TOTAL ASSETS	<u>\$1,385,128</u>	<u>\$1,154,020</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,775	\$ 6,429
Accrued compensation and paid time off	92,275	94,537
Deferred revenue	360	-
TOTAL CURRENT LIABILITIES	<u>103,410</u>	<u>100,966</u>
TOTAL LIABILITIES	<u>103,410</u>	<u>100,966</u>
NET ASSETS (note 7)		
Unrestricted	1,281,718	1,053,054
Temporarily restricted	-	-
Permanently restricted	-	-
TOTAL NET ASSETS	<u>1,281,718</u>	<u>1,053,054</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,385,128</u>	<u>\$ 1,154,020</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF ACTIVITIES

Year ended September 30, 2007
(with prior year data for comparison purposes only)

UNRESTRICTED

	<u>2007</u>	<u>2006</u>
SUPPORT AND REVENUES		
Government funding (note 9)	\$ 1,109,911	\$ 1,049,954
Contributions - Private funding (note 8)	425,043	503,183
Special events, net (note 6)	169,649	108,439
Donated services (note 5)	4,064	4,049
Investment income (note 3)	45,446	20,061
Other	5,565	4,672
SUBTOTAL SUPPORT AND REVENUES	<u>1,759,678</u>	<u>1,690,358</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>40,000</u>
TOTAL SUPPORT AND REVENUES	<u>1,759,678</u>	<u>1,730,358</u>
 EXPENSES		
PROGRAM SERVICES	1,476,012	1,422,091
TOTAL PROGRAM SERVICES	<u>1,476,012</u>	<u>1,422,091</u>
 SUPPORTING SERVICES		
Management and general	83,984	106,724
Fundraising	113,899	86,729
TOTAL SUPPORTING SERVICES	<u>197,883</u>	<u>193,453</u>
TOTAL EXPENSES	<u>1,673,895</u>	<u>1,615,544</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>85,783</u>	<u>114,814</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>(40,000)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>-</u>	<u>(40,000)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>85,783</u>	<u>74,814</u>
 NET ASSETS AT BEGINNING OF YEAR		
AS RESTATED, (note 11)	<u>1,195,935</u>	<u>978,240</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,281,718</u>	<u>\$ 1,053,054</u>

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2007
(with prior year data for comparison purposes only)

	Program Services	Support Services			Totals	
		Management and General	Fund Raising	Total	2007	2006
Salaries and benefits	\$ 1,148,450	57,144	69,181	126,325	1,274,775	1,181,780
Audit	9,870	1,280	2,820	4,100	13,970	13,050
Depreciation	28,276	2,167	2,553	4,720	32,996	36,133
Groceries and clothing	65,973	-	-	-	65,973	58,529
Interest	-	-	-	-	-	21,439
Medical insurance	64,979	3,401	3,550	6,951	71,930	68,159
Office expenses	8,279	1,804	10,749	12,553	20,832	26,673
Other expenses	8,626	6,956	355	7,311	15,937	21,492
Printing and postage	1,886	842	21,497	22,339	24,225	18,097
Property and maintenance	21,997	2,585	-	2,585	24,582	30,435
Resident activities and supplies	18,797	-	-	-	18,797	17,935
Staff recruitment and training	11,884	-	-	-	11,884	10,575
Telephone	6,648	2,541	553	3,094	9,742	8,877
Transportation	15,614	-	-	-	15,614	15,074
Utilities	18,893	2,560	-	2,560	21,453	20,253
Workers compensation insurance	<u>45,840</u>	<u>2,704</u>	<u>2,641</u>	<u>5,345</u>	<u>51,185</u>	<u>67,043</u>
Total expenses	<u>\$ 1,476,012</u>	<u>83,984</u>	<u>113,899</u>	<u>197,883</u>	<u>1,673,895</u>	<u>1,615,544</u>
Percentage of total expenses	88%	5%	7%		100%	

See accompanying notes to financial statements.

MARY'S SHELTER
STATEMENT OF CASH FLOWS

Year ended September 30, 2007
(with prior year data for comparison purposes only)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 85,783	\$ 74,814
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	32,996	36,133
Net realized gains on investments	(14,213)	(7,109)
Net unrealized gains on investments	(26,581)	(5,600)
(Increase) decrease in contracts receivable	(126,023)	21,363
(Increase) decrease in contributions receivable	(11,070)	40,000
(Increase) decrease in other receivables	-	1,344
Increase (decrease) in accounts payable	4,346	(6,750)
Increase (decrease) in accrued compensation and paid time off	(2,262)	36,739
Increase (decrease) in deferred revenue	360	-
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(56,664)</u>	<u>190,934</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale (purchase) of investments	27,245	106,862
Investment income	4,652	7,352
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>31,897</u>	<u>114,214</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments on mortgages	-	(306,556)
Capital Improvement	(11,326)	(1,268)
	<u> </u>	<u> </u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>(11,326)</u>	<u>(307,824)</u>
NET INCREASE (DECREASE) IN CASH	(36,093)	(2,676)
CASH AT BEGINNING OF YEAR	<u>84,084</u>	<u>86,760</u>
CASH AT END OF YEAR, (note 2)	<u>\$ 47,991</u>	<u>\$ 84,084</u>

SUPPLEMENTAL DISCLOSURES

There were no noncash investing or financing activities for the fiscal year ended September 30, 2007.

See accompanying notes to financial statements.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

Year ended September 30, 2007

(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, 2007, 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.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2007, the restricted cash amount was \$1,167. A separate account is maintained to track these funds.

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, 2007, 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.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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, 2007, Mary's Shelter received no contributions that were deemed to be temporarily restricted or permanently 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.

Concentration of Revenues – Mary's Shelter received approximately 63% of its total support and revenue from government funding for the year ended September 30, 2007.

MARY'S SHELTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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, 2007, the amount of accrued PTO benefits was \$44,244.

(2) Cash

Cash is presented in the accompanying statement of net assets at September 30, 2007 as follows:

Cash	\$ 46,824
Restricted cash	<u>1,167</u>
Total cash	<u>\$ 47,991</u>

At September 30, 2007, cash is comprised of bank accounts and there were no amounts in excess of federally insured limits.

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(3) Investments

Investments consist of the following as of September 30, 2007:

	<u>Cost</u>	<u>Market Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Money market	\$ 104	104	-
Mutual funds	<u>203,628</u>	<u>236,669</u>	<u>33,041</u>
Totals	<u>\$ 203,732</u>	<u>236,773</u>	<u>33,041</u>

Investment income is comprised of the following at September 30, 2007:

Interest and dividend income	\$ 4,652
Realized gains (losses)	14,213
Current Period Unrealized gains (losses)	<u>26,581</u>
Total	<u>\$ 45,446</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, 2007 amounted to \$32,996. Fixed assets consist of the following at September 30, 2007:

Land	\$ 260,310
Buildings	680,569
Furniture	29,190
Vehicles	44,961
Equipment	<u>49,769</u>
Total	<u>1,064,799</u>
Less accumulated depreciation	<u>(310,554)</u>
Fixed assets, net of accumulated depreciation	<u>\$ 754,245</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(5) Donated Services

Mary's Shelter received \$3,168 of donated services for the year ended September 30, 2007 as follows:

Professional Services:	
Accounting	\$ 2,240
HR Legal	<u>1,824</u>
Total donated services	<u>\$ 4,064</u>

(6) Special Events

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

	<u>Golf Tournament</u>	<u>Gala</u>	<u>Total</u>
Event revenue	\$ 19,995	102,697	122,692
Contribution revenue	49,145	66,546	115,691
Less direct expenses	<u>(21,390)</u>	<u>(47,344)</u>	<u>(68,734)</u>
Net support from special events	<u>\$ 47,750</u>	<u>121,899</u>	<u>169,649</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(7) Net Assets

Net assets consisted of the following as of September 30, 2007:

Unrestricted net assets:

Net investment in land, buildings and equipment	\$ 754,245
Clothing allowance for residents	1,167
Available for programs	<u>526,306</u>

Total unrestricted net assets 1,281,718

Total temporarily restricted net assets -

Total permanently restricted net assets -

Total net assets \$1,281,718

(8) Contributions - Private Funding

Mary's Shelter received the following contributions from private funding and grants for the year ended September 30, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007</u>	<u>2006</u>
Corporate donations	\$ 42,806	\$ -	\$ 42,806	\$ 40,444
Foundation grants	113,000	-	113,000	224,796
Individual donations	205,032	-	205,032	166,295
Institutional donations	<u>64,205</u>	<u>-</u>	<u>64,205</u>	<u>71,648</u>
Total private funding	<u>\$ 425,043</u>	<u>\$ -</u>	<u>\$425,043</u>	<u>\$503,183</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(9) Government Funding and Contracts Receivable

Mary's Shelter received the following governmental funding for the year ending September 30, 2007:

California County Dependents (AFDC)	\$1,084,862
Department of Education	18,366
County Clothing Allowance	<u>6,683</u>
 Total governmental funding	 <u>\$1,109,911</u>

As of September 30, 2007, contracts receivable in the amount of \$335,049 primarily consisted of AFDC California County Dependents funds. In comparison to prior year a significant portion of the current year increase in contracts receivable relate to the restatement as described in footnote 11.

(10) Contributions Receivable

Contributions receivable consist of the following as of September 30, 2007:

Receivables due in less than one year	<u>\$ 11,070</u>
 Total contributions receivable	 <u>\$ 11,070</u>

MARY'S SHELTER
NOTES TO FINANCIAL STATEMENTS

(Continued)

(11) Restatement of Beginning Net Assets

Net Assets at October 1, 2006 have been restated to reflect the following:

Net assets at October 1, 2006	\$1,053,054
To increase contracts receivable from Orange and Los Angeles Counties as a result of state law change which became effective in the prior year and extended AFDC dependent subsidies to dependent infants.	<u>142,881</u>
Net assets at October 1, 2006, as restated	<u>\$1,195,935</u>