

GWINNETT CHILDREN'S SHELTER, INC.

**Financial Statements and
Independent Auditors' Report**

For the year ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTAL INFORMATION:	
Statement of Functional Expenses	14



AGL CPA Group, LLC
Service + Expertise = Value
2810 Premiere Pkwy, Ste. 200
Duluth, GA 30097
<http://aglcpa.com>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Gwinnett Children's Shelter, Inc.

We have audited the accompanying financial statements of Gwinnett Children's Shelter, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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. 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 auditor's 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 Gwinnett Children's Shelter, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

AGL CPA Group, LLC

Duluth, Georgia
December 21, 2018

GWINNETT CHILDREN'S SHELTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

Cash	\$	470,953
Beneficial interest in assets held at the Community Foundation for Northeast Georgia		590,464
Donated rent receivable, net of discount of \$45,867		297,073
Promises to give		126,667
Property and equipment, net		2,655,712
Other assets		11,407
Intangibles		<u>48,879</u>
Total assets	\$	<u><u>4,201,155</u></u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$	15,916
Notes payable		<u>18,120</u>
Total liabilities		<u>34,036</u>
Net assets:		
Unrestricted		1,038,788
Unrestricted - held for use in property and equipment, and intangibles		2,704,591
Temporarily Restricted		<u>423,740</u>
Total net assets		<u>4,167,119</u>
Total liabilities and net assets	\$	<u><u>4,201,155</u></u>

The accompanying notes are an integral part of these financial statements.

GWINNETT CHILDREN'S SHELTER, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Support and Revenue:			
Contributions	\$ 670,403	\$ 208,808	\$ 879,211
Fundraisers	423,600	-	423,600
Other sources	-	-	-
Investment income	40,123	-	40,123
Net assets released from restrictions	<u>131,921</u>	<u>(131,921)</u>	<u>-</u>
Total support and revenue	<u>1,266,047</u>	<u>76,887</u>	<u>1,342,934</u>
Expenses:			
Program services	528,479	-	528,479
Management and general	444,285	-	444,285
Fundraising	<u>192,929</u>	<u>-</u>	<u>192,929</u>
Total expenses	<u>1,165,693</u>	<u>-</u>	<u>1,165,693</u>
Increase in net assets	100,354	76,887	177,241
Net assets, beginning of year	3,643,025	-	3,643,025
Prior period adjustment - error relates to previous year	<u>-</u>	<u>346,853</u>	<u>346,853</u>
Net assets, end of year	<u>\$ 3,743,379</u>	<u>\$ 423,740</u>	<u>\$ 4,167,119</u>

The accompanying notes are an integral part of these financial statements.

GWINNETT CHILDREN'S SHELTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities	
Increase in net assets	\$ 177,241
Adjustments:	
Depreciation	159,904
Investment Income	(40,123)
Changes in:	
Donated rent receivable, net of discount of \$45,867	49,780
Promises to give	(126,667)
Prepaid expenses	6,735
Accounts payable	<u>8,135</u>
Net cash provided by operating activities	<u>235,005</u>
 Cash flows from financing activities	
Principal paid on notes payable	<u>(9,283)</u>
Net cash used in financing activities	<u>(9,283)</u>
 Net increase in cash	225,722
Cash, beginning of year	<u>245,231</u>
Cash, end of year	<u>\$ 470,953</u>
 Supplemental cash flow information:	
Cash paid for interest	<u>\$ 1,032</u>

The accompanying notes are an integral part of these financial statements.

**GWINNETT CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE A – ORGANIZATION AND PURPOSE

Gwinnett Children's Shelter, Inc. (the "Organization") is a not-for-profit corporation that commenced operations in 1986. The Organization is a residential care facility that provides both long and short term services to homeless children (up to age 17), with their single mothers who are in need of care in a loving and nurturing environment.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Presentation

The financial statements have been prepared on the accrual basis of accounting. Contributions are recognized upon an unconditional promise to give by a donor to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Expenses are recognized when incurred.

Cash

The Organization considers all short-term, highly liquid investments with original maturities at the purchase date of three months or less to be cash.

The Organization places its cash with financial institutions. At times, such amounts may exceed FDIC limits. The Organization believes its risk is mitigated by using highly reputable financial institutions.

Beneficial Interest in Assets Held at the Community Foundation for Northeast Georgia

The Organization has transferred assets to the Community Foundation for Northeast Georgia (the "Foundation") which is holding them in a fund ("Fund") for the benefit of the Organization. The Fund is subject to the Foundation's investment and spending policies. The Foundation will make distributions of the assets at the Organization's request. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held at the Community Foundation for Northeast Georgia in the statement of financial position and reports distributions received as Investment Income on the statement of changes in net assets. Changes in the value of the Fund are also reported as Investment Income in the statement of activities. Administrative and investment fees related to the Fund were \$9,199 for the year ended June 30, 2018 and are netted in Investment Income in the statement of activities.

GWINNETT CHILDREN'S SHELTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held at the Community Foundation for Northeast Georgia (Continued)

Changes in the Fund for the year ended June 30, 2018 are as follows:

Balance at July 1, 2017	\$	550,341
Additional amounts invested in Fund		-
Share of appreciation of Fund		40,123
Balance at June 30, 2018	\$	590,464

Promises to Give

The pledges and grants receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. All pledges receivable are considered collectible as of June 30, 2018.

Property and Equipment

Property and equipment is recorded at cost, except for donated property and equipment, which is stated at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a restricted purpose. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 - 40 years
Furniture and fixtures	5 – 10 years
Vehicles	5 years
Computer equipment	3 – 5 years
Office equipment	5 – 7 years

Leasehold improvements are amortized using the straight-line method over the lesser of the remaining lease terms, including any anticipated lease renewals, or the estimated useful lives of the improvements.

The cost of repairs and maintenance is expensed as incurred.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Assets

Other assets consists of prepaid expenses and gift cards on hand. The Organization receives numerous gift cards to various stores from donors and records them as contributions. As of June 30, 2018, the Organization had \$7,218 in gift cards on hand.

Intangibles

Intangibles consist of the costs to create a brand name and logo. These intangibles are considered to have an infinite life and are not amortized.

Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangibles, for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability is evaluated by comparing the carrying value of the asset to the undiscounted future cash flows expected to be generated by the asset. If the carrying value of an asset exceeds its estimated future cash flows, an impairment loss is recognized for the amount by which the carrying value of the asset exceeds the fair value of the asset. The Organization did not identify any long-lived assets as being impaired during the year ended June 30, 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets are subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Sources of Revenues and Revenue Recognition

The Organization raises funds through donations, grants and fundraising events. Most donations received are unconditional and unrestricted and are received from the general public and attendees at fundraising events. Some of the grants and donations received are temporarily restricted to be used on investment in fixed assets or for a specific expenditure for the families in the program. Donations and grants are recognized as revenues on the date of donation. Amounts raised at fundraisers are recognized as revenues on the date of the event.

GWINNETT CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donations

Members of the Board of Directors contribute significant uncompensated program development and supporting services. Various unpaid volunteers work with families at the Organization and work at fundraising events organized by the Organization. The value of these services is not recorded in the financial statements because all of the criteria established by generally accepted accounting principles for such recognition has not been satisfied.

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to a formula developed by management.

Tax Status

The Organization is a charitable organization and qualifies under Section 501(c)(3) of the Internal Revenue Code as an exempt organization for both Federal and state income tax purposes. Therefore, no income tax provision has been included in the accompanying financial statements. FASB ASC Topic 740, *Income Taxes*, requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions would "more-likely-than-not" be sustained if challenged by an applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Organization evaluates its uncertain tax positions using the provisions of FASB ASC Topic 450, *Contingencies*. Management believes there are no amounts relating to uncertain tax positions that should be accrued as of June 30, 2018. The Organization's returns are no longer subject to examination by tax authorities for tax years prior to 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

The Organization evaluated subsequent events through December 21, 2018, which is the date these financial statements were available to be issued, and concluded that no events or transactions occurred during that period that required recognition or disclosure in the financial statements.

NOTE C – FAIR VALUE MEASUREMENT

The Organization measures its financial assets and liabilities in accordance with FASB ASC Topic 820, *Fair Value Measurement* (ASC 820), which defines fair value 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. In determining fair value, the Organization uses various methods including market, income and cost approaches. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs.

As a basis for categorizing these inputs, ASC 820 establishes the following hierarchy, which prioritizes the inputs used to measure fair value from market-based assumptions to entity-specific assumptions:

- Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**GWINNETT CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE C – FAIR VALUE MEASUREMENT (CONTINUED)

The following is a summary of assets held at fair value at June 30, 2018:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held at the Community Foundation of Northeast Georgia	\$ 590,464	\$ -	\$ 590,464	\$ -

The beneficial interest in assets held at the Community Foundation for Northeast Georgia (the “Foundation”) has been valued, as a practical expedient, at the fair value of the Organization’s share of the Foundation’s investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The Foundation’s investments are composed approximately of 65 percent equities, and 35 percent fixed income.

NOTE D – DONATED RENT RECEIVABLE

The Organization has an agreement with Gwinnett County, dated June 10, 1998, to lease the 25 acres of land upon which it operates. The Organization has agreed to be responsible for the construction and maintenance of the buildings and facilities on the property as consideration for the lease. The lease expires June 2023, at which time the Organization has an option to extend the lease for 25 more years.

The carrying value of the donated rent receivable at the lease inception in 1998 was \$1,714,701 (net of a discount recognized of \$810,581, computed using an interest rate of 5.8%). At June 30, 2018, the carrying value of the donated rent receivable is \$342,940, net of a discount recognized of \$45,867, as reported on the statement of financial position. Rent expense recognized for the year ended June 30, 2018 was \$68,588, which is included in the statement of activities and changes in net assets.

Future amortization of donated rent receivable at June 30, 2018 is as follows:

Fair market value of rent-free payments	\$ 342,940
Amount representing interest	<u>45,867</u>
Donated rent receivable at June 30, 2018	<u>\$ 297,073</u>

GWINNETT CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE E – PROMISES TO GIVE

Included in promises to give are the following:

Pledges from individuals restricted for time	\$	126,667
		<u>126,667</u>
Less: allowance for uncollectible promises to give		<u>-</u>
Promises to give, net	\$	<u>126,667</u>
Amounts due in:		
Less than one year	\$	63,333
One year to five years		<u>63,334</u>
Total	\$	<u>126,667</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018:

Buildings and improvements	\$	4,476,262
Furniture and fixtures		300,304
Vehicles		142,122
Computer equipment		148,671
Office equipment		<u>40,421</u>
		5,107,780
Accumulated depreciation		<u>(2,452,068)</u>
Property and equipment, net	\$	<u>2,655,712</u>

Depreciation expense for the year ended June 30, 2018 was \$159,904.

GWINNETT CHILDREN'S SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE G – NOTES PAYABLE

The Organization has two notes payable with aggregate monthly payments of \$860, including principal and interest. The interest rate for the notes is 4.45% and both mature in April 2020. The notes are secured by vehicles with a net book value of \$38,092 and are included in property and equipment.

As of June 30, 2018, scheduled maturities of the notes payable are as follows:

<u>Year ended June 30,</u>	
2019	\$ 9,704
2020	<u>8,416</u>
	<u>\$ 18,120</u>

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2018:

Gwinnett County donated rent	\$ 297,073
Pledges receivable restricted for time	<u>126,667</u>
	<u>\$ 423,740</u>

All of the temporary restrictions in net assets for the year ended June 30, 2018 relate to funds raised through donations and from rent free leases. Amounts included in temporarily restricted net assets are restricted either for time or for use for the investment in fixed assets. These restrictions are considered to expire with the passage of time.

NOTE I – CONCENTRATIONS

During the year ended June 30, 2018, one fundraising event accounted for 37% of the Organization's total support and revenue. Furthermore, a one-time donation from an individual accounted for 26% of total support and revenue.

Pledges receivable consisted of pledges from four individuals and organizations.

NOTE J - CORRECTION OF PRIOR PERIOD ERROR – OPENING NET ASSETS

Temporarily restricted net assets at the beginning of 2018 has been adjusted to correct an error related to the proper accounting for the donated rent receivable from Gwinnett County. Had the error not been made, temporarily restricted net assets would have been increased by \$346,853.

SUPPLEMENTAL INFORMATION

GWINNETT CHILDREN'S SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 222,631	\$ 205,695	\$ -	\$ 428,326
Employee benefits and taxes	37,103	37,102	-	74,205
Depreciation expense	127,923	31,981	-	159,904
Insurance expense	-	29,973	-	29,973
Supplies	-	3,616	-	3,616
Events expenses	-	-	192,929	192,929
Repairs and maintenance	30,234	7,559	-	37,793
Utilities	41,094	10,274	-	51,368
Bank and credit card fess	-	5,904	-	5,904
Dues and subscriptions	-	3,239	-	3,239
Meetings and training	-	8,000	-	8,000
Rent expense	54,870	13,718	-	68,588
Operational Program costs	14,624	-	-	14,624
Postage and mailing services	-	10,442	-	10,442
Technology	-	25,086	-	25,086
Professional fees	-	43,033	-	43,033
Travel	-	8,663	-	8,663
Totals	<u>\$ 528,479</u>	<u>\$ 444,285</u>	<u>\$ 192,929</u>	<u>\$ 1,165,693</u>

See independent auditors' report.