

Atlanta Children's Shelter, Inc.

FINANCIAL STATEMENTS

December 31, 2018
with Comparative totals for 2017



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Atlanta Children’s Shelter, Inc.
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REPORT



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Atlanta Children's Shelter, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Atlanta Children's Shelter, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, management has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to that matter.

Other Matter

We have previously audited Atlanta Children's Shelter, Inc.'s 2017 financial statements, and our report dated June 20, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Atlanta, Georgia
August 8, 2019



FINANCIAL STATEMENTS

Atlanta Children's Shelter, Inc.
Statements of Financial Position

<i>December 31,</i>	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Assets				
Current assets				
Cash and cash equivalents	\$ 625,282	\$ 341,916	\$ 967,198	\$ 766,792
Contributions receivable	69,745	-	69,745	92,642
Grants receivable	28,368	-	28,368	-
Prepaid expenses and other assets	27,344	-	27,344	32,811
Total current assets	750,739	341,916	1,092,655	892,245
Net property and equipment	442,819	-	442,819	520,374
Investments	1,897,231	-	1,897,231	1,871,577
Total assets	\$ 3,090,789	\$ 341,916	\$ 3,432,705	\$ 3,284,196
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 77,667	\$ -	\$ 77,667	\$ 48,918
Total current liabilities	77,667	-	77,667	48,918
Net assets				
Without donor restrictions				
Undesignated	3,013,122	-	3,013,122	3,066,149
With donor restrictions				
Purpose restrictions	-	341,916	341,916	169,129
Total net assets	3,013,122	341,916	3,355,038	3,235,278
Total liabilities and net assets	\$ 3,090,789	\$ 341,916	\$ 3,432,705	\$ 3,284,196

The accompanying footnotes are an integral part of these statements.

Atlanta Children's Shelter, Inc.
Statements of Activities

<i>Years ended December 31,</i>	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Support and other income and expenses				
Contributions	\$ 126,017	\$ 458,632	\$ 584,649	\$ 949,756
Grants	429,502	78,368	507,870	276,075
Special events, net of expenses of \$75,170 and \$55,474 respectively	400,204	-	400,204	306,516
In-kind donations	171,517	-	171,517	195,654
Net loss on disposal of property and equipment	-	-	-	(12,652)
Investment income (loss), net of expenses of of \$15,056 and \$13,409, respectively	(120,604)	-	(120,604)	209,354
Total support and other income and expenses	1,006,636	537,000	1,543,636	1,924,703
Net assets released from restrictions	364,213	(364,213)	-	-
Total support and other income and expenses, net	1,370,849	172,787	1,543,636	1,924,703
Expenses				
Program services	1,110,034	-	1,110,034	1,038,493
Supporting services				
Management and general	193,832	-	193,832	191,727
Fundraising	120,010	-	120,010	197,298
Total expenses	1,423,876	-	1,423,876	1,427,518
Change in net assets	(53,027)	172,787	119,760	497,185
Net assets, at beginning of year	3,066,149	169,129	3,235,278	2,738,093
Net assets, at end of year	\$ 3,013,122	\$ 341,916	\$ 3,355,038	\$ 3,235,278

The accompanying footnotes are an integral part of these statements.

Atlanta Children's Shelter, Inc.
Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 430,167	\$ 110,834	\$ 58,671	\$ 599,672
Employee benefits	135,528	29,606	21,636	186,770
Payroll taxes	32,988	9,172	6,227	48,387
Retirement plan	6,148	2,093	462	8,703
Personnel costs	604,831	151,705	86,996	843,532
In-kind rent	100,267	7,976	5,697	113,940
Direct client services	142,077	-	-	142,077
Depreciation	77,555	-	-	77,555
Contract services	75,021	105	41	75,167
Utilities	40,844	3,228	2,306	46,378
IT services and supplies	22,700	1,800	1,385	25,885
Dues and fees	4,246	8,083	4,367	16,696
Insurance	11,335	4,913	471	16,719
Telecommunications	12,427	989	706	14,122
Equipment, maintenance and repairs	7,079	402	4,956	12,437
Fundraising expenses	-	-	4,180	4,180
Accounting and legal fees	-	9,900	-	9,900
Training	1,202	210	7,178	8,590
Miscellaneous	1,133	1,142	816	3,091
Travel	2,945	-	48	2,993
Postage	1,159	91	62	1,312
Personnel expenses	1,833	49	149	2,031
Office supplies	2,091	465	346	2,902
Printing	1,071	563	306	1,940
Food and food supplies	218	-	-	218
Board expenses	-	2,211	-	2,211
Total expenses	\$ 1,110,034	\$ 193,832	\$ 120,010	\$ 1,423,876

The accompanying footnotes are an integral part of this statement.

Atlanta Children's Shelter, Inc.
Statement of Functional Expenses (Continued)

Year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 412,637	\$ 110,690	\$ 111,468	\$ 634,795
Employee benefits	131,224	27,425	34,525	193,174
Payroll taxes	31,262	8,564	11,027	50,853
Retirement plan	5,830	1,607	321	7,758
Personnel costs	580,953	148,286	157,341	886,580
In-kind rent	89,869	7,149	5,106	102,124
Direct client services	111,126	-	-	111,126
Depreciation	80,630	-	-	80,630
Contract services	69,371	40	-	69,411
Utilities	37,360	2,919	2,085	42,364
IT services and supplies	24,652	1,770	1,264	27,686
Dues and fees	5,411	10,348	5,544	21,303
Insurance	10,684	4,864	436	15,984
Telecommunications	11,392	906	647	12,945
Equipment, maintenance and repairs	7,584	473	4,516	12,573
Fundraising expenses	-	-	12,248	12,248
Accounting and legal fees	-	12,100	-	12,100
Training	534	-	4,121	4,655
Miscellaneous	1,216	1,187	848	3,251
Travel	2,508	12	702	3,222
Postage	1,818	141	995	2,954
Personnel expenses	1,592	832	186	2,610
Office supplies	1,615	646	190	2,451
Printing	-	-	1,069	1,069
Food and food supplies	178	-	-	178
Board expenses	-	54	-	54
Total expenses	\$ 1,038,493	\$ 191,727	\$ 197,298	\$ 1,427,518

The accompanying footnotes are an integral part of this statement.

Atlanta Children's Shelter, Inc.
Statements of Cash Flows

<i>Years ended December 31,</i>	2018	2017
Operating activities		
Change in net assets	\$ 119,760	\$ 497,185
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	77,555	80,630
Loss (gain) on disposal of property and equipment	-	12,652
Unrealized and realized losses (gains) on investments	196,317	(122,642)
Changes in:		
Contributions receivable	22,897	(29,362)
Grants receivable	(28,368)	29,763
Prepaid expenses and other assets	5,467	(15,685)
Accounts payable and accrued expenses	28,749	(28,789)
Net cash provided by operating activities	422,377	423,752
Investing activities		
Purchases of property and equipment	-	(20,546)
Purchases of investments	(221,971)	(361,906)
Proceeds from sale of investments	-	300,801
Net cash used in investing activities	(221,971)	(81,651)
Net change in cash and cash equivalents	200,406	342,101
Cash and cash equivalents, beginning of year	766,792	424,691
Cash and cash equivalents, end of year	\$ 967,198	\$ 766,792

The accompanying footnotes are an integral part of these statements.

NOTE 1: NATURE OF OPERATIONS AND ORGANIZATION

Atlanta Children's Shelter, Inc. (the Organization) is a not-for-profit corporation organized exclusively for religious, charitable and/or educational purposes under Section 501(c)(3) of the Internal Revenue Code. The Organization provides loving, quality child development and support services for homeless families striving to become self-sufficient. Services are provided free of charge to homeless families with children ages one month to five years of age residing in homeless shelters in metropolitan Atlanta and surrounding areas. The Organization operates from a single leased facility in Atlanta, Georgia.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period, including the allocation of expenses to program services, management and general, and fund-raising. Actual results could differ from those estimates.

Basis of Presentation

The Organization's financial statements are prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization does not have any net assets subject to perpetual restrictions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The statement of activities report all changes in net assets. Operating activities consist of those items attributable to the Organization's ongoing child development and support services for homeless families. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. There were no non-operating activities for the year ended December 31, 2018.

Cash and Cash Equivalents

Undesignated financial instruments with an original maturity date of ninety days or less are classified as cash equivalents.

Contributions and Grants Receivable

The Organization provides for doubtful receivables equal to the estimated collection losses that will be incurred in the collection of all receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of all receivables. Management considers all outstanding accounts receivable to be fully collectible at December 31, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost, if purchased. Contributed property and equipment is recorded at the estimated fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions. The Organization has a capitalization policy to capitalize assets with a useful life of more than one year and a cost of \$500 or more. Depreciation is provided principally on the straight-line methods over the estimated useful lives of the assets.

Investments

In accordance with generally accepted accounting principles, investments in certificates of deposit, and marketable securities with readily determinable fair values, and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. See Notes 6 and 7.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Donations

Donations other than cash are recorded at their fair market value as of the date of the donation. Donated use of facilities is recorded each year at the going market rate for office space in the area. See Note 9.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include in-kind rent and depreciation, which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization qualifies for tax exempt status under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, charitable organization. Contributions to such organizations are tax deductible by the donor as charitable contributions. Section 501(c)(3) taxes nonprofit organizations only on unrelated business income as defined by the Internal Revenue Code. The Organization had no unrelated business income for the years ended December 31, 2018 and 2017.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Concentration of Credit Risk

The Organization has cash deposits and holds funds in investment accounts with financial institutions that fluctuate in excess of federally and privately insured limits. If the financial institution were not to honor its contractual liability, the Organization could incur losses in the amount above the federally and privately insured limit.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On August 18, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 3: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of cash, contribution and grant receivables and investments. The Organization’s goal is generally to maintain financial assets to meet 20 - 30% of the current quarter’s operating expense budget.

The following represents the Organization’s financial assets at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 967,198
Contribution receivables	69,745
Grant receivables	28,368
Investments	1,897,231
<hr/>	
Total financial assets	2,962,542
Less amounts not available to be used within one year:	
Net assets with donor restrictions	341,916
Undesignated investments not intended to be liquidated within one year	1,897,231
<hr/>	
Total amounts not available to be used within one year	2,239,147
Financial assets available to meet general expenditures over the next twelve months	
	<u>\$ 723,395</u>

Atlanta Children’s Shelter, Inc.
Notes to Financial Statements

NOTE 4: PROPERTY AND EQUIPMENT

At December 31, 2018 and 2017, property and equipment are comprised of the following:

	Depreciable lives (in years)	2018	2017
Leasehold improvements	7-20	\$ 1,255,949	\$ 1,255,949
Furniture and fixtures	5-7	121,286	121,286
Vehicles	5	27,023	27,023
Software	5	27,110	27,110
		1,431,368	1,431,368
Accumulated depreciation		(988,549)	(910,994)
Net property and equipment		\$ 442,819	\$ 520,374

Depreciation expense was \$77,555 and \$80,630 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, the total net assets with donor restrictions was \$341,916. The amount consists of donor restricted support or contributions consisting of cash for which the related restrictions had not lapsed or been met as of December 31, 2018, and includes \$150,000 related to future leasehold improvements and childcare program expansion, \$163,766 related to specific childcare expenses and \$28,150 related to specific social services expenses for the following year. At December 31, 2017, the total net assets with donor restrictions was \$169,129 and consisted of \$50,000 related to future program expansion, \$115,129 related to specific childcare expenses for the following year, and \$4,000 related to a multiyear program designated by the donor.

Atlanta Children's Shelter, Inc.
Notes to Financial Statements

NOTE 6: INVESTMENTS

The Organization's investments at December 31, 2018 and 2017 are summarized as follows:

<i>December 31, 2018</i>	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Equity securities and equity mutual funds	\$ 1,174,442	\$ 141	\$ 1,174,583
Bonds and other fixed income	759,471	(36,823)	722,648
Total	\$ 1,933,913	\$ (36,682)	\$ 1,897,231

<i>December 31, 2017</i>	Cost	Unrealized Appreciation	Fair Value
Equity securities and equity mutual funds	\$ 1,006,448	\$ 166,014	\$ 1,172,462
Bonds and other fixed income	705,495	(6,379)	699,115
Total	\$ 1,711,943	\$ 159,635	\$ 1,871,577

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2018, with comparative totals for 2017:

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Comparative Total
Dividend and interest income	\$ 90,769	\$ -	\$ 90,769	\$ 100,121
Net realized and unrealized	(196,317)	-	(196,317)	122,642
Investment expenses	(15,056)	-	(15,056)	(13,409)
Net investment income	\$ (120,604)	\$ -	\$ (120,604)	\$ 209,354

NOTE 7: FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

In accordance with FASB ASC 820, the Organization groups its financial assets and financial liabilities measured at fair value into three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of fair value are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

NOTE 7: FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The fair values for all of the Organization’s investments are based on Level 1 inputs.

The Organization may also be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These adjustments to fair value usually result from an application of lower of cost or fair value accounting to individual assets. As of December 31, 2018 and 2017, the Organization had no assets or liabilities that were measured at fair value on a nonrecurring basis.

NOTE 8: 403(b) TAX SHELTERED ANNUITY

The Organization maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code (the “Plan”). Employees become eligible to participate in the Plan on the first day of the month after they are hired. Participants can defer up to 10% of their salary, on which the Organization can elect on an annual basis to match up to 3% for all employees. All full-time employees are eligible to enroll in the Plan. Employees are fully vested and eligible for employer match only after one year of service in which at least 1,000 hours are served. Contributions to the Plan are made by employees through salary deferral. During the years ended December 31, 2018 and 2017, the Organization made matching contributions of \$8,703 and \$7,758, respectively.

NOTE 9: LEASE OBLIGATIONS

The Organization operates in leased facilities that are under lease until November 13, 2021. The landlord is providing these facilities without charge. These financial statements have reported an in-kind donation and in-kind rent expense of \$113,940 and \$102,124 for the years ended 2018 and 2017, respectively. As a condition of the lease, the landlord designates three members of the Organization’s Board.

NOTE 10: CONCENTRATIONS

For the years ended December 31, 2018 and 2017, support and revenue from one contributor amounted to approximately 11% and 10% of total support and revenue, respectively.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2019, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure under the *Subsequent Events* topic of the FASB ASC.