REAL LIFE CENTER, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

REAL LIFE CENTER, INC.

TABLE OF CONTENTS

BLAD & ASSOCIATES, P.C.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Real Life Center, Inc.
Peachtree City, Georgia

We have audited the accompanying financial statements of Real Life Center, Inc. which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses 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.

Auditor's 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 Real Life Center, Inc. as of December 31, 2017, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blad + Associates, P.C.

Dunwoody, Georgia
March 16, 2018

REAL LIFE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	818,920
Prepaid expenses		10,550
Inventory		23,678
Total Current Assets		853,148
PROPERTY AND EQUIPMENT:		
Equipment		53,046
Vehicles		64,749
Leasehold improvements		33,383
		151,178
Accumulated Depreciation		(101,300)
Net Property and Equipment		49,878
OTHER ASSETS:		
Deposits		1,850
Trademark, net of amortization		1,516
		3,366
TOTAL ASSETS	$	906,392

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$	1,910
Total Current Liabilies		1,910
NET ASSETS:		
Unrestricted		875,219
Temporarily restricted (Note 4)		29,263
Total Net Assets		904,482
TOTAL LIABILITIES AND NET ASSETS	$	906,392

See accompanying summary of accounting policies and notes to financial statements.

REAL LIFE CENTER, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
PUBLIC SUPPORT AND REVENUE:			
Contributions	$ 404,427	$ 24,791	$ 429,218
Donated food	886,900	-	886,900
Donated facilities	68,496	-	68,496
Donated goods	229,076	-	229,076
Grants	42,830	-	42,830
Fundraising, net of direct benefit	72,736	-	72,736
Thrift store revenues	289,587	-	289,587
Interest income	727	-	727
Other	229	-	229
Total Public Support and Revenue before Transfers	1,995,008	24,791	2,019,799
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	28,802	(28,802)	-
Total Public Support and Revenue	2,023,810	(4,011)	2,019,799
EXPENSES:			
Program	1,655,098	-	1,655,098
Management and general	82,606	-	82,606
Fundraising	188,850	-	188,850
Total Expenses	1,926,554	-	1,926,554
CHANGE IN NET ASSETS	97,256	(4,011)	93,245
NET ASSETS:			
Beginning of year, as restated (Note 1)	777,963	33,274	811,237
End of year	$ 875,219	$ 29,263	$ 904,482

See accompanying summary of accounting policies and notes to financial statements.

REAL LIFE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Compensation and related expenses	$ 227,385	$ 27,087	$ 101,931	356,403
Occupancy	123,676	16,177	70,755	210,608
Outside services	5,792	10,270	2,773	18,835
Client assistance	1,263,220	-	-	1,263,220
Advertising and promotion	-	-	4,472	4,472
Vehicles	5,161	-	-	5,161
Office	2,693	321	1,207	4,221
Supplies	2,250	199	1,618	4,067
Communications	4,284	301	3,771	8,356
Postage and printing	1,326	158	595	2,079
Travel	-	815	-	815
Other	3,995	23,932	350	28,277
Depreciation and amortization	15,316	3,346	1,378	20,040
Total Expenses	$ 1,655,098	$ 82,606	$ 188,850	$ 1,926,554

See accompanying summary of accounting policies and notes to financial statements.

REAL LIFE CENTER, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$	93,245
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization		20,040
(Increase) decrease in receivables		10,417
(Increase) decrease in prepaid expenses		(2,750)
(Increase) decrease in inventory		(1,346)
Increase (decrease) in accounts payable and accruals		(3,105)
Net Cash Provided by (Used in) Operating Activities		116,501
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases		(21,294)
Net Cash Provided by (Used in) Investing Activities		(21,294)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		95,207
CASH AND CASH EQUIVALENTS:		
Beginning of year		723,713
End of year	$	818,920

SUPPLEMENTAL INFORMATION:		
Income taxes paid	$	-
Interest paid	$	-

See accompanying summary of accounting policies and notes to financial statements.

REAL LIFE CENTER, INC.

SUMMARY OF ACCOUNTING POLICIES

ORGANIZATION

Real Life Center, Inc. (the "Organization") (a not-for-profit corporation) was incorporated on May 4, 1998. The Organization was originally incorporated as Braelinn Community Services, Inc. It is an integrated auxiliary of Dogwood Church (formerly Braelinn Baptist Church). The Organization is designed to provide help for people by giving them a means to cope with the financial, emotional, and spiritual hardships of life. The Organization serves as a resource for those in need by connecting them to resources within the Organization as well as other sources in the community. The Organization focuses its efforts on individuals and families in Fayette and Coweta County, Georgia. In addition to its main location office and operation center in Peachtree City, Georgia, the Organization also operates two thrift stores in Fayetteville, Georgia and Tyrone, Georgia.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Organization's net assets, revenue, support and expenses are classified based on the existence or absence of donor-imposed restrictions into three classes: permanently restricted, temporarily restricted and unrestricted net assets.

PUBLIC SUPPORT AND REVENUE RECOGNITION

The organization receives the majority of its support from churches and individuals in Fayette County, Georgia. Any change in the economic conditions of this area could adversely impact operations of the Organization. The Organization recognizes support in the year received at its fair market value.

Contributions with donor-imposed restrictions are reported as restricted-support. The satisfaction or expiration of donor-imposed restrictions is recorded as a transfer from restricted to unrestricted net assets in the year the satisfaction or expiration occur.

The Organization also receives contract revenue from governmental agencies. These revenue sources are recognized as revenue when the services are delivered.

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in unrestricted net assets.

STATEMENT OF CASH FLOWS

Cash and cash equivalents include all monies in banks and highly liquid investments with a maturity of three months or less.

THRIFT STORE INVENTORY

Substantially all the items sold in the Organization's thrift stores are donated to the organization. For year-end reporting, donated inventory items held for resale are recorded and valued based on subsequent month sales. Throughout the year donated inventory items are recorded upon sale and final realization of value.

REAL LIFE CENTER, INC.

SUMMARY OF ACCOUNTING POLICIES

INCOME TAXES
The Organization is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements. In addition, the Organization is an integrated auxiliary of Dogwood Church (formerly Braelinn Baptist Church) and exempt from filing an annual information return (Form 990) with the Internal Revenue Service.

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of December 31, 2017, there are no known items which would result in a material accrual related to where the Organization has federal or state attributable tax positions. Generally, taxing authorities have from the later of three years from the filing date or the extended due date to examine a tax filing.

PROPERTY AND EQUIPMENT
Generally, property and equipment expenditures in excess of $1,000 are capitalized and recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation is computed over the estimated useful lives (3-15 years) of the assets using the straight-line method.

TRADEMARKS
Trademarks are being amortized on a straight-line basis over the life of the trademarks and are stated at cost net of accumulated amortization.

USE OF ESTIMATES
The preparation of financial statements in accordance with GAAP requires reliance on accounting information based on estimates which may or may not come true in the near term. Significant estimates include the functional allocation of expenses and the valuation of donated food.

FUNCTIONAL ALLOCATION OF EXPENSES
The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based on various applicable criteria. The amount reflected in the “client assistance” category reflects costs incurred on behalf of clients.

CONCENTRATIONS
The Organization maintains bank accounts in financial institutions that at times may exceed federally insured limits.

The Organization partners with the Atlanta Community Food Bank to operate a mobile food pantry and to assist with the distribution of food through the Commodity Supplemental Food Programs (CSFP). The CSFP is a federally funded program designed to assist low-income senior citizens, mothers and children. A significant amount of the donated food is from the Atlanta Community Food Bank through these partnership arrangements.

DONATED FOOD, GOODS AND FACILITIES

The Organization values donated food using an average rate per pound. The Organization values donated goods and facilities at fair market value at the time of the donation.

The Organization generally pays for services requiring specific expertise. Donated services requiring specific expertise are recorded at their fair market value. In 2017, the Organization did not receive any such donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

ADVERTISING

The Organization expenses advertising costs as they are incurred. The total advertising expense for the year ended December 31, 2017 was $4,472.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted subsequent to periods beginning after December 15, 2016. The Organization plans to adopt ASU 2014-09 (Topic 606) for the year beginning after December 15, 2018. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for the Organization beginning in 2020. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Company’s financial statements.

In August 2016, the FASB issued a new accounting standard, ASU 2016-14 (Topic 958), which changes the presentation and disclosure requirements for not for profits (NFP). The standard changes the net asset classification requirements and information presented about a NFP’s liquidity, financial performance and cash flows. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption of the standard is permitted. The Organization plans to adopt ASU 2016-14 (Topic 958) for year beginning after December 15, 2017. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization’s financial statements.

REAL LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – RESTATEMENT

For the year ended December 31, 2016, the Organization's audited financial statements were presented on the modified cash basis. The following adjustments were made to the December 31, 2016 net assets to present the amounts in accordance with the accrual basis of accounting.

	Original	Change	Restated
Fees and contracts receivable	$ -	$ 10,417	$ 10,417
Prepaid expenses	$ -	$ 7,800	$ 7,800
Thrift store inventory	$ -	$ 22,332	$ 22,332
Net assets -			
Unrestricted	737,414	40,549	777,963
Temporarily restricted	33,274	-	33,274
	$ 770,688	$ 40,549	$ 811,237

NOTE 2 – RELATED PARTY

The Organization is an integrated auxiliary with Dogwood Church (the "Church). An integrated auxiliary is defined by the IRS as an organization that is affiliated with a church and is considered a public charity. During 2017, the Organization had numerous transactions with the Church . The Organization received $125,332 in direct support from the Church plus additional noncash support that has not been valued.

NOTE 3 – RETIREMENT PLAN

The Organization's personnel are covered under the Church's benefit plans including a Section 401(3)(b) defined contribution retirement plan (the "Plan"). The Plan extends to the employees of the Organization based on eligibility requirements set forth in the Plan. Covered employees are eligible to contribute to the Plan (subject to certain limits). If the employee meets minimum contribution requirements set out by the Plan, the Church makes a matching contribution equal to 5% of the employee's compensation. The Church incurs the cost of this matching contribution.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donor imposed contributions in cash and receivables and consist of the following at December 31, 2017:

	2017
Church benevolence	$ 5,784
Food pantry	19,154
Harvest for Real Life	4,325
Total	$ 29,263

NOTE 5 – LEASES

During 2017, the Organization leased three locations, the Real Life Center (Center), the Real Life Store in Tyrone, and the Real Life Store in Fayetteville. Total rent expense for the three locations was $117,300. Future minimum lease payments under the leases are as follows:

Year Ending December 31,	
2018	$ 112,800
2019	6,750
	$ 119,550

The Center's rent and utilities are below fair market value. During 2017, the Center has recognized a contribution of approximately $68,500 for the value of the contribution.