

**REAL LIFE CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

# REAL LIFE CENTER, INC.

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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, 2018 and 2017, 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.

### **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, 2018 and 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 5, 2019

**REAL LIFE CENTER, INC.  
STATEMENTS OF FINANCIAL POSITION**

	<b>As of December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 522,308	\$ 818,920
Contributions and fees receivable	27,099	-
Prepaid expenses	7,800	10,550
Inventory	25,400	23,678
<b>Total Current Assets</b>	<b>582,607</b>	<b>853,148</b>
<b>CASH WITH DONOR RESTRICTIONS FOR NEW BUILDING</b>	<b>72,915</b>	<b>-</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Equipment	66,246	53,046
Vehicles	64,749	64,749
Leasehold improvements	33,383	33,383
	164,378	151,178
Accumulated Depreciation	(123,125)	(101,300)
<b>Net Property and Equipment</b>	<b>41,253</b>	<b>49,878</b>
<b>OTHER ASSETS:</b>		
Deposits	1,850	1,850
Trademark, net of amortization	1,215	1,516
	3,065	3,366
<b>TOTAL ASSETS</b>	<b>\$ 699,840</b>	<b>\$ 906,392</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 18,822	\$ 1,910
<b>Total Current Liabilities</b>	<b>18,822</b>	<b>1,910</b>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Unrestricted	585,182	875,219
With donor restrictions:		
Purpose restrictions (Note 4)	95,836	29,263
<b>Total Net Assets</b>	<b>681,018</b>	<b>904,482</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 699,840</b>	<b>\$ 906,392</b>

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

**REAL LIFE CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>			
Contributions	\$ 465,700	\$ 98,425	\$ 564,125
Donated food	967,438	-	967,438
Donated facilities	75,246	-	75,246
Donated goods	157,473	-	157,473
Grants	6,819	-	6,819
Fundraising, net of direct benefit of \$21,782	70,944	-	70,944
Thrift store revenues	313,490	-	313,490
Interest income	835	-	835
Other	568	-	568
<b>Total Public Support and Revenue before Transfers</b>	2,058,513	98,425	2,156,938
<b>Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements</b>	31,852	(31,852)	-
<b>Total Public Support and Revenue</b>	2,090,365	66,573	2,156,938
<b>EXPENSES:</b>			
Program	1,669,351	-	1,669,351
Management and general	116,322	-	116,322
Fundraising	194,729	-	194,729
<b>Total Expenses</b>	1,980,402	-	1,980,402
<b>CHANGE IN NET ASSETS BEFORE PAYMENT TO AFFILIATE</b>			
	109,963	66,573	176,536
Payment to affiliate (note 2)	400,000	-	400,000
<b>CHANGE IN NET ASSETS</b>	(290,037)	66,573	(223,464)
<b>NET ASSETS:</b>			
<b>Beginning of year</b>	875,219	29,263	904,482
<b>End of year</b>	\$ 585,182	\$ 95,836	\$ 681,018

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

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>			
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 of \$17,858	72,736	-	72,736
Thrift store revenues	289,587	-	289,587
Interest income	727	-	727
Other	229	-	229
	1,995,008	24,791	2,019,799
<b>Total Public Support and Revenue before Transfers</b>			
<b>Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements</b>	28,802	(28,802)	-
<b>Total Public Support and Revenue</b>	2,023,810	(4,011)	2,019,799
<b>EXPENSES:</b>			
Program	1,655,098	-	1,655,098
Management and general	82,606	-	82,606
Fundraising	188,850	-	188,850
	1,926,554	-	1,926,554
<b>Total Expenses</b>			
<b>CHANGE IN NET ASSETS</b>	97,256	(4,011)	93,245
<b>NET ASSETS:</b>			
<b>Beginning of year, as restated (Note 1)</b>	777,963	33,274	811,237
<b>End of year</b>	\$ 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, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses	\$ 223,591	\$ 68,858	\$ 103,287	395,736
Occupancy	124,219	16,151	71,760	212,130
Outside services	5,946	11,420	2,995	20,361
Client assistance	1,264,415	-	-	1,264,415
Advertising and promotion	-	-	4,682	4,682
Vehicles	13,601	-	-	13,601
Office	2,763	851	1,277	4,891
Supplies	2,091	530	1,349	3,970
Communications	4,455	729	4,226	9,410
Postage and printing	1,274	392	589	2,255
Other	9,968	13,685	3,172	26,825
Depreciation and amortization	17,028	3,706	1,392	22,126
<b>Total Expenses</b>	<b><u><u>\$ 1,669,351</u></u></b>	<b><u><u>\$ 116,322</u></u></b>	<b><u><u>\$ 194,729</u></u></b>	<b><u><u>\$ 1,980,402</u></u></b>

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**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
<b>Total Expenses</b>	<b><u>\$ 1,655,098</u></b>	<b><u>\$ 82,606</u></b>	<b><u>\$ 188,850</u></b>	<b><u>\$ 1,926,554</u></b>

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



**REAL LIFE CENTER, INC.**  
**STATEMENT OF CASH FLOWS**

	<b>For the Year Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (223,464)	\$ 93,245
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions with donor restrictions for long-term purposes	(72,915)	-
Depreciation and amortization	22,126	20,040
(Increase) decrease in receivables	(27,099)	10,417
(Increase) decrease in prepaid expenses	2,750	(2,750)
(Increase) decrease in inventory	(1,722)	(1,346)
Increase (decrease) in accounts payable and accruals	16,912	(3,105)
<b>Net Cash Provided by (Used in) Operating Activities</b>	(283,412)	116,501
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in cash restricted for long-term purposes	(72,915)	-
Property and equipment purchases	(13,200)	(21,294)
<b>Net Cash Provided by (Used in) Investing Activities</b>	(86,115)	(21,294)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collection of contributions with donor restrictions for long-term purposes	72,915	-
<b>Net Cash Provided by (Used in) Financing Activities</b>	72,915	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(296,612)	95,207
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Beginning of year</b>	818,920	723,713
<b>End of year</b>	\$ 522,308	\$ 818,920

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.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include all monies in banks and highly liquid investments with a maturity of three months or less. Cash with long term donor restrictions is considered a noncurrent asset. Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

# **REAL LIFE CENTER, INC.**

## **SUMMARY OF ACCOUNTING POLICIES**

### **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.

### **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 considers itself 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. With the growth of non-church support, management is in the process of assessing integrated auxiliary status and the potential impact for the Organization.

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, 2018 and 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.

# **REAL LIFE CENTER, INC.**

## **SUMMARY OF ACCOUNTING POLICIES**

### **CONCENTRATIONS**

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 the years ended December 31, 2018 and 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 Organization expended approximately \$4,682 and \$4,472 for the years ended December 31, 2018 and 2017, respectively.

### **SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the report date, which is the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

### **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.

# **REAL LIFE CENTER, INC.**

## **SUMMARY OF ACCOUNTING POLICIES**

### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS-concluded**

In June 2018, the FASB issued a new accounting standard, ASU 2018-18 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization plans to adopt ASU 2018-08 (Topic 958) 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.

# REAL LIFE CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – RESTATEMENT

For the year ended December 31, 2017, 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.

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

### NOTE 2 – TRANSACTIONS WITH DOGWOOD CHURCH

Each year, the Organization had numerous transactions with the Dogwood Church. For the years ended December 31, 2018 and 2017, the Organization received \$125,000 and \$125,332, respectively, in direct support from the Church plus additional noncash support that has not been valued. Additionally, during the year ended December 31, 2018, the Organization donated \$400,000 to the Church to assist in the construction of a new building on the church’s campus. The Organization plans to relocate its facilities to the new building in 2019.

### 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.

# REAL LIFE CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of donor-imposed contributions in cash and receivables and consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
DWC Building*	\$ 72,915	\$ -
Church benevolence	1,117	5,784
Food pantry	20,976	19,154
Men's Ministry	462	-
Harvest for Real Life	<u>366</u>	<u>4,325</u>
Total	<u>\$ 95,836</u>	<u>\$ 29,263</u>

\* considered a long term restriction

### NOTE 5 – LEASES

During 2018 and 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 \$113,850 and \$117,300 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments under the leases are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 85,800

The Center's rent and utilities are below fair market value. During 2018 and 2017, the Center has recognized a contribution of approximately \$75,250 and \$68,500, respectively, for the value of the contribution.

### NOTE 6 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$582,607 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$522,308, receivable of \$27,099, prepaid expenses of \$7,800, and inventory of \$25,400. Receivable are expected to be collected within one year. Inventory is expected to be sold within one year. Included in the above amounts is \$22,921 in donor restricted net assets; however, these funds are available to be used in the next year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is generally held in savings or money market accounts until it is required for operational use.