

REAL LIFE CENTER, INC.
AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

REAL LIFE CENTER, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Real Life Center, Inc. which comprise the statement of financial position as of December 31, 2019 and 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.

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, 2019 and 2018, 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 3, 2020

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

		As of December 31	
		2019	2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$	613,361	\$ 522,308
Contributions and fees receivable		41,901	27,099
Prepaid expenses		600	7,800
Inventory		-	25,400
		655,862	582,607
Total Current Assets			
CASH WITH DONOR RESTRICTIONS FOR NEW BUILDING		11,325	72,915
PROPERTY AND EQUIPMENT:			
Equipment		111,965	66,246
Vehicles		64,749	64,749
Leasehold improvements		-	33,383
		176,714	164,378
Accumulated Depreciation		(88,637)	(123,125)
		88,077	41,253
Net Property and Equipment			
OTHER ASSETS:			
Deposits		-	1,850
Other		913	1,215
		756,177	699,840
TOTAL ASSETS		\$ 756,177	\$ 699,840
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	\$	21,627	\$ 18,822
		21,627	18,822
Total Current Liabilities			
NET ASSETS:			
Without donor restrictions:		639,771	585,182
With donor restrictions:			
Purpose restrictions (Note 3)		94,779	95,836
		734,550	681,018
Total Net Assets			
TOTAL LIABILITIES AND NET ASSETS		\$ 756,177	\$ 699,840

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

REAL LIFE CENTER, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 449,155	\$ 117,290	\$ 566,445
Donated food	1,024,699	-	1,024,699
Donated facilities	166,826	-	166,826
Donated goods and services	243,809	-	243,809
Grants	10,659	-	10,659
Fundraising, net of direct benefit of \$25,980	73,507	-	73,507
Thrift store revenues	239,067	-	239,067
Interest income	866	-	866
Other	1,231	-	1,231
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	2,209,819	117,290	2,327,109
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	<hr/>	<hr/>	<hr/>
	118,347	(118,347)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	2,328,166	(1,057)	2,327,109
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Program	1,883,740	-	1,883,740
Management and general	153,786	-	153,786
Fundraising	236,051	-	236,051
	<hr/>	<hr/>	<hr/>
Total Expenses	2,273,577	-	2,273,577
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	54,589	(1,057)	53,532
NET ASSETS:			
Beginning of year	<hr/>	<hr/>	<hr/>
	585,182	95,836	681,018
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 639,771</u>	<u>\$ 94,779</u>	<u>\$ 734,550</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 465,700	\$ 98,425	\$ 564,125
Donated food	967,438	-	967,438
Donated facilities	75,246	-	75,246
Donated goods and services	206,507	-	206,507
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	566	-	566
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	2,107,545	98,425	2,205,970
Net Assets Released from Restrictions due to Satisfaction of Donor-imposed Requirements	<hr/>	<hr/>	<hr/>
	31,852	(31,852)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	2,139,397	66,573	2,205,970
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Program	1,697,055	-	1,697,055
Management and general	124,852	-	124,852
Fundraising	207,527	-	207,527
	<hr/>	<hr/>	<hr/>
Total Expenses	2,029,434	-	2,029,434
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS BEFORE PAYMENT TO AFFILIATE			
	109,963	66,573	176,536
	<hr/>	<hr/>	<hr/>
Payment to affiliate (Note 1)	400,000	-	400,000
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(290,037)	66,573	(223,464)
	<hr/>	<hr/>	<hr/>
NET ASSETS:			
Beginning of year	875,219	29,263	904,482
	<hr/>	<hr/>	<hr/>
End of year	\$ 585,182	\$ 95,836	\$ 681,018
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

REAL LIFE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses	\$ 274,105	\$ 89,734	\$ 126,510	490,349
Occupancy	180,735	27,455	76,345	284,535
Outside services	7,629	11,862	5,879	25,370
Client assistance	1,369,999	-	-	1,369,999
Advertising and promotion	-	-	12,904	12,904
Vehicles	9,545	-	-	9,545
Office	3,964	1,298	1,829	7,091
Supplies	1,404	409	809	2,622
Communications	2,895	240	3,581	6,716
Postage and printing	2,563	839	1,183	4,585
Other	15,154	18,474	5,902	39,530
Depreciation and amortization	15,747	3,475	1,109	20,331
Total Expenses	<u>\$ 1,883,740</u>	<u>\$ 153,786</u>	<u>\$ 236,051</u>	<u>\$ 2,273,577</u>

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

REAL LIFE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
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	\$ 251,295	\$ 77,388	\$ 116,085	\$ 444,768
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
	<u>\$ 1,697,055</u>	<u>\$ 124,852</u>	<u>\$ 207,527</u>	<u>\$ 2,029,434</u>
Total Expenses	<u>\$ 1,697,055</u>	<u>\$ 124,852</u>	<u>\$ 207,527</u>	<u>\$ 2,029,434</u>

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

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

	For the Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 53,532	\$ (223,464)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions with donor restrictions for long-term purposes	(14,237)	(72,915)
Depreciation and amortization	20,331	22,126
(Increase) decrease in receivables	(14,802)	(27,099)
(Increase) decrease in prepaid expenses and other assets	9,352	2,750
(Increase) decrease in inventory	25,400	(1,722)
Increase (decrease) in accounts payable and accruals	2,805	16,912
	82,381	(283,412)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(67,155)	(13,200)
	(67,155)	(13,200)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of contributions with donor restrictions for long-term purposes	14,237	72,915
	14,237	72,915
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	29,463	(223,697)
CASH AND CASH EQUIVALENTS:		
Beginning of year	595,223	818,920
End of year	\$ 624,686	\$ 595,223
RECONCILIATION OF CASH BALANCE:		
Cash and cash equivalents	\$ 613,361	\$ 522,308
Cash with donor restrictions for new building	11,325	72,915
	\$ 624,686	\$ 595,223

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 is an integrated auxiliary of Dogwood 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.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenue, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes:

Net assets without donor restrictions are currently available for purposes under the direction of the board, designated by the board for specific use, or resources invested in furniture and equipment.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

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. The 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 in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents. The Organization did not make any material income tax or interest payments in 2018 or 2019.

PUBLIC SUPPORT AND REVENUE RECOGNITION

Revenue is recognized when earned. Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications. Pledges to give payments in future years are recorded as support in the year the pledge is made. The fair value of promises to give that are due in more than one year is estimated by discounting the future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected collection period.

REAL LIFE CENTER, INC.

SUMMARY OF ACCOUNTING POLICIES

PUBLIC SUPPORT AND REVENUE RECOGNITION, continued

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the long-lived assets are placed into service.

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. The thrift store operations ceased in November 2019.

DONATED FOOD, GOODS, SERVICES 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 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 services requiring specific expertise are recorded at their fair market value. In the years ended December 31, 2019 and 2018, the Organization recorded contributions for donated services and other amounts paid on its behalf totaling approximately \$66,000 and \$49,000, respectively, related primarily to grounds maintenance, telecommunications and fringe benefits from Dogwood Church. In addition, 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.

The Center's facilities are provided at below market rents or at no cost (see Note 1). The Organization reflects the fair market value of these amounts as donated facilities in the statement of activities.

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in net assets without donor restrictions. The Organization allocates its expenses on a functional basis among its 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 time and efforts and other criteria.

REAL LIFE CENTER, INC.

SUMMARY OF ACCOUNTING POLICIES

PROPERTY AND EQUIPMENT

Property and equipment over \$1,000 is stated at cost, or if donated to the Organization, 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. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets are capitalized. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with the current year presentation.

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.

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 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, 2019 and 2018, 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.

ADVERTISING

The Organization expenses advertising costs as they are incurred. The Organization expended approximately \$12,900 and \$4,680 for the years ended December 31, 2019 and 2018, 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.

REAL LIFE CENTER, INC.

SUMMARY OF ACCOUNTING POLICIES

RECENTLY ADOPTED ACCOUNTING POLICIES

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. Under the new standard, restricted cash is included with cash and cash equivalents in the statements of cash flows.

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

In June 2018, the FASB issued a new accounting standard, ASU 2018-08 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. The provisions of the new standard did not have a material impact on the financial statements of the Organization.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, 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 fiscal years beginning after December 15, 2020. It is to be adopted using a modified retrospective approach or through a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Organization does not anticipate a material impact on the financial statements upon adoption of this new standard.

REAL LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – TRANSACTIONS WITH DOGWOOD CHURCH

The Organization has numerous transactions with the Dogwood Church. In 2019 and 2018, the Organization received annual direct support of \$125,000 and donated goods and services totaling approximately \$84,000 and \$49,000, respectively, from the Church. In April 2019, the Organization relocated to a new facility provided by the Church at no cost and recognized the value of the use of the facilities of \$111,132. The Organization uses the new facility under a verbal agreement.

In 2018, the Organization donated \$400,000 to the Church to assist in the construction of the new facility.

NOTE 2 – RETIREMENT PLAN

The Organization's personnel are covered under the Dogwood 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 3 – 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>2019</u>	<u>2018</u>
DWC Building*	\$ 11,325	\$ 72,915
Church benevolence	62,000	1,117
Food pantry	17,619	20,976
Other restrictions	<u>3,835</u>	<u>828</u>
Total	<u>\$ 94,779</u>	<u>\$ 95,836</u>

* considered a long-term restriction

NOTE 4 – LEASES

During 2019 and 2018, 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 \$87,650 and \$113,850 for the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Organization discontinued thrift store operations and relocated the Center to a new facility as discussed in Note 1. As of December 31, 2019, the Organization is not under any lease obligations.

REAL LIFE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$655,862 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$613,361, receivables of \$41,901, and prepaid expenses of \$600. Receivables are expected to be collected within one year. Included in the above amounts is \$83,454 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.