

LAWRENCE COMMUNITY SHELTER, INC.

FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2018

Cummins, Coffman & Schmidlein, CPA's, P.A.
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LAWRENCE COMMUNITY SHELTER, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lawrence Community Shelter, Inc.

We have audited the accompanying financial statements of the Lawrence Community Shelter, Inc., which comprise the statement of financial position – modified cash basis as of December 31, 2018 and the related statement of activities – modified cash basis, statement of functional expenses – modified cash basis, and statement of cash flows – modified cash basis 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 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 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 Organization'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 Organization'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 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 statement of financial position of Lawrence Community Shelter, Inc., as of December 31, 2018 and the related statement of activities, statement of functional expenses, and statement of cash flows for the year then ended in accordance with modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Cummins, Coffman & Schmidlein; CPAs, P.A.

Cummins, Coffman & Schmidlein, CPA's, P.A.

Topeka, Kansas

July 26, 2019

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS
For the year ended December 31, 2018

ASSETS

Assets

Cash and cash equivalents	\$ 105,675
Property and equipment, net	<u>2,768,366</u>
Total Assets	<u>\$ 2,874,041</u>

LIABILITIES AND NET ASSETS

Liabilities

Payroll tax liabilities	\$ 1,581
Notes payable	<u>436,028</u>
Total liabilities	<u>437,609</u>

Net Assets

Net assets without donor restrictions	<u>2,436,432</u>
Total net assets	<u>2,436,432</u>

Total Liabilities and Net Assets	<u>\$ 2,874,041</u>
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The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
For the year ended December 31, 2018

<u>Support and Revenue</u>	
Contributions	\$ 457,131
Grants	537,330
Events, fundraisers and other	48,311
Total support and revenue	<u>1,042,772</u>
 <u>Expenses</u>	
Program services	1,083,809
Management and general	55,944
Fundraising	40,518
Total expenses	<u>1,180,271</u>
 Change in net assets without donor restrictions	 (137,499)
 Net assets at beginning of year	 <u>2,573,931</u>
Net assets at end of year	\$ <u><u>2,436,432</u></u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS
For the Year Ended December 31, 2018

<u>Expenses</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 566,188	\$ 40,744	\$ 6,708	\$ 613,640
Payroll taxes	48,982	3,035	1,225	53,242
Employee benefits	61,886	3,834	1,548	67,268
Direct assistance	12,418	-	-	12,418
Program expenses	14,835	-	-	14,835
Insurance	17,511	471	847	18,829
Vehicles	1,014	-	-	1,014
Equipment	232	6	12	250
Staff development	620	17	37	674
Professional services	28,124	756	1,361	30,241
Utilities	95,713	2,573	4,631	102,917
Program supplies	68,570	-	-	68,570
Office supplies	7,661	206	371	8,238
Repairs and maintenance	38,105	1,024	1,844	40,973
Depreciation	113,588	3,053	5,496	122,137
Interest expense	8,245	222	398	8,865
Fundraising	-	-	5,368	5,368
Bank charges	-	-	10,666	10,666
Miscellaneous and other expenses	117	3	6	126
Total expenses	\$ <u>1,083,809</u>	\$ <u>55,944</u>	\$ <u>40,518</u>	\$ <u>1,180,271</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
For the year ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (137,499)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities	
Depreciation	122,137
Increase (decrease) in liabilities:	
Overdrawn bank account	(198)
Payroll tax liabilities	207
Net cash provided from operating activities	<u>(15,353)</u>
Cash flows from investing activities	
Purchase of fixed assets	<u>(19,590)</u>
Net cash used in investing activities	<u>(19,590)</u>
Cash flows from financing activities	
Principal payments on notes payable	<u>(13,311)</u>
Net cash used in financing activities	<u>(13,311)</u>
Net increase (decrease) in cash and cash equivalents	<u>(48,254)</u>
Cash and cash equivalents at beginning of year	<u>153,929</u>
Cash and cash equivalents at end of year	<u>\$ 105,675</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 8,865</u>

The accompanying notes are an integral part of this financial statement.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 ORGANIZATION

Lawrence Community Shelter, Inc. (the Organization), is a 501(c)(3) nonprofit organization which was incorporated under the laws of the State of Kansas. The Organization provides safe shelter and comprehensive support services and programs that provide a path to a positive future for people experiencing homelessness and people who are at risk of homelessness.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization maintains its accounting records on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from generally accepted accounting principles because the Organization has not recognized grants receivable or pledges receivable from third parties, accounts receivable, accounts payable and accrued salaries and compensated absences, as well as in-kind income and expenses. The effect of not recording these on the financial statements have not been determined. The Organization does recognize payroll tax liabilities and notes payable. The cash basis is additionally modified to include capitalization of property and equipment with a provision for depreciation.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two-classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

New Accounting Pronouncement

During the year ended December 31, 2018, the Organization elected to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14-Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This 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 between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements on a modified cash basis of accounting. Those estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could vary by a material amount from the estimates that were used.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2018.

Revenue Recognition

The Organization receives funding from local, county and federal agents and contracts. Grants received represent both exchange transactions and contributions. Certain grants received by the Organization include grantor imposed restrictions. The income from exchange transactions is recognized when received under the modified cash basis of accounting.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor imposed restrictions that are met in the current reporting period are reported as net assets without donor restrictions.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded using the straight-line method based on the estimated useful lives of the assets as follows:

Buildings	40 years
Furniture and office equipment	7-15 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the Statements of Activities – Modified Cash Basis. Certain costs have been allocated among the programs and supporting services as depicted in the Statements of Functional Expenses – Modified Cash Basis. Expenses that can be identified with specific program and support are allocated directly according to their natural expenditure classification.

Other expenses that are common to several functions are allocated based on management’s estimate of resources devoted to the programs or support services. Direct benefits to donor costs have been included in fundraising costs on the Statements of Functional Expenses – Modified Cash Basis as the associated costs are not material in relation to the financial statements taken as a whole.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization’s income tax returns are subject to review and examination by U.S. federal jurisdiction and the State of Kansas. The Organization is not aware of any activities that would jeopardize its tax-exempt status nor is it aware of any activities that are subject to unrelated business tax income or excise tax or other taxes.

Concentration of Credit Risk

The Organization maintains cash and investments in bank accounts which at times may exceed their federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation (FDIC). The accounts are held by banks that are well established and highly regarded. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances. As of December 31, 2018, the Organization did not maintain balances in excess of federally insured limits.

NOTE 3 PROPERTY AND EQUIPMENT, NET

Property and equipment include the following as of December 31, 2018:

Buildings and improvements	\$ 3,137,897
Furniture and office equipment	308,056
Less accumulated depreciation	<u>677,587</u>
Property and equipment, net	<u>\$ 2,768,366</u>

Depreciation expense for the year ended December 31, 2018 was \$122,137.

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2018

NOTE 4 LIQUIDITY AND FUNDS AVAILABLE

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year.

Financial assets:	
Cash and cash equivalents	\$ <u>105,675</u>
Financial assets, at year-end	<u>105,675</u>
Less those unavailable for general expenditure within one year, due to:	
Purpose restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 105,675</u>

NOTE 5 NOTES PAYABLE

During 2013, the Organization entered into an agreement with the City of Lawrence (the City) for a long-term loan of \$500,000. The loan matures on December 31, 2028 and has a fixed interest rate of 2%. The proceeds of the loan were used for the completion of the building. The loan is collateralized by the building. Payments are made monthly to the City in the amount of \$1,848. The outstanding balance of the loan at December 31, 2018 was \$436,028.

Future principle maturities are summarized as follows:

2019	\$ 13,580
2020	13,854
2021	14,133
2022	14,419
2023	14,710
Thereafter	<u>365,332</u>
	<u>\$ 436,028</u>

LAWRENCE COMMUNITY SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2018

NOTE 6 NET ASSETS

As of December 31, 2018 net assets consist of:

Net Assets Without Donor Restrictions:	
Un-designated	\$ (331,934)
Net investment in property and equipment	2,768,366
Total net assets without donor restrictions	<u>2,436,432</u>
Total net assets	<u>\$ 2,436,432</u>

NOTE 7 RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the Organization purchases commercial insurance. The amount of settlements did not exceed insurance coverage for the year ended December 31, 2018.

NOTE 8 SUBSEQUENT EVENTS

Subsequent events were evaluated through the date of the audit report, which is the date the financial statements were available to be issued. No events were found requiring disclosure in these financial statements.

