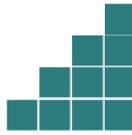


Apartment Life, Inc.
Financial Statements
Year Ended December 31, 2019

Apartment Life, Inc.
Table of Contents

	Page
Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7



MeredithCPAs

222 W. Las Colinas Blvd, Suite 1150E, Irving, Texas 75039 | 214.492.1986 fax 972.887.9996

Independent Auditor's Report

To the Board of Directors
of Apartment Life, Inc.

We have audited the accompanying financial statements of Apartment Life, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 Apartment Life, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MeredithCPAs

Irving, Texas
July 24, 2020

Tax | Audit | Advisory

MeredithCPAs.com | cpa@meredithcpas.com
MeredithCPAs is the trade name of Meredith CPAs, P.C.

Apartment Life, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current Assets	
Cash and cash equivalents	\$ 1,509,600
Investments	5,150
Accounts receivable, net	243,406
Employee advances	9,661
Prepaid expenses	525,149
Total Current Assets	2,292,966
Property and Equipment, Net	2,223
Intangible Assets	27,499
Notes Receivable, Related Party	100,000
	\$ 2,422,688

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 230,573
Accrued payroll expenses	580,874
Advance deposits	380,278
Related party payable	1,396
Total Current Liabilities	1,193,121
Net Assets	
Net assets without donor restrictions	1,216,102
Net assets with donor restrictions	13,465
	1,229,567
	\$ 2,422,688

See accompanying notes to financial statements.

Apartment Life, Inc.
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Program fees, net	\$ 3,760,519	\$ -	\$ 3,760,519
AL team fees, net	2,346,480	-	2,346,480
Contributions	2,051,612	11,689	2,063,301
Donated apartments for use by AL teams	8,383,634	-	8,383,634
Event funding	2,156,863	-	2,156,863
Church partner funding	208,732	-	208,732
Other income	12,903	-	12,903
Net assets released from restrictions	13,429	(13,429)	-
	<u>18,934,172</u>	<u>(1,740)</u>	<u>18,932,432</u>
Expenses			
Program services	17,375,865	-	17,375,865
General and administrative	815,855	-	815,855
Fundraising	321,962	-	321,962
	<u>18,513,682</u>	<u>-</u>	<u>18,513,682</u>
Change in net assets			
Increase (Decrease) in Net Assets	<u>420,490</u>	<u>(1,740)</u>	<u>418,750</u>
Net Assets (Deficit) at Beginning of Year	795,612	15,205	810,817
Net Assets (Deficit) at End of Year	<u>\$ 1,216,102</u>	<u>\$ 13,465</u>	<u>\$ 1,229,567</u>

See accompanying notes to financial statements.

Apartment Life, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Fund - raising	Total
Salaries and wages	\$ 3,964,086	\$ 419,856	\$ 112,022	\$ 4,495,964
Employee benefits	815,296	71,784	21,204	908,284
Payroll taxes	351,193	39,521	9,502.00	400,216
	<u>5,130,575</u>	<u>531,161</u>	<u>142,728</u>	<u>5,804,464</u>
Apartment costs	8,383,634	-	-	8,383,634
Event funding costs	2,156,863	-	-	2,156,863
Travel and conference	304,145	25,547	-	329,692
Client development	312,260	-	-	312,260
Other	86,423	27,165	177,490	291,078
Professional services	191,172	87,034	-	278,206
Team support	245,739	-	-	245,739
Staff care and development	129,845	78,708	-	208,553
Information technology	130,117	34,683	-	164,800
Banking fees	173,766	(68,732)	-	105,034
Retirement benefit expense	57,436	9,528	1,744	68,708
Occupancy	-	45,607	-	45,607
Advertising	23,863	17,752	-	41,615
Equipment rent and maintenance	32,239	3,582	-	35,821
Office expense	17,788	13,540	-	31,328
	<u>17,375,865</u>	<u>805,575</u>	<u>321,962</u>	<u>18,503,402</u>
Depreciation	-	2,423	-	2,423
Amortization	-	7,857	-	7,857
	<u>\$ 17,375,865</u>	<u>\$ 815,855</u>	<u>\$ 321,962</u>	<u>\$ 18,513,682</u>

See accompanying notes to financial statements.

Apartment Life, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows from Operating Activities		
Change in net assets		\$ 418,750
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation		2,423
Amortization		7,857
(Increase) decrease in assets:		
Accounts receivable		(13,665)
Employee advances		(616)
Prepaid expenses		(143,610)
Increase (decrease) in liabilities:		
Accounts payable		166,262
Accrued payroll expenses		185,981
Advance deposits		(136,437)
Related party payable		40,469
	Net Cash Provided By (used in) Operating Activities	527,414
Cash Flows from Investing Activities		
Purchase of investments		(5,150)
Issuance of note receivable		(100,000)
	Net Cash Provided (Used) by Investing Activities	(105,150)
	Net Increase (Decrease) in Cash and Cash Equivalents	422,264
	Cash and Cash Equivalents, Beginning of Year	1,087,336
	Cash and Cash Equivalents, End of Year	\$ 1,509,600

See accompanying notes to financial statements.

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 -Organization and Summary of Significant Accounting Policies

Nature of the Organization

Apartment Life, Inc. ("AL", Organization"), is a Texas non-profit organization incorporated in March 2000. AL is engaged in charitable and religious activities designed to improve the quality of life for apartment dwellers by strengthening communities, serving residents, and modeling the Christian life. AL operates in 30 states.

AL's purpose is to organize and run the AL program, which is a community building and resident retention program that provides business value to apartment owners and management companies while making a lasting difference in the lives of apartment residents. The AL program is carried out by an AL team, consisting of either a married couple, family or team of two, which lives onsite in apartment communities and works with the management team to build the community and serve residents. This is accomplished by doing things that flow naturally out of the Christian lifestyle such as welcoming new residents, planning social events, and caring in times of need.

Basis of Presentation

Based on the existence or absence of donor-imposed restrictions, resources are classified into two categories: without donor restrictions and with donor restrictions. Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by the donor are included in this classification. All expenses are reported as decreases in net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of AL or the passage of time. When a restriction expires (that is when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all checking and saving accounts, and highly liquid money market mutual funds. These funds are available for general operating purposes and not otherwise restricted.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains are reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Intangibles

AL capitalizes the costs of intangibles. Intangibles costs are amortized on a straight-line basis over the estimated useful life of five years.

Property and Equipment

Property and equipment are carried at acquisition cost or the estimated fair value of donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. For office furniture, fixtures, computer equipment, and office equipment estimated useful lives range between 3-5 years. Major additions and betterments are capitalized, while replacements and maintenance and repairs which do not improve or extend the life of the related assets are expensed.

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 -Organization and Summary of Significant Accounting Policies, Continued

Notes Receivable

Loans are stated at unpaid principal balances. Interest on the notes receivable is recognized over the term of the note and is calculated using the effective interest method on the principal amounts outstanding.

Revenue and Support

Revenue and support includes AL team fees and program fees. AL team fees represent administration fees paid by the AL team and are recognized over the contract period. Program fees are paid by the apartment complexes for AL's services and are recognized over the service contract period as the services are performed.

All contributions are considered available for AL's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted support and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Functional Allocation of Expenses

Expenses have been summarized on a functional basis and allocated in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on analysis of personnel time and space and resources utilized for the related activities.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense totaled \$41,615 for the year ended December 31, 2019.

Income Taxes

AL is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation and is exempt for state income tax purposes. Currently, AL engages in no activities that would be taxed as unrelated business income.

With respect to uncertain tax positions, the management of AL believes its positions comply with applicable laws and they periodically evaluate exposures associated with tax filing positions. Consequently, no liability is recognized in the statement of financial position for uncertain tax positions. If incurred, penalties and interest assessed by income taxing authorities are included in penalties or interest expense. With few exceptions, AL is no longer subject to U.S. federal and state examinations by taxing authorities for years before 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Accrued Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

Liquidity and Availability of Financial Assets

Apartment Life, Inc. has \$1,758,156 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash and cash equivalents of \$1,514,750 and accounts receivable of \$243,406.

Note 2 - Accounts Receivable

Accounts receivable consists primarily of fees due from AL teams and properties. Accounts receivable is reported net of an allowance for doubtful accounts of \$20,085, at December 31, 2019. AL establishes an allowance for doubtful accounts based on management's assessment of the collectability of past due accounts. Past due accounts are defined by invoice due date. Trade receivable balances are charged off after being deemed uncollectable by management. AL generally requires that the invoices are paid prior to services being rendered. As such, AL generally does not require collateral from its customers.

Note 3 - Investments

Investments consist of securities reported at fair value of \$5,150 and money market of \$415,797, as of December 31, 2019. Interest and dividend income of \$4,627 and a realized gain of \$19,377 are included in revenue and support on the statement of activities for the year ended December 31, 2019.

Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Office furniture and fixtures	\$	4,331
Computer and office equipment		76,604
Less: accumulated depreciation		<u>(78,712)</u>
	\$	<u><u>2,223</u></u>

Depreciation expense totaled \$2,423 for the year ended December 31, 2019.

Note 5 - Intangibles

Intangibles consist of the following at December 31, 2019:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Apartment service contracts	\$ 39,285	\$ (11,786)	\$ 27,499
Website development costs	19,750	(19,750)	-
	<u>\$ 59,035</u>	<u>\$ (31,536)</u>	<u>\$ 27,499</u>

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 5 - Intangibles - Continued

Amortization expense related to intangibles was \$7,857 for the year ended December 31, 2019. Estimated future amortization expense for intangible assets consists of the following at December 31, 2019:

2020	\$	7,857
2021		7,857
2022		7,857
2023		3,928
	\$	<u>27,499</u>

Note 6 - Note Receivable

AL loaned \$100,000 to Lionheart Children's Academy ("Lionheart"), a related party under common management in accordance with the terms of a promissory note agreement. The note receivable is stated at the unpaid principal balance of \$100,000 as of December 31, 2019. The note receivable bears interest at 5% per annum, requires quarterly interest payments, and has a maturity date of December 31, 2022.

Note 7 - Advance Deposits

Advance deposits consist of AL team advance deposits and advance deposits related to apartment events. The Organization requires new teams to pay a deposit of \$500 upon application for placement. This deposit is refunded to the team only if they fulfill their two-year commitment. After the two-year commitment is met and once their program ends, their move-out fees from the property are deducted from their deposit to the Organization. Advance event deposits primarily consist of advanced funds received in preparation for future events. Advance AL team deposits and advance event deposits were \$281,850 and \$98,428, respectively, as of December 31, 2019.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions consists of the following at December 31, 2019:

Helping Hands/Benevolence	\$	13,465
	\$	<u>13,465</u>

Note 9 - Commitments and Contingencies

The Organization is subject to various claims and liabilities in the ordinary course of business. The Organization maintains various forms of insurance that the Organization's management believes are adequate to reduce the exposure to such risks to an acceptable level.

Note 10 - Lease Commitments and Donated Apartment Units

The apartment units which the Organization's AL teams occupy are donated by management of the apartment complexes. The value of the donated apartment units are recorded at estimated fair market value. Total value of the donated apartment units was \$8,383,634 for the year ended December 31, 2019. This is recorded as both revenue and expense on the Statement of Activities.

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 10 - Lease Commitments and Donated Apartment Units - Continued

The Organization leases office space and office equipment under non-cancellable operating lease agreements. The non-cancellable lease for office space has escalating payments and expires December 2020. The Company shares office space with Lionheart, and is reimbursed for a portion of the rent in accordance with a shared services agreement. See Note 12. Rent expense was \$81,428 for the year ended December 31, 2019, which includes rent reimbursements of \$52,309 from Lionheart.

Future minimum lease payments under non-cancellable operating leases consists of the following at December 31, 2019:

2020	131,913
2021	64,763
2022	32,152
	\$ 228,828

Note 11 - Concentrations

The Organization maintains cash balances with national banks, which, at times, exceed federally insured limits. Uninsured balances totaled \$589,489 at December 31, 2019. In addition, revenues from Texas make up approximately 41% of revenue at December 31, 2019.

Note 12 - Related Parties

The Organization has a shared services agreement with Lionheart, in which AL provides resources for daily operations to Lionheart. The agreement is effective through December 31, 2019 with annual automatic renewal. The Organization was reimbursed by Lionheart in the amount of \$207,779 for the year ended December 31, 2019. AL and Lionheart also transfer funds as needed throughout the year. These transactions resulted in a payable due to Lionheart of \$1,396 as of December 31, 2019. The Organization also had a reimbursable owed to employees in the amount of \$2,172 for program expenses and travel as of December 31, 2019, which are included in accounts payable. AL received cash contributions of \$308,780 from AL executives and board of directors. AL loaned Lionheart \$100,000 in accordance with the terms of a promissory note agreement, see Note 6.

The Organization entered into an Affiliation Agreement and an International Grant Agreement with Apartment Neighbours, a Nonprofit Corporation operating under the laws of Canada, in which AL provides training and guidance to Apartment Neighbours. The agreement is effective through June 30, 2021. The organization issued two grants totaling \$45,487 as of December 31, 2019. AL received \$13,342 revenue from the Affiliate, in which AL's CEO is a board member.

Note 13 - Retirement Plan

The Organization has a 403(b) retirement plan. Employees are eligible upon hire. The Organization makes matching contributions equal to 50% on the first 6% of the active participant's compensation. Participants vest in the matching contribution upon completion of one year of service. The plan permits in-service and hardship withdrawals and loans. The Organization's expense for the 403(b) retirement plan totaled \$68,707 for the year ended December 31, 2019.

Apartment Life, Inc.
Notes to Financial Statements
December 31, 2019

Note 14 - Subsequent Events

Management has evaluated subsequent events through July 24, 2020, the date on which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of July 24, 2020, AL remains open for business; however, management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial statements in the year 2020.

On April 23, 2020, the Company received a loan in the amount of \$1.1 million from the Small Business Administration (SBA) as part of Coronavirus Aid, Relief and Economic Security Act's Paycheck Protection Plan (PPP). The loan is unsecured, nonrecourse, accrues interest at one percent per annum, and has a due date of April 23, 2022. Under the terms of the loan, a portion or all of the loan is forgivable to the extent that loan proceeds are used to fund qualifying payroll, rent, and utilities during a designated eight-week period through June 30, 2020.