

**Apartment Life, Inc.**  
**Financial Statements**  
**Year Ended December 31, 2017**

**Apartment Life, Inc.**  
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## 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, 2017, and the related statements of activities 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, 2017, 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.

*Meredith CPAs*

Irving, Texas  
August 6, 2018

**Apartment Life, Inc.**  
**Statement of Financial Position**  
**December 31, 2017**

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Assets

Current Assets	
Cash and cash equivalents	\$ 1,414,084
Accounts receivable, net	131,082
Employee advances	5,633
Prepaid expenses	137,067
	Total Current Assets
	1,687,866
Property and Equipment, Net	7,835
	\$ 1,695,701

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 218,925
Accrued payroll expenses	330,947
Advance deposits	310,265
InVEST program liability	7,950
Deferred revenue	93,660
Related party payable	32,271
	Total Current Liabilities
	994,018
Net Assets	
Unrestricted	193,989
Temporarily restricted	507,694
	701,683
	\$ 1,695,701

See accompanying notes to financial statements.

**Apartment Life, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Program fees, net	\$ 2,677,178	\$ -	\$ 2,677,178
CARES team fees, net	1,906,776	-	1,906,776
Contributions	384,867	1,521,915	1,906,782
Donated apartments for use by CARES teams	6,493,345	-	6,493,345
Event funding	1,648,956	-	1,648,956
Church partner funding	354,301	-	354,301
Other income	14,970	-	14,970
Net assets released from restrictions	1,299,626	(1,299,626)	-
	<u>14,780,019</u>	<u>222,289</u>	<u>15,002,308</u>
Expenses			
Program services	13,723,353	-	13,723,353
General and administrative	803,864	-	803,864
Fundraising	75,389	-	75,389
	<u>14,602,606</u>	<u>-</u>	<u>14,602,606</u>
Change in net assets			
Increase (Decrease) in Net Assets	<u>177,413</u>	<u>222,289</u>	<u>399,702</u>
Net Assets (Deficit) at Beginning of Year	16,576	285,405	301,981
Net Assets (Deficit) at End of Year	<u>\$ 193,989</u>	<u>\$ 507,694</u>	<u>\$ 701,683</u>

See accompanying notes to financial statements.

**Apartment Life, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

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Cash Flows from Operating Activities		
Change in net assets		\$ 399,702
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation		4,612
Amortization		1,014
Provision for bad debt		1,712
(Increase) decrease in assets:		
Accounts receivable		(71,805)
Employee advances		(2,115)
Related party receivable		11,134
Prepaid expenses		19,267
(Increase) decrease in liabilities:		
Accounts payable		152,694
Accrued payroll expenses		95,474
Advance deposits		60,546
Related party payable		32,271
InVEST program liability		(6,750)
Deferred revenue		39,494
	Net Cash Provided By (used in) Operating Activities	737,250
Cash Flows from Financing Activities		
Payments on borrowing		(50,000)
	Net Cash Provided (Used) by Financing Activities	(50,000)
	Net Increase (Decrease) in Cash and Cash Equivalents	687,250
	Cash and Cash Equivalents, Beginning of Year	726,834
	Cash and Cash Equivalents, End of Year	\$ 1,414,084
Supplemental Disclosures		
Cash paid during the year for interest		\$ 375

See accompanying notes to financial statements.

**Apartment Life, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

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**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 the following states: Texas, California, Arizona, Colorado, Florida, Tennessee, Georgia, North Carolina, South Carolina, Alabama, Washington DC, Maryland and Virginia.

AL's purpose is to organize and run the CARES 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 CARES program is carried out by a CARES 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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all short-term investments with original purchased maturities of three months or less to be cash equivalents.

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.

Deferred Revenue

Deferred revenue represents fees received in advance from apartment complexes.

Revenue Recognition

Revenue is derived from donors, fees from CARES teams and program fees which are paid by the apartment complexes for AL's services. Contributions are recognized as revenues when received. Contributions are available for unrestricted use unless specifically restricted by the donor. Revenue of service contracts is recognized as the services are performed and all the criteria for revenue recognition have been met.

**Apartment Life, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

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

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 management's estimates.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expense totaled \$99,551 for the year ended December 31, 2017.

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 2014.

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.

**Note 2 - Accounts Receivable**

Accounts receivable consists primarily of fees due from CARES teams and properties. Accounts receivable is reported net of an allowance for doubtful accounts of \$35,085, at December 31, 2017. 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 - Property and Equipment**

Property and equipment consists of the following at December 31, 2017.

Office furniture and fixtures	\$ 4,331
Computer and office equipment	76,604
Less: accumulated depreciation	(73,100)
	<u>\$ 7,835</u>

**Apartment Life, Inc.**  
**Notes to Financial Statements**  
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**Note 3 - Property and Equipment Continued**

Depreciation expense totaled \$4,612 for the year ended December 31, 2017.

**Note 4 - Advance Deposits**

Advance deposits primarily consist of advance deposits from teams. 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. If the deposit does not fully cover the fees, the teams are responsible for the remainder. If the fees are less than the deposit, they will receive a refund for any remaining deposit. If a team ends prior to the two year commitment, their deposit will be applied to move-out fees but they will not receive a refund. If a potential team goes through the interview process and the Organization is unable to place them at a property, they will receive a full refund of their deposit. Advance deposits totaled \$224,588 as of December 31, 2017.

**Note 5 - InVEST Program Liability**

Prior to 2011, the Organization had an incentive program for the CARES team that financially rewarded them for serving 18 months or longer. The program for teams beginning January 1, 2009 required a minimum of 24 months of service. The incentive was not only based on the length of service as a CARES team but the type of property the team was serving in. The incentive was paid once a team had completed the Organization's exit process, which included ensuring that any outstanding debt to the apartment management and the Organization had been cleared. Any debt left outstanding would be deducted from the incentive. The Organization has a remaining liability relating to its InVEST Program of \$7,950 as of December 31, 2017.

**Note 6 - Temporarily Restricted Net Assets**

Temporarily restricted net assets consists of the following at December 31, 2017.

Geographically restricted	\$ 491,197
CARES team benevolence fund	14,629
Other	1,868
	<u>\$ 507,694</u>

**Note 7 - 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.

**Apartment Life, Inc.**  
**Notes to Financial Statements**  
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**Note 8 - Lease Commitments and Donated Apartment Units**

The apartment units which the Organization's CARES 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 \$6,493,345 for the year ended December 31, 2017. This is recorded as both revenue and expense on the statement of activities.

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 non-cancellable lease for office equipment expires in June 2019. Total rent expense under these leases was \$135,204 for the year ended December 31, 2017.

Future minimum lease payments under non-cancellable operating leases at December 31, 2017:

2018	\$	129,227
2019		130,570
2020		131,913
2021		64,763
2022		26,870
		<u>\$ 483,343</u>

**Note 9 - Concentrations**

The Organization maintains cash balances with a national bank, which, at times, exceed federally insured limits. Uninsured balances totaled \$1,163,836 at December 31, 2017. The majority of the revenue activity occurred in the following states: Texas, North Carolina, and South Carolina.

**Note 10 - Retirement Plan**

The Organization has a 403(b) retirement plan. Employees are eligible upon hire, and the plan excludes CARES team employees. 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 \$65,809 for the year ended December 31, 2017.

**Note 11 - Related Parties**

The Organization has a shared services agreement with Lionheart Children's Academy("Lionheart"), related party under common management. In which AL provides resources for daily operations to Lionheart. The agreement is effective through December 31, 2018 with annual automatic renewal. The Organization was reimbursed by Lionheart in the amount of \$526,094 for the year ended December 31, 2017. In addition AL received a donation of \$50,000 belonging to Lionheart. AL and Lionheart also transfer funds as needed throughout the year. These transactions resulted in a payable due to Lionheart of \$32,271 as of December 31, 2017. Apartment Life also had reimbursables owed to employees in the amount of \$14,119 for program expenses and travel as of December 31, 2017.

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**Note 12 -Subsequent Events**

Management has evaluated subsequent events through August 6, 2018, the date which the financial statements were available to be issued. During July 2018, the Organization entered an agreement with Community Northwest, a Nonprofit Corporation, in which Community Northwest will donate its property to Apartment Life and subsequently dissolve. Community Northwest will operate as in place during 2018, begin to transition the transfer of property in 2019, and complete total integration by 2020. Also, during July 2018, the Organization entered into a contract assignment agreement with the National Institute for Community, a Nonprofit Corporation, in which the Organization purchased service contracts for \$39,285.