

Houston Area Women's Center

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2012 and 2011

Independent Auditors' Report

To the Board of Directors of
Houston Area Women's Center:

Report on the Financial Statements

We have audited the accompanying financial statements of Houston Area Women's Center, which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, of cash flows, and of functional expenses 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits 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 auditors' 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 Houston Area Women's Center as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013 on our consideration of Houston Area Women's Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston Area Women's Center's internal control over financial reporting and compliance.

Blazek & Vetterling

May 29, 2013

Houston Area Women's Center

Statements of Financial Position as of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents (<i>Notes 2 and 5</i>)	\$ 318,963	\$ 499,896
Government contracts receivable	309,895	334,588
Prepaid expenses and other assets	152,519	171,375
Pledges receivable (<i>Note 3</i>):		
United Way allocation	731,843	726,699
Other	636,992	433,605
Investments (<i>Notes 4 and 5</i>)	4,947,946	4,407,999
Property and equipment, net (<i>Note 6</i>)	<u>7,814,430</u>	<u>8,042,459</u>
TOTAL ASSETS	<u>\$ 14,912,588</u>	<u>\$ 14,616,621</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 51,201	\$ 55,025
Accrued salaries and related expenses	<u>336,539</u>	<u>269,003</u>
Total liabilities	<u>387,740</u>	<u>324,028</u>
Net assets:		
Unrestricted (<i>Note 7</i>)	12,347,554	12,480,882
Temporarily restricted (<i>Note 8</i>)	1,603,101	1,237,518
Permanently restricted (<i>Notes 9 and 10</i>)	<u>574,193</u>	<u>574,193</u>
Total net assets	<u>14,524,848</u>	<u>14,292,593</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,912,588</u>	<u>\$ 14,616,621</u>

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Activities for the year ended December 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Government contracts (<i>Note 11</i>)	\$ 2,687,567			\$ 2,687,567
Contributions	1,268,046	\$ 717,682		1,985,728
United Way contributions		731,843		731,843
Special events	914,728	238,500		1,153,228
Direct donor benefit costs for special events	(134,887)			(134,887)
Investment return (<i>Note 4</i>)	426,687	68,343		495,030
Other	<u>100,300</u>			<u>100,300</u>
Total revenue	5,262,441	1,756,368		7,018,809
Net assets released from restrictions:				
Program expenditures	1,022,692	(1,022,692)		
Time restrictions	<u>368,093</u>	<u>(368,093)</u>		
Total	<u>6,653,226</u>	<u>365,583</u>		<u>7,018,809</u>
EXPENSES:				
Program services:				
Direct services	4,792,000			4,792,000
Education and training	<u>644,183</u>			<u>644,183</u>
Total program services	5,436,183			5,436,183
Management and general	797,701			797,701
Fundraising	<u>552,670</u>			<u>552,670</u>
Total expenses	<u>6,786,554</u>			<u>6,786,554</u>
CHANGES IN NET ASSETS	(133,328)	365,583		232,255
Net assets, beginning of year	<u>12,480,882</u>	<u>1,237,518</u>	<u>\$ 574,193</u>	<u>14,292,593</u>
Net assets, end of year	<u>\$ 12,347,554</u>	<u>\$ 1,603,101</u>	<u>\$ 574,193</u>	<u>\$ 14,524,848</u>

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Activities for the year ended December 31, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:				
Government contracts <i>(Note 11)</i>	\$ 2,931,167			\$ 2,931,167
Contributions	1,332,448	\$ 378,668		1,711,116
United Way contributions		727,211		727,211
Special events	724,458	265,775		990,233
Direct donor benefit costs for special events	(146,308)			(146,308)
Investment return <i>(Note 4)</i>	156,941	25,900		182,841
Other	<u>49,556</u>	<u> </u>		<u>49,556</u>
Total revenue	5,048,262	1,397,554		6,445,816
Net assets released from restrictions:				
Program expenditures	1,033,840	(1,033,840)		
Time restrictions	<u>507,032</u>	<u>(507,032)</u>		<u> </u>
Total	<u>6,589,134</u>	<u>(143,318)</u>		<u>6,445,816</u>
EXPENSES:				
Program services:				
Direct services	4,761,235			4,761,235
Education and training	<u>611,408</u>			<u>611,408</u>
Total program services	5,372,643			5,372,643
Management and general	775,386			775,386
Fundraising	<u>495,263</u>			<u>495,263</u>
Total expenses	<u>6,643,292</u>			<u>6,643,292</u>
CHANGES IN NET ASSETS	(54,158)	(143,318)		(197,476)
Net assets, beginning of year	<u>12,535,040</u>	<u>1,380,836</u>	<u>\$ 574,193</u>	<u>14,490,069</u>
Net assets, end of year	<u>\$ 12,480,882</u>	<u>\$ 1,237,518</u>	<u>\$ 574,193</u>	<u>\$ 14,292,593</u>

See accompanying notes to financial statements.

Houston Area Women's Center

Statements of Cash Flows for the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 232,255	\$ (197,476)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	389,641	403,943
Net realized and unrealized gain on investments	(372,824)	(70,206)
Changes in operating assets and liabilities:		
Government contracts receivable	24,693	31,751
Prepaid expenses and other assets	18,856	(5,291)
Pledges receivable	(208,531)	86,257
Accounts payable	(3,824)	(12,481)
Accrued salaries and related expenses	<u>67,536</u>	<u>26,542</u>
Net cash provided by operating activities	<u>147,802</u>	<u>263,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(161,612)	(160,293)
Purchases of investments	(267,018)	(297,399)
Proceeds from sale of investments	100,000	109,607
Net change in cash and cash equivalents held as investments	<u>(105)</u>	<u>22,093</u>
Net cash used by investing activities	<u>(328,735)</u>	<u>(325,992)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(180,933)	(62,953)
Cash and cash equivalents, beginning of year	<u>499,896</u>	<u>562,849</u>
Cash and cash equivalents, end of year	<u>\$ 318,963</u>	<u>\$ 499,896</u>
<i>Supplemental disclosure of cash flow information:</i>		
Contributed investments	\$15,791	

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Functional Expenses for the year ended December 31, 2012

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL EXPENSES
	DIRECT SERVICES	EDUCATION AND TRAINING	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,602,189	\$ 406,745	\$ 521,044	\$ 341,283	\$ 3,871,261
Employee health and other benefits	367,307	61,688	63,173	46,678	538,846
Payroll taxes	<u>216,535</u>	<u>32,559</u>	<u>37,124</u>	<u>26,392</u>	<u>312,610</u>
Total salaries and related expenses	3,186,031	500,992	621,341	414,353	4,722,717
Direct assistance to individuals	588,894				588,894
Depreciation	333,722	17,516	29,683	8,720	389,641
Occupancy	279,287	10,260	17,103	4,662	311,312
Professional fees and contract services	26,164	20,371	62,837	27,147	136,519
Supplies	96,670	6,518	7,520	6,478	117,186
Telephone	90,692	5,313	9,767	2,624	108,396
Insurance	78,094	5,854	15,821	1,896	101,665
Printing and publications	12,003	17,452	4,306	33,748	67,509
Rental and maintenance equipment	48,508	4,805	6,741	2,222	62,276
Travel	22,724	8,429	623	781	32,557
Conferences and meetings	7,092	3,166	4,515	3,482	18,255
Postage and shipping	3,415	946	1,382	11,334	17,077
Membership	11,293	870	1,376	175	13,714
Other	<u>7,411</u>	<u>41,691</u>	<u>14,686</u>	<u>35,048</u>	<u>98,836</u>
Total expenses	<u>\$ 4,792,000</u>	<u>\$ 644,183</u>	<u>\$ 797,701</u>	<u>\$ 552,670</u>	6,786,554
Direct donor benefit costs for special events					<u>134,887</u>
Total					<u>\$ 6,921,441</u>

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Functional Expenses for the year ended December 31, 2011

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL EXPENSES
	DIRECT SERVICES	EDUCATION AND TRAINING	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 2,615,017	\$ 415,637	\$ 492,116	\$ 301,289	\$ 3,824,059
Employee health and other benefits	344,105	55,552	55,716	32,721	488,094
Payroll taxes	<u>238,642</u>	<u>36,029</u>	<u>36,087</u>	<u>24,684</u>	<u>335,442</u>
Total salaries and related expenses	3,197,764	507,218	583,919	358,694	4,647,595
Direct assistance to individuals	587,863				587,863
Depreciation	343,082	18,999	33,050	8,812	403,943
Occupancy	251,413	11,510	14,704	4,895	282,522
Professional fees and contract services	21,801	10,758	72,840	24,547	129,946
Supplies	90,701	6,303	9,937	3,152	110,093
Telephone	61,869	3,684	6,802	1,158	73,513
Insurance	95,756	7,272	16,726	3,441	123,195
Printing and publications	14,139	26,612	6,474	29,885	77,110
Rental and maintenance equipment	46,443	6,510	4,405	15,381	72,739
Travel	16,176	7,160	4,750	39	28,125
Conferences and meetings	4,026	2,394	6,644	2,772	15,836
Postage and shipping	3,315	454	2,517	9,347	15,633
Membership	10,091	859	635		11,585
Other	<u>16,796</u>	<u>1,675</u>	<u>11,983</u>	<u>33,140</u>	<u>63,594</u>
Total expenses	<u>\$ 4,761,235</u>	<u>\$ 611,408</u>	<u>\$ 775,386</u>	<u>\$ 495,263</u>	6,643,292
Direct donor benefit costs for special events					<u>146,308</u>
Total					<u>\$ 6,789,600</u>

See accompanying notes to financial statements.

Houston Area Women's Center

Notes to Financial Statements for the years ended December 31, 2012 and 2011

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Houston Area Women's Center (the Women's Center) helps individuals affected by domestic and sexual violence in their efforts to move their lives forward. The Women's Center provides shelter, counseling and advocacy to support them in building lives free from the effects of violence. The organization also seeks social change to end domestic and sexual violence through community awareness and education. All services are confidential and available to everyone. The Women's Center provides services in the following programs:

Direct services program provides a continuum of support services including shelter, counseling, and 24-hour hotline services to survivors of domestic and sexual violence, their family and friends, and the community at large. All services are provided free of charge and are provided in English and Spanish. All other languages are accommodated, including sign language.

Shelter and Support Services provides a 125-bed shelter and support services, for up to ninety days, to adult women and women with children who are domestic and sexual violence survivors.

- Shelter services include meeting basic daily needs, such as clothing, transportation, meals, and a safe place to stay.
- Support services include counseling, advocacy, case management, mentoring and parenting education. The on-site career development program includes career/vocational counseling, educational services, access to ESL and GED tutoring, employment assistance, and life skills classes.
- Services for families include on-site daycare, an on-site Early Childhood Center for infants and children (ages 3 months to 5 years), on-site HISD school (kindergarten through 5th grade), and enrichment services, including on-site after school and summer programs.

Non-Residential Services provide services at the Education and Counseling building for adult and child survivors of domestic and sexual violence, and their non-offending family members. Non-Residential Services consists of Hotline Services, Counseling and Advocacy Services, Housing Services, Children's Court Services and Outreach Counseling programs.

- Hotline Services provide crisis intervention, emotional support, information, and referrals to survivors of domestic and sexual violence through two 24-hour hotlines. The hotline also oversees the hospital accompaniment program that dispatches an advocate to the hospital to provide crisis intervention.
- Counseling and Advocacy Services provide individual and group counseling for survivors of domestic and sexual violence and their families and friends. Counselors advocate for clients who are trying to navigate social services and help complete Crime Victims Compensation applications. Counselors also provide expert testimony in both civil and criminal cases.
- Housing Services provides housing options and client advocacy for both shelter and non-residential clients. Housing advocacy assesses clients' housing needs and provides them with appropriate information and referrals, self-sufficiency planning workshops, tenant education sessions, access to transitional housing, and short-term and long-term rental/utility assistance. Client advocacy provides case management for housing clients and informs clients on legal rights and options, protective orders, and other legal services.
- Children's Court Services provides education, support, and witness preparation to children who are witnesses and/or victims of a violent crime and their non-offending families. Court Advocates also provide court accompaniment to the children and their families once they are involved in the criminal court system.
- Outreach Counseling provides community-based counseling services for African-American, Hispanic, and disabled survivors of domestic and/or sexual violence. Outreach efforts include sites at health clinics and social service agencies.

Education and training is focused on educating the community on services, the issues of domestic and sexual violence, and prevention strategies, as well as providing comprehensive training to professionals. Education

and training services are provided at locations in neighborhoods to encourage marginalized populations that otherwise may not be able to access services to be served.

- Community Education Specialists conduct presentations to the community on domestic and sexual violence and how to access services and mobilizes communities to participate in primary prevention strategies. The Community Specialists for Youth program provides curriculum-based education and presentations to teens. The Community Specialists for the African-American and Hispanic communities conducts their outreach efforts at health clinics, social service agencies, educational settings, and faith-based settings.
- Training Services provides professional training to first responders and professionals in hopes to create changes in how they respond to survivors. Training subjects include issues related to domestic and sexual violence, how to create policies and resources that benefit survivors. Hotline and Advocacy training and Child Care Training is offered throughout the year to train new staff, interns and volunteers to work on the hotline, supervise and support child survivors, and provide individual support and group counseling.
- Volunteer services which consists of volunteer recruitment, placement and management, though a part of the Human Resources department, are categorized with Education and Training because of the close coordination between training, programs and volunteers. The Volunteer Coordinator manages all Women's Center volunteer requests.
- The Communications department provides information to the public on domestic and sexual violence issues and services via website, public service announcements, brochures targeting special populations, interviews in the media, and educational materials.

Federal income tax status – The Women's Center is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi). The Women's Center files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. The Women's Center believes it is no longer subject to examinations of returns for tax years ended before December 31, 2009.

Cash equivalents include highly liquid financial instruments with original maturities of three months or less.

Pledges receivable that are expected to be collected within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Investments in marketable securities are reported at fair value. Certificates of deposit are non-negotiable bank deposits which are reported at face value plus accrued interest. Investment return is recognized in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property and equipment is reported at cost if purchased and at fair value at the date of gift if donated. Depreciation is computed on a straight-line basis over estimated useful lives of 4 to 30 years.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The investment return from these assets may be used as specified by donors to support the Women's Center's activities.

Government contract revenue is recognized when the related services are provided.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Donated materials, use of facilities and services are recognized at fair value as unrestricted contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A substantial number of volunteers have contributed approximately 22,600 hours in connection with programs for which no amount has been recognized in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2012</u>	<u>2011</u>
Bank deposits	\$ 279,794	\$ 337,175
Money market mutual funds	<u>39,169</u>	<u>162,721</u>
Total cash and cash equivalents	<u>\$ 318,963</u>	<u>\$ 499,896</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2012 are expected to be collected as follows:

Receivable within one year	\$ 1,268,835
Receivable in one to two years	<u>100,000</u>
Total pledges receivable	<u>\$ 1,368,835</u>

Approximately \$350,000 or 55% of other pledges receivable for the year ended December 31, 2012 were from three donors. Approximately \$165,000 or 39% of other pledges receivable for the year ended December 31, 2011 were from two donors.

NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2012</u>	<u>2011</u>
Large-cap equity mutual funds	\$ 2,921,314	\$ 2,613,510
Intermediate-term bond mutual funds	1,975,378	1,743,130
Cash and cash equivalents	<u>51,254</u>	<u>51,359</u>
Total investments	<u>\$ 4,947,946</u>	<u>\$ 4,407,999</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

Investment return includes earnings on investments and cash and cash equivalents and consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 122,206	\$ 112,635
Realized and unrealized gain on investments	<u>372,824</u>	<u>70,206</u>
Total investment return	<u>\$ 495,030</u>	<u>\$ 182,841</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2012 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Large-cap equity mutual funds	\$ 2,921,314			\$ 2,921,314
Intermediate-term bond mutual funds	<u>1,975,378</u>			<u>1,975,378</u>
Total investments measured at fair value	4,896,692			4,896,692
Cash equivalents:				
Money market mutual funds	<u>39,169</u>			<u>39,169</u>
Total assets measured at fair value	<u>\$ 4,935,861</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,935,861</u>

Assets measured at fair value at December 31, 2011 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Large-cap equity mutual funds	\$ 2,613,510			\$ 2,613,510
Intermediate-term bond mutual funds	<u>1,743,130</u>			<u>1,743,130</u>
Total investments measured at fair value	4,356,640			4,356,640
Cash equivalents:				
Money market mutual funds	<u>162,721</u>			<u>162,721</u>
Total assets measured at fair value	<u>\$ 4,519,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,519,361</u>

Mutual funds are valued at the net asset value of shares held at year end. This valuation method may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Women’s Center believes its valuation method is appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 1,905,383	\$ 1,905,383
Building and improvements	8,889,873	8,846,116
Furniture and equipment	<u>1,792,705</u>	<u>1,689,766</u>
Total property and equipment, at cost	12,587,961	12,441,265
Accumulated depreciation	<u>(4,773,531)</u>	<u>(4,398,806)</u>
Property and equipment, net	<u>\$ 7,814,430</u>	<u>\$ 8,042,459</u>

NOTE 7 – UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Undesignated	\$ 172,670	\$ 526,073
Property and equipment	7,814,430	8,042,459
Board-designated reserve fund	<u>4,360,454</u>	<u>3,912,350</u>
Total unrestricted net assets	<u>\$ 12,347,554</u>	<u>\$ 12,480,882</u>

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Direct services	\$ 731,843	\$ 726,699
Future periods	544,200	368,093
Accumulated earnings on permanently restricted net assets	99,208	50,621
Other	<u>227,850</u>	<u>92,105</u>
Total temporarily restricted net assets	<u>\$ 1,603,101</u>	<u>\$ 1,237,518</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are invested in perpetuity to support the following:

	<u>2012</u>	<u>2011</u>
Building maintenance	\$ 529,594	\$ 529,594
Direct services	39,929	39,929
Transportation	<u>4,670</u>	<u>4,670</u>
Total permanently restricted net assets	<u>\$ 574,193</u>	<u>\$ 574,193</u>

NOTE 10 – ENDOWMENT FUNDS

The Women's Center has three donor-restricted endowments to support certain programs and building maintenance. The Board of Directors of the Women's Center has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Women's Center classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not

classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Women's Center in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Women's Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Women's Center and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Women's Center
- The investment policies of the Women's Center

Spending Policy

The Women's Center has a policy of appropriating for distribution each year an amount not to exceed 3% of the endowment fund's average fair value over the prior twelve quarters without specific Board of Directors approval. In establishing this policy, the Women's Center considered the long-term expected return on the endowments.

Strategies Employed for Achieving Objectives

Endowment funds are maintained in investment accounts which are managed by independent financial firms that follow guidance provided in an investment policy approved by the Board of Directors. The Women's Center has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce annualized returns of at least 3% in excess of the Consumer Price Index over a five-year period. To satisfy its long-term rate-of-return objectives, the Women's Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Women's Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in net assets of the donor restricted endowment funds are as follows:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Endowment net assets, January 1, 2011	\$ 0	\$ 43,700	\$ 574,193	\$ 617,893
Investment return:				
Interest and dividends		15,777		15,777
Net appreciation of investments		<u>10,123</u>		<u>10,123</u>
Total investment return		<u>25,900</u>		<u>25,900</u>
Appropriation of endowment assets for expenditure		<u>(18,979)</u>		<u>(18,979)</u>
Endowment net assets, December 31, 2011	<u>0</u>	<u>50,621</u>	<u>574,193</u>	<u>624,814</u>
Investment return:				
Interest and dividends		16,904		16,904
Net appreciation of investments		<u>51,439</u>		<u>51,439</u>
Total investment return		<u>68,343</u>		<u>68,343</u>
Appropriation of endowment assets for expenditure		<u>(19,756)</u>		<u>(19,756)</u>
Endowment net assets, December 31, 2012	<u>\$ 0</u>	<u>\$ 99,208</u>	<u>\$ 574,193</u>	<u>\$ 673,401</u>

NOTE 11 – GOVERNMENT CONTRACTS

The Women’s Center is the recipient of government contracts from federal, state, and local agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government contract revenue includes the following:

	<u>2012</u>	<u>2011</u>
U. S. Department of Housing and Urban Development	\$ 1,259,940	\$ 1,486,964
U. S. Department of Health and Human Services	659,267	582,568
Texas Health and Human Services Commission	225,609	343,263
U. S. Department of Justice	246,110	260,122
Office of the Attorney General	198,549	200,892
Various other government contracts	<u>98,092</u>	<u>57,358</u>
Total government contracts	<u>\$ 2,687,567</u>	<u>\$ 2,931,167</u>

The Women’s Center receives grants from federal and state funding sources that require fulfillment of certain conditions as set forth in grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Women’s Center with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Women’s Center’s financial position or changes in net assets.

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Women’s Center participates in a §401(k) plan administered by American United Life Insurance Company. Each employee is permitted to contribute up to 19% of before-tax compensation. The Women’s Center annually matches 125% of employee contributions up to 4% of compensation. Employees are fully vested in the Women’s Center’s contributions after five years of continuous service. The Women’s Center contributed approximately \$117,000 and \$92,000 to the plan in 2012 and 2011, respectively.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2013, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.