

Houston Area Women's Center

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2018 and 2017

Houston Area Women's Center

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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 statement of financial position as of December 31, 2018 and the related statements of activities, of functional expenses, and of 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.

Auditors' 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 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 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 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, 2018 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.

Prior Year Independent Auditors' Report

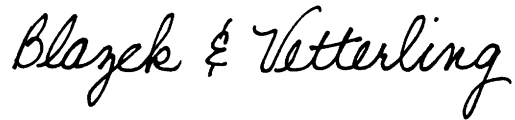
The financial statements of Houston Area Women's Center as of December 31, 2017 and for the year then ended were audited by other auditors whose report dated June 11, 2018 expressed an unmodified opinion on those statements.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Houston Area Women’s Center adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended December 31, 2017, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 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 solely 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 the effectiveness of Houston Area Women’s Center’s 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.



June 17, 2019

Houston Area Women's Center

Statements of Financial Position as of December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------------|-----------------------------|-----------------------------|
| ASSETS | | |
| Cash | \$ 456,380 | \$ 748,019 |
| Government awards receivable | 622,784 | 586,826 |
| Prepaid expenses and other assets | 122,920 | 55,538 |
| Contributions receivable: | | |
| United Way allocation | 624,137 | 656,987 |
| Other | 451,962 | 367,547 |
| Investments (Note 4) | 6,421,301 | 6,514,167 |
| Property, net (Note 5) | <u>6,166,982</u> | <u>6,802,280</u> |
| TOTAL ASSETS | <u>\$ 14,866,466</u> | <u>\$ 15,731,364</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | \$ 147,185 | \$ 71,270 |
| Accrued expenses | 251,522 | 360,340 |
| Deferred revenue | 69,454 | |
| Capital lease obligations (Note 6) | <u>71,075</u> | <u>104,968</u> |
| Total liabilities | <u>539,236</u> | <u>536,578</u> |
| Net assets: | | |
| Without donor restrictions (Note 7) | 11,938,623 | 12,939,534 |
| With donor restrictions (Notes 8 and 9) | <u>2,388,607</u> | <u>2,255,252</u> |
| Total net assets | <u>14,327,230</u> | <u>15,194,786</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 14,866,466</u> | <u>\$ 15,731,364</u> |

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Activities for the year ended December 31, 2018

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|-----------------------------------------------|-------------------------------|----------------------------|----------------------|
| REVENUE: | | | |
| Government awards (<i>Note 10</i>) | \$ 3,297,224 | | \$ 3,297,224 |
| Contributions | 1,909,326 | \$ 886,562 | 2,795,888 |
| United Way allocation | | 624,137 | 624,137 |
| Special events | 932,170 | | 932,170 |
| Direct donor benefit costs for special events | (146,397) | | (146,397) |
| Net investment return | (136,048) | (28,220) | (164,268) |
| Loss on disposal of property | (192,604) | | (192,604) |
| Other | <u>127,283</u> | | <u>127,283</u> |
| Total revenue | 5,790,954 | 1,482,479 | 7,273,433 |
| Net assets released from restrictions: | | | |
| Program expenditures | 549,553 | (549,553) | |
| Expiration of time restrictions | <u>799,571</u> | <u>(799,571)</u> | |
| Total | <u>7,140,078</u> | <u>133,355</u> | <u>7,273,433</u> |
| EXPENSES: | | | |
| Program services | 5,821,255 | | 5,821,255 |
| Management and general | 1,753,906 | | 1,753,906 |
| Fundraising | <u>565,828</u> | | <u>565,828</u> |
| Total expenses | <u>8,140,989</u> | | <u>8,140,989</u> |
| CHANGES IN NET ASSETS | (1,000,911) | 133,355 | (867,556) |
| Net assets, beginning of year | <u>12,939,534</u> | <u>2,255,252</u> | <u>15,194,786</u> |
| Net assets, end of year | <u>\$ 11,938,623</u> | <u>\$ 2,388,607</u> | <u>\$ 14,327,230</u> |

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Activities for the year ended December 31, 2017

| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
|-------------------------------------------------|-------------------------------|----------------------------|----------------------|
| REVENUE: | | | |
| Government awards (<i>Note 10</i>) | \$ 3,169,760 | | \$ 3,169,760 |
| Contributions | 2,037,270 | \$ 709,935 | 2,747,205 |
| United Way allocation | 65,000 | 656,987 | 721,987 |
| Special events | 865,679 | | 865,679 |
| Direct donor benefit costs for special events | (252,095) | | (252,095) |
| Net investment return | 780,077 | 140,314 | 920,391 |
| Other | 127,129 | | 127,129 |
| | <u>6,792,820</u> | <u>1,507,236</u> | <u>8,300,056</u> |
| Total revenue | | | |
| Net assets released from restrictions: | | | |
| Program expenditures | 1,203,674 | (1,203,674) | |
| Expiration of time restrictions | 687,333 | (687,333) | |
| | <u>8,683,827</u> | <u>(383,771)</u> | <u>8,300,056</u> |
| Total | | | |
| EXPENSES: | | | |
| Program services | 6,081,052 | | 6,081,052 |
| Management and general | 1,724,397 | | 1,724,397 |
| Fundraising | 679,146 | | 679,146 |
| | <u>8,484,595</u> | | <u>8,484,595</u> |
| Total expenses | | | |
| CHANGES IN NET ASSETS | 199,232 | (383,771) | (184,539) |
| Net assets, beginning of year (<i>Note 2</i>) | <u>12,740,302</u> | <u>2,639,023</u> | <u>15,379,325</u> |
| Net assets, end of year | <u>\$ 12,939,534</u> | <u>\$ 2,255,252</u> | <u>\$ 15,194,786</u> |

See accompanying notes to financial statements.

Houston Area Women's Center

Statement of Functional Expenses for the year ended December 31, 2018

| | <u>PROGRAM SERVICES</u> | <u>MANAGEMENT AND GENERAL</u> | <u>FUNDRAISING</u> | <u>TOTAL EXPENSES</u> |
|-----------------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Salaries and related expenses | \$ 3,790,041 | \$ 1,145,949 | \$ 314,592 | \$ 5,250,582 |
| Direct assistance to individuals | 750,532 | | | 750,532 |
| Professional fees and contract services | 134,441 | 306,115 | 96,335 | 536,891 |
| Depreciation | 417,907 | 82,003 | 4,588 | 504,498 |
| Repairs and maintenance | 237,060 | 145,636 | 2,130 | 384,826 |
| Utilities | 194,813 | 21,617 | 5,585 | 222,015 |
| Supplies | 55,058 | 14,597 | 50,911 | 120,566 |
| Insurance | 68,763 | 17,415 | 974 | 87,152 |
| Telephone | 52,322 | 10,458 | 1,567 | 64,347 |
| Travel | 44,795 | 2,129 | 443 | 47,367 |
| Printing and publications | 10,907 | 1,454 | 24,352 | 36,713 |
| Postage | 2,798 | 3,964 | 9,291 | 16,053 |
| Membership | 10,121 | 2,569 | 274 | 12,964 |
| Other | <u>51,697</u> | <u></u> | <u>54,786</u> | <u>106,483</u> |
| Total expenses | <u>\$ 5,821,255</u> | <u>\$ 1,753,906</u> | <u>\$ 565,828</u> | 8,140,989 |
| Direct donor benefit costs for special events | | | | <u>146,397</u> |
| Total | | | | <u>\$ 8,287,386</u> |

See accompanying notes to financial statements.

Houston Area Women's Center

Statements of Cash Flows for the years ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|------------------------------------------------------------------------------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (867,556) | \$ (184,539) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Depreciation | 504,498 | 511,860 |
| Loss on disposal of property | 192,604 | |
| Donated securities | (109,533) | |
| Realized and unrealized (gain) loss on investments | 331,722 | (784,168) |
| Changes in operating assets and liabilities: | | |
| Government awards receivable | (35,958) | 69,630 |
| Prepaid expenses and other assets | (67,382) | 10,550 |
| Contributions receivable | (51,565) | 283,866 |
| Accounts payable | 75,915 | (68,571) |
| Accrued expenses | (108,818) | 136,129 |
| Deferred revenue | <u>69,454</u> | <u>(35,000)</u> |
| Net cash used by operating activities | <u>(66,619)</u> | <u>(60,243)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property | (61,804) | (182,797) |
| Change in money market mutual funds | (5,594) | |
| Purchases of investments | (480,950) | (136,215) |
| Proceeds from sale of investments | <u>357,221</u> | <u>826,382</u> |
| Net cash provided (used) by investing activities | <u>(191,127)</u> | <u>507,370</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on capital lease obligations | <u>(33,893)</u> | <u>(23,821)</u> |
| NET CHANGE IN CASH | (291,639) | 423,306 |
| Cash, beginning of year | <u>748,019</u> | <u>324,713</u> |
| Cash, end of year | <u>\$ 456,380</u> | <u>\$ 748,019</u> |
| <i>Supplemental disclosure of cash flow information:</i> | | |
| Interest paid | \$4,528 | \$2,007 |
| Property acquired under capital lease obligations | | \$67,913 |

See accompanying notes to financial statements.

Houston Area Women's Center

Notes to Financial Statements for the years ended December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND 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. The Women's Center provides services in the following programs:

Direct services provide 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, through translation services.

Shelter and Support Services provides a 120-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, and a monthly legal clinic.
- The on-site career development program includes career or 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 6 weeks 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 hotlines also oversee the hospital accompaniment program that dispatches an advocate to hospital emergency rooms to provide crisis intervention and advocacy.
- 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 provide 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. A legal clinic is conducted for non-residential clients on a quarterly basis.
- 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.

Violence Prevention and Community Education provides education to community members about the dynamics of domestic and sexual violence, including the root causes, in the efforts to prevent these forms of violence.

- *Educational Programming* – The educational programming’s goal is to bring awareness to the issue of domestic and sexual violence and the dynamics of these forms of violence are focused around three distinct target groups: middle and high school youth, low-income African American adults, and Hispanic adults with low English proficiency.
- *Professional Training* – The professional training programming’s goal is to teach skill-based training to first responders within the community. These groups include medical/nursing students, child protective services, school administration, within the Houston and Alief Independent School Districts, university students/faculty/staff, law enforcement, legal professional, special advocate groups, and community organizations that work primarily with low-income African American and Hispanic youth populations.
- *Primary Prevention* – Primary prevention seeks to reduce the overall likelihood that anyone will become a victim or a perpetrator by creating conditions that make violence less likely to occur. The Women’s Center’s comprehensive approach utilizes educational seminars, training programs for professionals, and community mobilization to prevent domestic, sexual, and teen dating violence.
- *Communications* – The Communications department provides information to the public on domestic and sexual violence issues and services via website, social media, public service announcements, brochures targeting special populations, interviews in the media, and collateral 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).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to the present value of their estimated future cash flows, if material. Contributions receivable at December 31, 2018 are due within one year.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost if purchased and at fair value at the date of gift if donated. Property purchases over \$1,000 are capitalized. Depreciation is computed on a straight-line basis over estimated useful lives of 4 to 30 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Government awards 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.

Contributed 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 significant amounts of time in connection with programs for which no amount has been recorded in the financial statements because the services do not meet the criteria for recognition under generally accepted accounting principles. During 2018 and 2017, the Women's Center's volunteers contributed approximately 11,957 hours and 15,820 hours, respectively, in connection with programs, which is not recognized in the financial statements.

Functional allocation of expenses – Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to one or more program or supporting activities are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on usage of related facilities.

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.

Recent financial accounting pronouncements – In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. The Women's Center is required to apply the amendments in its fiscal year 2019 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management anticipates that adoption may impact the classification of certain transactions and additional disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. The Women's Center is required to adopt this ASU for fiscal year 2020. Management has not yet determined the impact adoption of this ASU will have on the financial statements.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

The Women's Center adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. These amendments have been applied on a retrospective basis to the financial statements for the year ended December 31, 2017, except that information regarding liquidity and availability of resources and presentation of expenses by both nature and function has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2018 presentation but had no impact on total net assets or total changes in net assets for 2017.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 comprise the following:

| | |
|------------------------------------------------------------------------------------|---------------------|
| Financial assets at December 31, 2018: | |
| Cash | \$ 456,380 |
| Government awards receivable | 622,784 |
| Contributions receivable | 1,076,099 |
| Investments | <u>6,421,301</u> |
| Total financial assets | 8,576,564 |
| Less financial assets not available for general expenditure: | |
| Board-designated investments less budgeted \$200,000 appropriation for fiscal 2019 | (5,130,456) |
| Endowment investments | <u>(1,090,845)</u> |
| Total financial assets available for general expenditure | <u>\$ 2,355,263</u> |

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Women’s Center considers all expenditures related to providing shelter, counseling and advocacy services, to be general expenditures. The Women’s Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of available funds. The Women’s Center’s Board of Directors has designated a portion of its resources for board-designated investments. These funds are primarily invested in mutual funds for long-term appreciation but remain available to be spent at the Board of Directors’ discretion.

NOTE 4 – INVESTMENTS AND 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, 2018 are as follows:

| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>LEVEL 3</u> | <u>TOTAL</u> |
|-------------------------------------|---------------------|----------------|----------------|---------------------|
| Investments: | | | | |
| Large cap equity mutual fund | \$ 3,947,474 | | | \$ 3,947,474 |
| Intermediate-term bond mutual fund | 2,370,057 | | | 2,370,057 |
| Common stock | 98,176 | | | 98,176 |
| Money market mutual fund | <u>5,594</u> | | | <u>5,594</u> |
| Total assets measured at fair value | <u>\$ 6,421,301</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 6,421,301</u> |

Assets measured at fair value at December 31, 2017 are as follows:

| | <u>LEVEL 1</u> | <u>LEVEL 2</u> | <u>LEVEL 3</u> | <u>TOTAL</u> |
|-------------------------------------|---------------------|----------------|----------------|---------------------|
| Investments: | | | | |
| Large cap equity mutual fund | \$ 4,395,479 | | | \$ 4,395,479 |
| Intermediate-term bond mutual fund | <u>2,118,688</u> | | | <u>2,118,688</u> |
| Total assets measured at fair value | <u>\$ 6,514,167</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 6,514,167</u> |

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods 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 methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

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.

NOTE 5 – PROPERTY

Property consists of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|---------------------|---------------------|
| Land | \$ 1,905,383 | \$ 1,905,383 |
| Building and improvements | 9,147,895 | 9,259,525 |
| Furniture and equipment | <u>2,352,829</u> | <u>2,655,605</u> |
| Total property, at cost | 13,406,107 | 13,820,513 |
| Accumulated depreciation | <u>(7,239,125)</u> | <u>(7,018,233)</u> |
| Property, net | <u>\$ 6,166,982</u> | <u>\$ 6,802,280</u> |

NOTE 6 – CAPITAL LEASE OBLIGATIONS

The Women's Center is the lessee of office equipment under capital leases expiring in December 2020. The assets are amortized over their estimated productive life. Amortization expenses totaling \$34,964 and \$31,195 of the assets under these capital leases is included in depreciation expense for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018, the office equipment cost and accumulated amortization totaled \$153,751 and \$85,079, respectively. As of December 31, 2017, the office equipment cost and accumulated amortization totaled \$162,510 and \$50,115, respectively.

Future minimum lease payments are due as follows:

| | |
|---------------------------|------------------|
| 2019 | \$ 39,805 |
| 2020 | <u>34,174</u> |
| Total | 73,979 |
| Interest | <u>(2,904)</u> |
| Capital lease obligations | <u>\$ 71,075</u> |

NOTE 7 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are designated as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------|----------------------|----------------------|
| Undesignated | \$ 441,185 | \$ 830,039 |
| Property, net | 6,166,982 | 6,802,280 |
| Board-designated reserves | <u>5,330,456</u> | <u>5,307,215</u> |
| Total net assets without donor restrictions | <u>\$ 11,938,623</u> | <u>\$ 12,939,534</u> |

The Women’s Center has a policy of appropriating for distribution each year an amount not to exceed 3% of the board-designated reserve fund’s average fair value over the prior twelve quarters. The Executive Committee can approve any or all of the board-designated reserves to be used for any specific purpose or project it deems appropriate.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------------|
| Subject to expenditure for specified purpose: | | |
| Direct services | \$ 397,795 | \$ 336,616 |
| Other | <u>75,078</u> | <u> </u> |
| Total subject to expenditure for specified purpose | <u>472,873</u> | <u>336,616</u> |
| Subject to the passage of time: | | |
| Contributions receivable that are not otherwise restricted by donors but which are unavailable for expenditure until due | <u>824,889</u> | <u>799,571</u> |
| Endowments subject to spending policy and appropriation: | | |
| Building maintenance | 892,986 | 916,263 |
| Direct services | 188,066 | 192,763 |
| Transportation | <u>9,793</u> | <u>10,039</u> |
| Total endowments | <u>1,090,845</u> | <u>1,119,065</u> |
| Total net assets with donor restrictions | <u>\$ 2,388,607</u> | <u>\$ 2,255,252</u> |

NOTE 9 – ENDOWMENT FUNDS

Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board of Directors has interpreted TUPMIFA as allowing the Women’s Center to appropriate for expenditure or accumulate as much of an endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any. The Women’s Center classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions required to be maintained in perpetuity*. The unappropriated investment earnings on donor-restricted endowments are classified as *net assets with donor restrictions accumulated net investment return*. The Board of Directors has interpreted TUPMIFA as not precluding the Women’s Center from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the

fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance prudent measures.

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 managed internally with passive investments held at an independent financial firm. The management of these investments is directed, outlined, and guided by an investment policy approved by the Board of Directors with oversight from the Finance Committee of 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 an asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes in endowment net assets are as follows:

| | <u>WITH DONOR RESTRICTIONS</u> | | |
|-----------------------------------------|--------------------------------|-----------------------|---------------------|
| | <u>ACCUMULATED</u> | <u>REQUIRED TO BE</u> | |
| | <u>NET INVESTMENT</u> | <u>MAINTAINED</u> | |
| | <u>RETURN</u> | <u>IN PERPETUITY</u> | <u>TOTAL</u> |
| Endowment net assets, December 31, 2016 | \$ 308,858 | \$ 669,893 | \$ 978,751 |
| Net investment return | <u>140,314</u> | <u> </u> | <u>140,314</u> |
| Endowment net assets, December 31, 2017 | 449,172 | 669,893 | 1,119,065 |
| Net investment return | <u>(28,220)</u> | <u> </u> | <u>(28,220)</u> |
| Endowment net assets, December 31, 2018 | <u>\$ 420,952</u> | <u>\$ 669,893</u> | <u>\$ 1,090,845</u> |

Endowment net asset composition as of December 31:

| | 2018 | 2017 |
|-------------------------------------------------------------------------------------|---------------------|---------------------|
| | <u>WITH DONOR</u> | <u>WITH DONOR</u> |
| | <u>RESTRICTIONS</u> | <u>RESTRICTIONS</u> |
| Donor-restricted endowment funds: | | |
| Original donor-restricted gift and amounts required to be maintained in perpetuity: | | |
| Building maintenance | \$ 529,594 | \$ 529,594 |
| Direct services | 135,629 | 135,629 |
| Transportation | 4,670 | 4,670 |
| Accumulated net investment return | <u>420,952</u> | <u>449,172</u> |
| Endowment net assets | <u>\$ 1,090,845</u> | <u>\$ 1,119,065</u> |

NOTE 10 – GOVERNMENT AWARDS

The Women’s Center is a party to agreements with government agencies. Should these agreements not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant government revenue recognized are comprised of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------|---------------------|---------------------|
| Federal government awards: | | |
| U. S. Department of Housing and Urban Development | \$ 908,328 | \$ 1,170,557 |
| U. S. Department of Justice | 839,783 | 431,945 |
| U. S. Department of Health and Human Services | 679,036 | 676,137 |
| U. S. Department of Transportation | 111,818 | 132,180 |
| U. S. Department of Agriculture | 66,942 | 68,823 |
| U. S. Department of Homeland Security | <u>9,296</u> | <u>17,916</u> |
| Total federal government awards | <u>2,615,203</u> | <u>2,497,558</u> |
| State and local government awards: | | |
| Texas Health and Human Services Commission | 324,022 | 340,787 |
| Office of the Attorney General – State of Texas | 285,199 | 226,685 |
| Harris County awards | <u>72,800</u> | <u>104,730</u> |
| Total government awards | <u>\$ 3,297,224</u> | <u>\$ 3,169,760</u> |

Government awards require fulfillment of certain conditions as set forth in the agreements 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 agreements. Management believes such disallowances, if any, would not be material to the Women’s Center’s financial position or changes in net assets.

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Women’s Center participates in a §401(k) plan administered by Voya Financial. 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 \$122,000 and \$127,000 to the plan in 2018 and 2017, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 17, 2019, 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.