

**FORT BEND COUNTY
WOMEN'S CENTER, INCORPORATED**

**ANNUAL FINANCIAL REPORT
For the Year Ended
December 31, 2018**

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
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Independent Auditors' Report

To the Board of Directors of
Fort Bend County Women's Center, Incorporated
Fort Bend County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Bend County Women's Center, Incorporated (the "Center") (a nonprofit organization), as of December 31, 2018, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

To the Board of Directors of
Fort Bend County Women's Center, Incorporated

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 the 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.

Report on Summarized Comparative Information

We have previously audited the Center's 2017 financial statements, and our report dated June 15, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, in a separately bound report, our report dated June 20, 2019, on our consideration of the 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 the Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
June 20, 2019

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 99,452	\$ 276,078
Receivables - grants and other	545,656	427,233
Inventory	283,774	246,159
Prepaid expenses	175,841	92,962
Restricted cash	3,273	3,273
Property and equipment (net of depreciation)	8,760,836	4,660,740
Other assets	-	380
Total Assets	\$ 9,868,832	\$ 5,706,825
Liabilities		
Accounts payable	\$ 100,418	\$ 66,971
Accrued expenses	137,886	134,268
Line-of-Credit	175,000	410,000
Notes payable	899,952	978,808
Deferred revenues	89,312	1,162
Total Liabilities	1,402,568	1,591,209
Net assets:		
Without Donor Restriction:		
Fixed assets net of debt	7,860,884	3,681,932
Designated	-	300,000
Undesignated net assets for operations	531,345	(141,855)
Total Unrestricted	8,392,229	3,840,077
With Donor Restrictions	74,033	275,539
Total net assets	8,466,262	4,115,616
Total liabilities and net assets	\$ 9,868,830	\$ 5,706,825

See notes to the financial statements.

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
STATEMENTS OF ACTIVITIES

For The Year Ended December 31, 2018

With comparative amounts for the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
Revenues and other support				
Donations	\$ 4,806,559	\$ 276,443	\$ 5,083,002	\$ 1,028,506
United Way	213,119	-	213,119	210,125
State and other grants	342,585	-	342,585	293,239
Federal financial assistance	3,341,026	-	3,341,026	2,541,565
In-kind donations	68,488	-	68,488	39,708
Fundraisers	468,667	-	468,667	503,826
Less: cost of direct benefit to donors	(131,205)	-	(131,205)	(139,763)
Contributions of merchandise for resale	3,245,002	-	3,245,002	2,421,290
Resale centers revenue	3,209,259	-	3,209,259	2,436,805
Less value of contributed merchandise sold	(3,207,387)	-	(3,207,387)	(2,382,365)
Interest	1,691	-	1,691	92
Other	52,432	-	52,432	8,078
Total revenue and other support	<u>12,410,236</u>	<u>276,443</u>	<u>12,686,679</u>	<u>6,961,106</u>
Net assets released from restrictions	<u>477,949</u>	<u>(477,949)</u>	<u>-</u>	<u>-</u>
Total revenue, other support and net assets released from restrictions	<u>12,888,185</u>	<u>(201,506)</u>	<u>12,686,679</u>	<u>6,961,106</u>
Expenses				
Program services:				
Shelter	1,935,442	-	1,935,442	1,641,927
Future housing	29,190	-	29,190	27,436
Aftercare	2,683,030	-	2,683,030	2,668,488
Resale centers	3,105,115	-	3,105,115	2,384,529
Supporting services:				
General and administrative	356,382	-	356,382	324,451
Fundraising	226,874	-	226,874	176,347
Total expenses	<u>8,336,033</u>	<u>-</u>	<u>8,336,033</u>	<u>7,223,178</u>
Change in net assets	4,552,152	(201,506)	4,350,646	(262,072)
Net assets, beginning of year	<u>3,840,077</u>	<u>275,539</u>	<u>4,115,616</u>	<u>4,377,688</u>
Net assets, end of year	<u>\$ 8,392,229</u>	<u>\$ 74,033</u>	<u>\$ 8,466,262</u>	<u>\$ 4,115,616</u>

See notes to the financial statements.

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
With comparative amounts for the year ended December 31, 2017

Expense	Program Services			Total Program Services	Resale Centers
	Shelter	Future Housing	Aftercare		
Compensation and related expenses:					
Compensation	\$ 1,182,600	\$ -	\$ 1,213,991	\$ 2,396,591	\$ 1,482,859
Payroll taxes	89,306	-	98,697	188,003	118,925
Health insurance/worker's compensation	171,292	-	126,429	297,721	175,333
Total Compensation and related expenses	1,443,198	-	1,439,117	2,882,315	1,777,117
Auto expense	12,987	-	5,756	18,743	53,702
Communication	27,234	-	11,705	38,939	29,792
Conferences, training and travel	10,471	25	24,651	35,147	12,291
Equipment purchases	28,162	-	41,025	69,187	12,479
Fundraising	4,408	-	4,408	8,816	-
Insurance:					
General liability	7,773	228	7,871	15,872	8,678
Officers and directors	1,124	-	1,464	2,588	1,480
Property	11,531	858	4,231	16,620	18,127
Other	421	-	315	736	11
Interest expense	7,824	5,208	9,535	22,567	43,813
Lease expense	6,415	-	34,184	40,599	676,941
Maintenance and repairs	42,638	184	9,549	52,371	61,144
Membership and club dues	455	-	410	865	997
Miscellaneous	3,292	-	2,104	5,396	47,222
Office and operating supplies	3,826	600	6,672	11,098	23,803
Postage and shipping	315	3	693	1,011	439
Printing and reproduction	1,943	728	2,674	5,345	15,464
Professional fees	109,303	1,725	75,617	186,645	38,281
Program expenses	85,221	-	968,012	1,053,233	37,759
Utilities	36,392	3,466	11,664	51,522	120,411
Total expenses before depreciation	1,844,933	13,025	2,661,657	4,519,615	2,979,951
Depreciation	90,509	16,165	21,373	128,047	125,164
Total Expenses	\$ 1,935,442	\$ 29,190	\$ 2,683,030	\$ 4,647,662	\$ 3,105,115
Expenses as a percent of Total Revenue and Support	15.3%	0.2%	21.1%	36.6%	24.5%

See notes to the financial statements.

<u>Supporting Services</u>					
<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Grand Total 12/31/18</u>	<u>Grand Total 12/31/17</u>	
\$ 223,039	\$ 177,720	\$ 400,759	\$ 4,280,209	\$ 3,510,070	
15,837	13,082	28,919	335,847	269,668	
41,825	10,912	52,737	525,791	411,420	
<u>280,701</u>	<u>201,714</u>	<u>482,415</u>	<u>5,141,847</u>	<u>4,191,158</u>	
-	-	-	72,445	60,960	
1,627	1,295	2,922	71,653	59,559	
3,287	2,408	5,695	53,133	35,703	
1,205	803	2,008	83,674	80,906	
-	-	-	8,816	1,939	
-	-	-	24,550	20,835	
266	324	590	4,658	4,693	
316	198	514	35,261	35,900	
2	2	4	751	609	
5,686	4,561	10,247	76,627	57,219	
1,535	1,373	2,908	720,448	452,409	
1,923	1,174	3,097	116,612	112,316	
1,656	386	2,042	3,904	10,510	
4,995	1,308	6,303	58,921	80,950	
1,706	1,428	3,134	38,035	34,207	
-	822	822	2,272	2,930	
308	2,469	2,777	23,586	14,214	
35,900	4,578	40,478	265,404	173,745	
13,059	644	13,703	1,104,695	1,421,356	
2,210	1,387	3,597	175,530	152,206	
<u>356,382</u>	<u>226,874</u>	<u>583,256</u>	<u>8,082,822</u>	<u>7,004,324</u>	
-	-	-	253,211	218,854	
<u>\$ 356,382</u>	<u>\$ 226,874</u>	<u>\$ 583,256</u>	<u>\$ 8,336,033</u>	<u>\$ 7,223,178</u>	
<u>2.8%</u>	<u>1.8%</u>	<u>4.6%</u>	<u>65.7%</u>	<u>103.8%</u>	

See notes to the financial statements.

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED**STATEMENTS OF CASH FLOWS***For The Year Ended December 31, 2018 and 2017*

	<u>2018</u>	<u>2017</u>
Cash provided (used) by operating activities		
Increase (decrease) in net assets	\$ 4,350,646	\$ (262,072)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	253,211	218,854
Changes in net assets and liabilities:		
Decrease (increase) in thrift store inventory	(37,615)	(38,924)
Decrease (increase) in receivables	(118,423)	(201,968)
Decrease (increase) in prepaid expenses	(82,879)	(46,924)
Decrease (increase) in other assets	380	7,900
Increase (decrease) in accounts payable and accrued expenses	37,065	58,517
Increase (decrease) in deferred revenues	88,150	441
Net cash provided (used) by operating activities	<u>4,490,535</u>	<u>(264,176)</u>
Cash flows used by investing activities:		
Net acquisitions of property and equipment	<u>(4,353,307)</u>	<u>(329,265)</u>
Net cash used by investing activities	(4,353,307)	(329,265)
Cash flows used by financing activities		
Proceeds (payments) from (for) line-of-credit	(235,000)	410,000
Proceeds (payments) from (for) notes payable	<u>(78,856)</u>	<u>(90,644)</u>
Net cash used by financing activities	(313,856)	319,356
Net increase (decrease) in cash and cash equivalents	(176,628)	(274,085)
Cash and cash equivalents, beginning of year	<u>279,351</u>	<u>553,436</u>
Cash and cash equivalents, end of year	<u>\$ 102,723</u>	<u>\$ 279,351</u>
Cash and cash equivalents at year-end		
Cash and cash equivalents, unrestricted	\$ 99,450	\$ 276,078
Cash and cash equivalents, restricted	<u>3,273</u>	<u>3,273</u>
Total	<u>\$ 102,723</u>	<u>\$ 279,351</u>
Interest paid during the year	<u>\$ 76,627</u>	<u>\$ 57,219</u>

See notes to the financial statements.

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS

A. Nature of Activities

Fort Bend County Women’s Center, Incorporated (the “Center”) is a Texas nonprofit corporation without capital stock, incorporated under the Texas Non-Profit Corporation Act in 1980. The Center serves the needs of survivors of domestic violence and sexual assault and their children by providing emergency shelter, crisis intervention, counseling, support services and educational outreach.

The Center is supported primarily through donor contributions, federal and state grants, United Way and the PennyWise Resale Centers (“Resale Centers”). The Resale Centers provide additional revenues and support for the core operations of the Center.

B. Summary of Significant Accounting Policies

Basis of Presentation and Accounting

In accordance with generally accepted accounting principles, the financial statements have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables and other liabilities.

On August 18, 2016 FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retroactively to all periods presented, but no changes to the net asset classifications were necessary.

The Center’s financial statements are prepared in accordance with ASU 2016-14 *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958, the Center has reported its net assets with and without donor restrictions.

A summary of the Center’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in without donor restrictions net assets if the restrictions expire in the year in which the contributions are received. All other donor restricted contributions are reported as increases in the with donor restrictions net assets category, depending on the nature of the restrictions. When a restriction expires, with donor restrictions net assets is reclassified to without donor restrictions net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers petty cash, cash in checking accounts, savings accounts and money market accounts to be cash equivalents. The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount reported in the statement of financial position approximates fair value because of the short maturities of those instruments. The Center maintains deposits primarily in three financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Center has not experienced any losses related to amounts in excess of FDIC limits.

Investments

The Center follows the provisions of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958-320 and FASB ASC 958-325, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. This statement requires investments with readily determinable fair values to be stated at fair value with unrealized gains and losses from fluctuations in market value included in the statement of activities and changes in net assets. The Center did not have any investments outstanding as of December 31, 2018 or as of December 31, 2017 that required reporting on the fair value.

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurements

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Receivables

Receivables include those from grants, pledges and contributions. Receivables at December 31, 2018, are due within the year. Additionally, the Center believes that all such receivables are collectible and, therefore, an allowance for uncollectible accounts is not considered necessary.

Inventory

The majority of inventory, which consists of various donated items such as clothing, household goods, furniture, computers, and toys, are held for sale at the Resale Centers and/or given to the Center’s clients for their use. The Center receives this inventory from donors as contributed items for its resale stores to sell to the public. Since there is no cost to the Center, inventory is stated at fair market value determined by the estimated price at which the item can be sold on the date of the donation. Contribution revenue is recognized when the donated items are received and the inventory recorded. When the donated items are sold, the sales revenues are recorded and the fair value of the inventory sold is recorded as value of contributed merchandise sold. Changes in year-end inventory amounts are recorded as additional sales revenue or cost of goods sold, as appropriate.

Property and Equipment

It is the Center’s policy to capitalize property and equipment over \$3,500 and with a useful life of more than one year. Purchases of lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted contributions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives as follows:

Buildings	31.5 years
Building improvements	31.5 years
Vehicles	5 years
Furniture and equipment	5 years

Compensated Absences

During the year, employees of the Center are entitled to paid time off, depending on job classification, length of service, and other factors. The Center does allow for a carry-forward of up to a maximum of 80 hours after year-end. The policy further states that if terminated for misconduct, an employee will not be compensated for paid time off that has been carried forward from previous years or accrued in the current year.

FORT BEND COUNTY WOMEN'S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These net assets have been allocated between fixed assets which are not available for operations, the board designated amounts for future needs, and the remainder which is undesignated for operations.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

During the year ended December 31, 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the Center's programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

Included in the functional expenses are the costs incurred for the resale centers. Net proceeds from the resale centers help to fund program expenses and, therefore, resale center expenses are not considered administrative costs.

Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes is made in the financial statements. Additionally, contributions made to the Center qualify for the charitable contribution deduction under the provisions of the Internal Revenue Code. The Center is not a private foundation under provisions of the Internal Revenue Code. The Center has no unrelated business activity that would require it to file a 990T and pay income taxes. The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Fair Value of Financial Instruments

The carrying value of cash, receivables and payables approximates fair value due to the short maturity of these instruments.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

C. Cash and Cash Equivalents

At December 31, 2018 and 2017, cash and cash equivalents consisted of the following:

	<u>2018</u>	<u>2017</u>
Petty cash	\$ 5,451	\$ 5,451
Checking accounts	76,637	252,814
Money market account	17,608	18,057
Schwab money market account	3,029	3,029
	<u>\$ 102,725</u>	<u>\$ 279,351</u>

Cash and cash equivalents are reported in the statement of financial position as follows:

	<u>2018</u>	<u>2017</u>
Restricted cash	\$ 3,273	\$ 3,273
Unrestricted cash	99,452	276,078
Total Cash	<u>\$ 102,725</u>	<u>\$ 279,351</u>

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

D. Receivables - Grants and others

The Center’s receivables consist of amounts due primarily from granting agencies. On occasion, the Center’s other receivables from normal operations may consist of donor-executed pledges. At December 31, 2018, the Center had \$466,416 in grants receivable and \$79,240 in pledges and other receivables. At December 31, 2017, the Center had \$347,973 in grants receivable and \$79,260 in pledges and other receivables. The carrying amount reported in the statement of financial position approximates fair value because of the short-term nature of the receivables.

E. Property and Equipment

Property and equipment consist of the following:

	<u>December 31, 2017</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>December 31, 2018</u>
Non-depreciable:				
Land	\$ 428,636	\$ 142,210	\$ -	\$ 570,846
Construction in Progress	-	79,102	-	79,102
Depreciable:				
Building and improvements	5,805,504	3,883,534	-	9,689,038
Vehicles	170,262	29,209	(23,284)	176,187
Furniture and fixtures	408,393	219,252	-	627,645
	<u>6,812,795</u>	<u>4,353,307</u>	<u>(23,284)</u>	<u>11,142,818</u>
Accumulated depreciation	<u>(2,152,055)</u>	<u>(253,211)</u>	<u>23,284</u>	<u>(2,381,982)</u>
	<u>\$ 4,660,740</u>	<u>\$ 4,100,096</u>	<u>\$ -</u>	<u>\$ 8,760,836</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$253,211 and \$218,854, respectively.

F. Line-of-Credit

On May 30, 2017, the Center renewed the revolving line of credit agreement with Cadence Bank to provide short-term financing, as needed. This line of credit was increased from \$250,000 to \$750,000, and is secured by real estate of the Center and carries a variable interest rate of prime plus 1%, not to exceed the maximum rate allowed by law. As of December 31, 2017 and 2016, the interest rate was 5.25%. Interest is due monthly and is calculated on a 365/360 basis. As of December 31, 2017, the Center’s outstanding balance was \$175,000 with \$575,000 available on the line of credit. This agreement matured on May 27, 2018 at which time the maturity date on the line of credit was extended until May 27, 2019. The Center paid \$28,529 in interest related to the line of credit for the year ended December 31, 2018.

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

G. Notes Payable-Building

On May 6, 2013, the Center entered into a construction loan agreement with Cadence Bank for \$1,900,000 on the construction of the PennyWise store and administrative offices of the Center. Amounts were drawn on the construction loan as needed and as of December 31, 2013, the Center had drawn \$315,000. The interest rate on the loan was 4.5% on the outstanding balance and payable monthly. In 2014, the construction of the PennyWise Store and administrative offices were completed and the construction loan was converted to a long-term mortgage loan secured by the building and property; the original amount of the loan was \$1,900,000. The outstanding balance on the construction loan as of December 31, 2018 and 2017 was \$899,952 and \$978,808, respectively, and has an interest rate of 4.5 percent, payable with monthly payments of \$10,145 including interest. The loan matures on May 6, 2023 at which time the balance on the loan is due. For the year ended December 31, 2018 and 2017, the Center paid \$45,914 and \$46,520 in interest on the loan, respectively.

The future payments on the outstanding notes payable on the building at December 31, are as follows:

	Principal	Interest	Total
2019	\$ 61,552	\$ 60,193	\$ 121,745
2020	64,255	57,490	121,745
2021	67,414	54,331	121,745
2022	70,555	5,191	75,746
2023	636,176	10,225	646,401
	<u>\$ 899,952</u>	<u>\$ 187,430</u>	<u>\$ 1,087,382</u>

H. Compensated Absences

The Center has \$97,736 and \$95,567 in accrued compensated absences payable for the years ended December 31, 2018 and 2017, respectively.

I. Deferred Revenue

Rental payments made and reimbursed by the grantor applicable to January 2019 are considered deferred revenue. As of December 31, 2018, a total of \$89,312 was recorded as deferred revenue. The balance as of December 31, 2017 was \$1,162 was related to miscellaneous items.

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

J. Lease Agreements

On September 4, 2013, the Center executed a six-year and two-month lease for the use of commercial property for its Resale Center operation in Stafford; on September 1, 2015 this lease was extended through November 30, 2020, with minimum monthly payments of \$14,655 from January 2018 through November 2018 and \$15,054 for the month of December 2018.

On October 21, 2013, the Center extended the term of the lease of commercial property for its Resale Center operations in Mission Bend ending on June 23, 2017 this lease was extended through December 31, 2022. For the year ended December 31, 2018, lease payments were \$10,781 per month.

On February 1, 2016, the Center signed a shopping center lease agreement for a donation center with a five-year term ending January 31, 2021, with variable minimum monthly rent payments through December 31, 2018; for the year ended December 31, 2018, lease payments were \$3,659 per month.

In June 2016, the Center signed a shopping center lease agreement for a donation center through May 2019 with variable minimum monthly rent payments through December 31, 2018; for the year ended December 31, 2018, lease payments were \$2,610 per month. The lease was renewed in May 2019.

On July 26, 2017, the Center executed a five-year lease for the use of commercial property for its Resale Center operation in Katy, ending October 31, 2021, with variable minimum monthly rent payments through November 30, 2020; for the year ended December 31, 2018, lease payments were \$24,933 per month.

United Way has also donated a portion of its office space to the Center for client counseling and case management. The operating base value associated with leasing this office space in 2018 was \$4,271. This value is reported in the financial statements as in-kind revenue and as lease expense.

Future annual payments for operating leases is as follows:

<u>December 31,</u>	<u>Amount</u>
2019	\$ 687,071
2020	677,974
2021	503,018
2022	437,432
2023	33,868
2024	14,195
	<u>\$ 2,353,558</u>

The operating lease expense for 2018 and 2017 totaled \$710,369 and \$443,519, respectively.

K. Without Donor Restrictions Net Assets

Without donor restrictions net assets include resources available for the Center to serve the needs of survivors of domestic violence and sexual assault and their children by providing emergency shelter, crisis intervention, counseling, support services and educational outreach. The without donor restrictions net asset amounts at December 31, 2018 and 2017, were \$8,392,229 and \$3,840,077, respectively. Included in the unrestricted net assets are the facilities and equipment used by the Center which are not available for operations. The without donor restrictions, undesignated (available for operations) net assets category \$531,345 and \$(141,855) for the years ending December 31, 2018 and 2017, respectively.

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

L. Without Donor Restrictions Net Assets (continued)

Management has designated certain amounts of without donor restrictions net assets for specific purpose, projects or investments. Designations show management’s intent on how net assets may be used but are at the discretion of the board. The Designations at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Future Agency Needs	\$ -	\$ 300,000
Total designations	<u>\$ -</u>	<u>\$ 300,000</u>

M. With Donor Restrictions Net Assets

With donor restrictions net assets include grants for specific projects managed by the Center, such as contributions restricted by donors for specific purposes and unconditional contributions received for fundraising events. The with donor restrictions net assets at December 31, 2018 and 2017, were \$74,033 and \$275,539, respectively. The amounts that make up the With Donor Restrictions Net Assets are as follows:

	<u>2018</u>	<u>2017</u>
Anonymous Donor	\$ 13,549.00	\$ -
Cinco Rach Ladies Club	10	2,928
EFSP	4,847	
FBJSL	6,350	9,000
George Foundation		155,000
Glasser, D K	150	
Greater Houston Community Foundation	131	1,216
Holiday Fund	1,289	
IMO Garland Mueller	2,251	2,251
Independence Bank	-	2,538
Indo American Forum	-	1,500
Lowe's	24,570	24,570
Macy's	3,000	
Missouri City Police Department	2,029	
Mueller, Ema	165	2,165
Reverse Live Auction	-	26,500
Simmons	-	30,000
SW Health Technology	5,979	6,860
TJ Maxx	-	7,748
TCFV	5,500	
UW CDBG	3,612	
Other	601	3,263
Total With Donor Restrictions Net Assets	<u>\$ 74,033</u>	<u>\$ 275,539</u>

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

N. Resale Centers

The net revenue (revenue and contributions less cost of merchandise sold and value of contributed merchandise sold) from the operations of the Resale Centers are as follows:

	<u>2018</u>	<u>2017</u>
Resale Centers Revenue		
Sales of Donated Merchandise	\$ 3,209,259	\$ 2,383,819
Other Donations - Hurricane Harvey	-	52,986
Total Resale Centers Revenue	<u>3,209,259</u>	<u>2,436,805</u>
Contributions of Donated Merchandise Received	<u>3,245,002</u>	<u>2,421,290</u>
Total Resale Centers Revenue and Contributions	<u>6,454,261</u>	<u>4,858,095</u>
Cost of Sales and Value of Merchandise Sold		
Less: Value of Contributed Merchandise Sold	<u>(3,207,387)</u>	<u>(2,382,365)</u>
Total Cost of Sales and Value of Merchandise Sold	<u>(3,207,387)</u>	<u>(2,382,365)</u>
Net Revenue from Resale Centers	3,246,874	2,475,730
Cost of operations-Resale Centers	<u>2,979,951</u>	<u>2,268,172</u>
Income from Resale Centers before depreciation	266,923	207,558
Depreciation	<u>125,164</u>	<u>116,357</u>
Income from Resale Centers	<u>\$ 141,759</u>	<u>\$ 91,201</u>
Income generated before depreciation and merchandise adjustments is as follows:		
Sales generated at resale centers before merchandise adjustments	\$ 3,209,259	\$ 2,383,819
Other Donations - Hurricane Harvey	-	52,986
Total Resale Centers Revenue	<u>3,209,259</u>	<u>2,436,805</u>
Cost of operations - Resale Centers before depreciation	<u>2,979,951</u>	<u>2,268,172</u>
Income from resale centers before inventory adjustments and depreciation	<u>\$ 229,308</u>	<u>\$ 168,633</u>

O. Contributed Services

The Center received more than 42,266 volunteer hours in 2018, and 41,446 hours in 2017.

P. Defined Contribution Plan

The Center offers its full-time employees a 403(b) annuity plan for purposes of saving for their retirement. The plan is funded through employee contributions. Effective January 1, 2015, the Center has re-implemented the employer matching portion of 403(b) contributions. The plan’s match contribution formula is discretionary. The Center will match 50% of the employee’s contributions up to 1% of the employee’s salary. The vesting period is on a six-year grading scale as follows:

- 2 years – 20%
- 3 years – 40%
- 4 years – 60%
- 5 years – 80%
- 6 years – 100%

FORT BEND COUNTY WOMEN’S CENTER, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS (continued)

Q. Contingencies

The Center, because of its activities, is subject to various claims and litigations. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Center. The Center’s risk management policy is to maintain adequate insurance through commercial carriers for the various liability exposures.

R. Concentrations of Credit Risk

For the year ended December 31, 2018 and 2017, the Center received approximately 30% and 45%, respectively, of its support from federal and state grant programs. Since these are federal and state programs subject to change, it is possible that these programs could cease, which would cause a severe impact on the Center and its ability to continue operations. The Center does not expect, in any way, that the support from these grant programs will be lost in the near term.

The Center has financial instruments which potentially subject the Center to concentration of credit risk consisting principally of cash deposited at banks and money market accounts. Accounts at each institution in which cash is deposited are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Center places its cash with various financial institutions in the area to limit the amount of credit exposure to any one financial institution. The Center has a policy to perform an analysis at least annually for any banks in which they have, or anticipate having in the foreseeable future, funds on deposit which may be greater than the amount of the FDIC insurance. The Center’s Schwab accounts are insured by Securities Investor Protection Corporation up to \$500,000.

S. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. A percentage of general and administrative expenses are allocated to the respective programs based on the percentage of general and administrative hours charged to the Center’s programs.

T. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of cash and cash equivalents and receivables for grants and others. The balances as of December 31, 2018 and 2017 are shown below.

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 99,452	\$ 276,078
Receivables - grants and other	545,656	427,233
	<u>\$645,108</u>	<u>\$ 703,311</u>

U. Subsequent Events

Management has evaluated subsequent events through June 20, 2019, the date on which the financial statements were available to be issued. During this period, there have been no material events that would require recognition in the fiscal year ended December 31, 2018 financial statements.