AVALON: A CENTER FOR WOMEN AND CHILDREN
D/B/A AVALON CENTER

FINANCIAL REPORT

JUNE 30, 2021

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

TABLE OF CONTENTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Avalon: A Center for Women and Children
d/b/a Avalon Center

Report on the Financial Statements

We have audited the accompanying financial statements of Avalon: A Center for Women and Children d/b/a Avalon Center (the Center), which comprise the statement of financial position as of June 30, 2021, 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 Center'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 Center'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 the Center as of June 30, 2021, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE, 2021, 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 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 the 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 the Center's internal control over financial reporting and compliance.

PBMares, LLP

Newport News, Virginia
January 13, 2022

FINANCIAL STATEMENTS

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS		
Current Assets		
Cash and cash equivalents	$	278,767
Grants receivable		135,899
Inventory		3,678
Prepaid expenses		9,931
Total current assets		428,275
Property and Equipment, net		1,047,735
Other Assets		
Security deposits		5,550
Beneficial interest in assets held by others		16,932
Total other assets		22,482
Total assets	$	1,498,492
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	$	37,500
Accounts payable and accrued expenses		29,035
Total current liabilities		66,535
Net Assets		
Without donor restrictions		1,342,059
With donor restrictions		89,898
Total net assets		1,431,957
Total liabilities and net assets	$	1,498,492

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	$ 481,099	$ -	$ 481,099
In-kind contributions	153,188	-	153,188
Special events	5,861	-	5,861
United Way	3,791	17,018	20,809
Foundation grants	39,025	-	39,025
Federal and state grants	872,722	-	872,722
Local grants	15,250	72,880	88,130
Net assets released from restriction	108,145	(108,145)	-
Total support	1,679,081	(18,247)	1,660,834
Revenue			
Rental	94	-	94
Miscellaneous	383	-	383
Paycheck protection program loan forgiveness income	282,052	-	282,052
Appreciation in beneficial interest in assets held by others	5,562	-	5,562
Total revenue	288,091	-	288,091
Total support and revenue	1,967,172	(18,247)	1,948,925
Expenses			
Program services	1,324,158	-	1,324,158
Management and general	120,462	-	120,462
Fundraising	53,995	-	53,995
Total expenses	1,498,615	-	1,498,615
Change in net assets	468,557	(18,247)	450,310
Net Assets - beginning of year	873,502	108,145	981,647
Net Assets - end of year	$ 1,342,059	$ 89,898	$ 1,431,957

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Client assistance	$ 21,362	$ -	$ -	$ 21,362
Contractual services	39,570	20,653	4,830	65,053
Depreciation	38,377	6,773	-	45,150
Dues and subscriptions	2,502	-	-	2,502
Employee benefits and taxes	91,425	8,226	5,197	104,848
Insurance	24,597	4,341	-	28,938
Interest	12,160	56	-	12,216
Licenses	-	1,930	-	1,930
Office	2,316	1,349	-	3,665
Other program expenses	159	-	-	159
Printing and postage	156	569	13,279	14,004
Rent	60,855	9,968	4,738	75,561
Repairs and maintenance	19,471	3,407	-	22,878
Salaries and wages	768,596	56,331	25,802	850,729
Supplies	172,291	1,373	66	173,730
Telephone and communications	5,797	1,175	-	6,972
Training	225	2,638	-	2,863
Travel	802	-	-	802
Utilities	62,800	1,673	83	64,556
Vehicle	697	-	-	697
Total functional expenses	**$ 1,324,158**	**$ 120,462**	**$ 53,995**	**$ 1,498,615**

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

Cash Flows from Operating Activities	
Change in net assets	$ 450,310
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	45,150
Paycheck Protection Program loan forgiveness	(52,500)
Change in beneficial interest in assets held by others	(4,656)
Changes in:	
Grants receivable	189,987
Inventory	(983)
Prepaid expenses	(826)
Accounts payable and accrued expenses	(50,840)
Net cash provided by operating activities	**575,642**
Cash Flows from Investing Activities	
Purchases of property and equipment	(21,265)
Net cash used in investing activities	**(21,265)**
Cash Flows from Financing Activities	
Net payments on line of credit	(321,466)
Net cash used in financing activities	**(321,466)**
Net change in cash and cash equivalents	**232,911**
Cash and Cash Equivalents:	
Beginning of year	45,856
End of year	$ 278,767
Supplemental Cash Flow Disclosures	
Cash paid for interest	$ 9,591

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

Avalon: A Center for Women and Children d/b/a Avalon Center (the Center) is a non-stock, not-for-profit corporation that provides programs and services which include prevention, education, advocacy, and crisis intervention. The Center offers a 24-hour helpline, emergency shelter, transitional housing, individual counseling and support groups, accompaniment, legal advocacy and a youth program. The Center also provides educational presentations to the community on a number of issues including domestic violence, sexual assault, and agency services. The Center offers its regional services from Williamsburg, Virginia to the middle peninsula including Gloucester County.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation: The Center reports information regarding its financial position according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

- *Without donor restrictions* amounts are those currently available, at the discretion of the Board of Directors, for use in the Center's operations.

- *With donor restrictions* amounts are those that are stipulated by donors for specific purposes or time periods or restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. When a donor restriction expires or is otherwise satisfied, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash and cash equivalents: The Center considers all highly liquid investments including time deposits with an initial maturity of three months or less to be cash equivalents.

Credit risk: Financial instruments that subject the Center to concentrations of credit risk consist principally of cash and cash equivalents. The Center maintains cash accounts with high credit quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, balances in the Center’s cash accounts may exceed the FDIC insured levels.

Grants receivable: Grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. It is the policy of management to review outstanding grants receivable at year-end, as well as any bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. In management's opinion, all grants receivable are fully collectible; accordingly, an allowance for doubtful accounts is not required.

Note 2. Summary of Significant Accounting Policies (Continued)

Inventory policy: Inventories are stated at the lower of standard cost (which approximates average cost) or net realizable value.

Property and equipment: Property and equipment are stated at cost net of accumulated depreciation. Donated property is recorded at fair market value at date of receipt. The Center follows the practice of capitalizing all expenditures for property and equipment in excess of $5,000. When an asset is sold, retired, or otherwise disposed, the asset cost and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in the statement of activities. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	Years
Machinery and equipment	3 - 10
Furniture and fixtures	5 - 10
Building and improvements	5 - 27.5

Revenue recognition: Special event and rental revenue are recorded as services are performed and revenues are earned. Grant revenue is recognized as qualified expenditures are incurred and/or services are provided. Grant payments received in advance of incurring qualified expenditures are recorded in deferred revenue until earned. Direct contributions are recorded as received with donor restrictions or without donor restrictions, as appropriate. The Center does not have outstanding promises to give.

Functional expenses: The Center allocates its expenses, on a functional basis, among its various programs and supporting services. Expenses that relate to a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated statistically based on personnel time applicable to the three functional expense classifications.

Income taxes: The Center is classified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code for federal income tax purposes. Contributions to the Center qualify as charitable contribution deductions to the extent provided by law.

Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Center's management has evaluated the impact of the guidance to its financial statements. The Center's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

Note 2. Summary of Significant Accounting Policies (Continued)

The Center's policy is to classify income tax related interest and penalties, if any, in general and administrative expenses.

Donated materials and services: The Center records the value of donated materials or services when there is an objective basis available to measure their value. The Center recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require special skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

The Center receives a significant amount of donated services from unpaid volunteers who assist in its program services. These services have not been recognized in the statement of activities because the criteria for recognition under applicable accounting standards have not been satisfied.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Contributed goods and services of $153,188 have been reflected in the statement of activities for the year ended June 30, 2021.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent events: In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 13, 2022, the date the financial statements were available to be issued. The Center determined that there are no subsequent events, except as mentioned in Note 8, that are required to be disclosed pursuant to the FASB ASC.

Significant new accounting standards not yet adopted: In February 2016, the FASB issued Accounting Standard Update (ASU)2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Center is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets.

For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets must also be disclosed as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. FASB is requiring the standard to be applied retrospectively. The amendments take effect for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Center is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Note 3. Property and Equipment

Property and equipment at June 30, 2021 consists of the following:

Machinery and equipment	**$ 229,189**
Furniture and fixtures	**19,517**
Land	**200,000**
Building and improvements	**948,011**
	1,396,717
Less accumulated depreciation	**(348,982)**
	$ 1,047,735

Note 4. Beneficial Interest in Assets Held by Others

The Center established a quasi-endowment fund, The Avalon Endowment Fund (the Fund), using net assets without donor restrictions previously held by the Center. Resources were transferred to the Williamsburg Community Foundation (the Foundation) for investment. From time to time, the Center transfers additional resources without donor restrictions to the Foundation to be managed as part of the Fund. See Note 5.

Note 4. Beneficial Interest in Assets Held by Others (Continued)

Per the Fund agreement, the Center can apply for “emergency” funds for the Foundation’s Board to approve for distribution in excess of the normal distribution policy and potentially reduce the principal balance. The Foundation’s policies related to their endowment funds are as follows:

Investment Return Objectives, Risk Parameters and Strategies. The Foundation has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to maintain or increase the real value of the endowment principal and its distributions over the long term while funding current needs at an appropriate level. Accordingly, the investment objective for the fund is to earn, over time, the highest possible total return (e.g., capital appreciation and current yield) consistent with the following considerations (1) the fund is a perpetual fund, and is subject to the Foundation's Spending Policy; (2) there is no current income requirement, outside of the Spending Policy, as the level of distributions will be based upon the total return anticipated for the fund, although it is anticipated that a material part of the annual distributions will be covered by cash income and appreciation earned on the endowment; (3) a moderate level of risk or variability is acceptable to achieve the return objectives, although this should be tempered by diversification of the fund within and across asset classes.

Spending Policy. The Finance and Investment Committee reviews the spending level annually. It recommends a level of spending to the Board of Trustees for the ensuing year, based upon historic and anticipated returns for the endowment and any other factors appropriate to the objective of maximizing spending, consistent with balancing current and future needs and maintaining relative stability of spending, year to year. The rate of spending is based upon an average for the current market value of the portfolio and the preceding twenty quarters. This average is adjusted for significant contributions or distributions during the period. Currently, the rate is three and one-half percent (3.5%) of the average adjusted market value. It is expected that over time the rate will be in the range of 3.5% to 5.0%. Amounts released from restriction and appropriated for expenditure include grants requested by donors and approved by the Board of Trustees and administrative fees of up to 1% of the average of the endowed fund balance.

Note 5. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of these instruments. The carrying value of the beneficial interest in assets held by others has been adjusted to fair value.

FASB ASC 820 *Fair Value Measurement* defines fair value as 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 (exit price). FASB ASC 820 classifies the inputs used to measure fair value into a hierarchy. The Center’s only asset measured under FASB ASC 820 is the beneficial interest in assets held by others.

Note 5. Fair Value of Financial Instruments (Continued)

Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Level 3 consists of the board-designated endowment fund. This fund does not have readily determinable fair values. The board-designated endowment fund is valued at the estimated fair values as provided by the Williamsburg Community Foundation.

The following table is a roll forward of assets classified by the Center as within Level 3 of the valuation hierarchy defined above:

Fair value, beginning of year	$	12,276
Contributions		300
Fees		(250)
Net appreciation		4,606
Fair value, end of year	$	16,932

Note 6. Debt and Line of Credit

The Center has available a $500,000 line of credit with Village Bank secured by real property and assignment of rents. The variable interest rate is charged at the Wall Street Journal prime lending rate plus 0.4% (3.65% at June 30, 2021). The note matures February 3, 2022. The balance at June 30, 2021 was $37,500.

The Center received $52,500 in loan proceeds pursuant to the Paycheck Protection Program ("PPP"), under the Coronavirus Aid Relief and Economic Security (CARES) Act. The Center has elected an accounting policy to analogize FASB ASC *470 Debt* and account for the PPP loan as forgiven debt. The PPP loan is evidenced by a loan application and payment agreement by and between the Center and Village Bank. The PPP loan is subject to 100% forgiveness that was approved December 2020.

The Center received an additional $229,552 in loan proceeds pursuant to the PPP, under the CARES Act.. The PPP loan is evidenced by a loan application and payment agreement by and between the Center and Village Bank. The PPP loan is subject to 100% forgiveness that was approved June 2021.

Note 7. Net Assets With Donor Restrictions

The Center's net assets with donor restrictions at June 30, 2021 are as follows:

United Way grant receivable	**$**	**17,018**
Local government grants receivable		**72,880**
	$	**89,898**

Note 8. Operating Leases

In July 2017, the Center signed a seven-year lease for separate space that includes additional needed space for the youth services program which is funded by a grant expiring June 2024. The monthly rent is $3,450 with an annual escalation of 3%.

In October 2017, the Center signed an addendum to the above-mentioned lease for an additional suite beginning January 2018 and expiring June 2024. The monthly rent is $750 with an annual escalation of 3%.

Effective October 1, 2021, a new lease addendum to the above-mentioned lease covering all suites will be effective requiring $4,400 per month through July 31, 2023. Thereafter, rent will escalate $30 more per month on August 1 of each year starting August 1, 2023 until the lease will expire July 31, 2033.

In November 2017, the Center signed a three-year lease for its additional office space beginning December 2017 that expired November 2021. The lease includes a renewal option of an additional three years with a 2% annual increase. The monthly rent is $2,000 with an annual escalation of 2%. The Center did not renew this lease beyond November 2021.

Effective July 1, 2021, the Center signed a three-year lease for an additional office space expiring July 1, 2024 for $750 per month. The lease includes a renewal option of an additional three years for a cost to be determined at a future date.

In 2021, rent expense was $75,561 and is included in rent in the statement of functional expenses. During 2021, escalation of rent was waived.

In February 2019, the Center entered in a 63-month operating lease for a copier, which expires May 2024, requiring monthly lease payments of $165. Lease expense for 2021 was $1,980 and is included in office expense in the statement of functional expenses.

Note 8. Operating Leases (Continued)

Future minimum payments due under these leases are as follows:

Years	Amounts
2022	$ 72,261
2023	63,780
2024	63,945
2025	53,490
2026	53,850
Thereafter	337,130
	$ 644,456

Note 9. Concentrations

A significant portion of the Center's support is from federal, state and local government grants. These grants were awarded to the Center based on its services. For 2021, approximately 49% of the Center's support was provided by these government grants. At June 30, 2021, the Center had $118,683 in receivables from federal, state and local governments.

Note 10. Retirement Plan

The Center offers a 403(b) plan to all employees. The plan is a defined contribution plan covering all eligible employees who have completed one year of eligible service. The Center may make a discretionary contribution each plan year to eligible participants as defined in the plan document. During the year ended June 30, 2021, there were no discretionary contributions made to the plan.

Note 11. Liquidity and Availability

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets:		
Cash and cash equivalents	**$**	**273,217**
Grants receivable		**46,001**
Total financial assets available within one year		**319,218**
Liquidity resources:		
Bank line of credit		**462,500**
Total financial assets and liquidity resources available within one year	**$**	**781,718**

The Center monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. Although not expected to be needed, the Center potentially has available board-designated funds of $16,932 as described in Note 4 and $269,778 held in a money market account at June 30, 2021. The board approves requests to use funds in the money market reserve. In addition to financial assets available to meet general expenditures over the year, the Center operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions and grants, and by utilizing donor-restricted resources from current and prior year's gifts.

Note 12. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Center operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Center.

Certain contracts and grants received by the Center are subject to audit or review by the grantor/payor agencies. As a result of these audits or reviews, the Center may be required to repay a portion of grant or contract funds received.

COMPLIANCE SECTION

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice				
Passed through Commonwealth of Virginia Department of Criminal Justice Services				
Crime Victim Assistance	16.575	21-B3475VP19	$ -	$ 554,355
Sexual Assault Services Program	16.017	Various	-	21,677
For the Violence Against Women's Act	16.588	Various	-	18,132
Total U.S. Department of Justice			-	594,164
U.S. Department of Health & Human Services				
Passed through the Virginia Department of Social Services				
Temporary Assistance for Needy Families	93.558	CVS-19-057-A-03	-	60,350
Family Violence Prevention and Services Grant	93.671	CVS-19-057-A-03	-	70,000
COVID-19 Family Violence Prevention and Services Grant	93.671	CVS-19-057-A-03	-	16,756
Family Violence Prevention Program	93.667	CVS-19-057-A-03	-	4,600
Total U.S.Department of Health & Human Services			-	151,706
U.S. Department of Agriculture				
Pass-through from Virginia Department of Health				
Child and Adult Care Food Program	10.558	CACFP	-	24,083
U.S. Department of the Treasury				
Passed through from James City County				
COVID-19 Coronavirus Relief Fund	21.019		-	10,250
U.S Department of Housing and Urban Development				
Passed through the Virginia Sexual and Domestic Violence Action Alliance				
COVID-19 Continuum of Care Grant	14.267	20-HUD-Avalon	-	8,605
Total expenditures of federal awards			$ -	$ 788,808

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Avalon: A Center for Women and Children d/b/a Avalon Center (the Center) under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Center has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Pass-Through State Agencies

Expenditures of federal awards for funds passed through state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available. During the year ended June 30, 2021, the Center did not pass through any federal awards to subrecipients.

PBMares

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Avalon: A Center for Women and Children
d/b/a Avalon Center

We have audited, 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, the financial statements of Avalon: A Center for Women and Children d/b/a Avalon Center (the Center), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Newport News, Virginia
January 13, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
Avalon: A Center for Women and Children
d/b/a Avalon Center

Report on Compliance for the Major Federal Program

We have audited Avalon: A Center for Women and Children d/b/a Avalon Center's (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2021. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on the Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Newport News, Virginia
January 13, 2022

AVALON: A CENTER FOR WOMEN AND CHILDREN
d/b/a AVALON CENTER

SCHEDULE OF FINDING AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	√	No
Significant deficiency(ies) identified?	______	Yes	√	None Reported
Noncompliance material to financial statements noted?	______	Yes	√	No

Federal Awards

Internal control over major program:				
Material weakness(es) identified?	______	Yes	√	No
Significant deficiency(ies) identified?	______	Yes	√	None Reported

Type of auditor's report issued on compliance for major federal program: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 02 CFR 200.516(a)?	______	Yes	√	No

Identification of major program:

FALN Number	Name of Federal Program or Cluster
16.575	Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee?	√	Yes	______	No

SECTION II. FINANCIAL STATEMENT FINDING

No matters were reported.

SECTION III. FINDING AND QUESTIONED COSTS FOR FEDERAL AWARDS

No matters were reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2021

Identifying Number: 2020-001

Audit Finding:

2020-001: Significant Deficiency in Internal Controls –Management's review of allowable costs applied to grants does not include a detailed reconciliation of all supporting schedules.

Identification of the Federal Program: Crime Victim Assistance ALN 16.575, from the U.S. Department of Justice, passed through the Commonwealth of Virginia Department of Criminal Justice Services.

Criteria or specific requirement: The Department of Justice requires effective control and accountability for all grant and subgrant cash, real and personal property, and other assets. Recipients and subrecipients must adequately safeguard all such property and assure that it is used solely for authorized purposes. Also, the Department of Justice requires that the system should support making sure that Federal cost principles, agency program regulations, and the terms of grant and subgrant agreements are followed in determining the reasonableness, allowability, and allocability of funds.

Condition: During our testing of compliance, we noted differences in tracked costs considered allowable for the grant between the general ledger, the grant tracking worksheet and the cost submission reports.

Cause: Management does not review individual tracked costs considered allowable for the grant in the grant tracking spreadsheet against the general ledger and the cost submission reports.

Effect or Potential Effect: Tracked costs reported as allowable may be inaccurate.

Questioned Costs: $0

Identification as a Repeat Finding: Not a repeat finding.

Recommendation: On a quarterly basis, Finance Manager reconciles cost report submissions to the grantor to general ledger revenue to the grant tracking workbook that tracks costs for each grant before Executive Director reviews and approves expense report submissions and reconciliations to each grantor. Executive Director reviews total costs being submitted to the grantor quarterly for each expense category against the approved budget to ensure that they have time to submit a budget amendment request if there are additional expenses that could be applied in a different expense category.

Views of Responsible Officials: Management agrees and proposes to expand the procedures to performing a reconciliation of the statement of financial position to underlying documentation, including the general ledger, the grant tracking workbook, and the cost report submissions, and to review balances remaining on grants. Management agrees that dividing accounts in the accounting system's chart of accounts according to grant instead of grantor to make reporting and review clearer.

Corrective Action Taken:

On a quarterly basis, Finance Manager reconciled expense report submissions to the grantor to total general ledger costs to the grant tracking worksheet that tracks costs for each grant before Executive Director reviewed and approved expense report submissions and the reconciliation to each grantor. This activity was implemented by June 30, 2021. Executive Director reviewed total costs being submitted to the grantor quarterly for each expense category against the approved budget to ensure that they have time to submit a budget amendment request if there were additional expenses that could be applied in a different expense category. On a quarterly basis, Finance Manager performed a reconciliation of the statement of financial position to underlying documentation to review balances remaining on grants. Finance Manager divided accounts in the accounting system's chart of accounts according to grant instead of grantor to make reporting easier to review and variances easier to identify.

Contact Person:

Teresa L. Christin
Executive Director
Avalon Center
P.O. Box 6805
Williamsburg, VA 23188
(757) 258-5157 - Office