

Financial Statements
Year Ended
June 30, 2016



Beth W. Moore
Beth W. Moore, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

*Avalon: A Center for Women and Children
d/b/a Avalon Center*

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditors' Report

Board of Directors

Avalon: A Center for Women and Children
d/b/a Avalon Center

We have audited the accompanying financial statements of *Avalon: A Center for Women and Children d/b/a Avalon Center* (Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and net assets, 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.

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. 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 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 auditors consider internal control relevant to the Organization'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 Organization'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 *Avalon: A Center for Women and Children d/b/a Avalon Center* as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Beth W. Moore, CPA, PLLC

August 9, 2016

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*Avalon: A Center for Women and Children
d/b/a Avalon Center*

Statement of Financial Position

June 30, 2016

Assets

Current assets

Cash and cash equivalents	\$ 12,234
Cash and cash equivalents - restricted	10,455
Grants receivable	<u>154,411</u>

Total current assets 177,100

Property and equipment - net 1,134,250

\$ 1,311,350

Liabilities and Net Assets

Current liabilities

Note payable to bank	\$ 54,614
Current portion of obligations under capital lease	1,426
Accounts payable	10,510
Accrued expenses	<u>1,581</u>

Total current liabilities 68,131

Net Assets

Unrestricted	1,052,114
Temporarily restricted	180,650
Permanently restricted	<u>10,455</u>

Total net assets 1,243,219

\$ 1,311,350

The accompanying notes are an integral part of these financial statements.

*Avalon: A Center for Women and Children
d/b/a Avalon Center*

Statement of Activities and Net Assets

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Support				
Contributions	\$ 148,684	\$ 70,000	\$ 610	\$ 219,294
In-kind contributions	115,920	-	-	115,920
Special events - net	20,667	-	-	20,667
United Way	3,882	38,000	-	41,882
Foundation grants	97,059	-	-	97,059
Federal grants	92,979	-	-	92,979
State grants	382,958	-	-	382,958
Local grants	2,880	68,500	-	71,380
Net assets released from restriction	201,600	(201,600)	-	-
Total support	<u>1,066,629</u>	<u>(25,100)</u>	<u>610</u>	<u>1,042,139</u>
Revenue				
Rental	5,991	-	-	5,991
Miscellaneous	6,361	-	-	6,361
Total revenue	<u>12,352</u>	<u>-</u>	<u>-</u>	<u>12,352</u>
Total support and revenue	<u>1,078,981</u>	<u>(25,100)</u>	<u>610</u>	<u>1,054,491</u>
Expenses				
Program services	981,069	-	-	981,069
Management and general	126,514	-	-	126,514
Fundraising	37,883	-	-	37,883
Total expenses	<u>1,145,466</u>	<u>-</u>	<u>-</u>	<u>1,145,466</u>
Change in net assets	(66,485)	(25,100)	610	(90,975)
Net assets - beginning of year	<u>1,118,599</u>	<u>205,750</u>	<u>9,845</u>	<u>1,334,194</u>
Net assets - end of year	<u>\$ 1,052,114</u>	<u>\$ 180,650</u>	<u>\$ 10,455</u>	<u>\$ 1,243,219</u>

The accompanying notes are an integral part of these financial statements.

*Avalon: A Center for Women and Children
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Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Client assistance	\$ 4,657	\$ -	\$ -	\$ 4,657
Contract services	5,775	13,754	3,832	23,361
Depreciation	46,438	-	-	46,438
Dues and subscriptions	1,449	277	-	1,726
Employee benefits	20,695	5,074	86	25,855
Insurance	29,312	-	-	29,312
Interest	4,380	-	-	4,380
Licenses	-	475	-	475
Office	8,628	-	-	8,628
Other program expenses	5,493	-	-	5,493
Payroll taxes	58,565	7,583	1,805	67,953
Printing and postage	2,256	616	7,548	10,420
Rapid Rehousing	28,659	-	-	28,659
Rent and real estate taxes	30,000	-	-	30,000
Repairs and maintenance	18,228	-	-	18,228
Salaries and wages	542,667	93,962	24,092	660,721
Supplies	122,020	2,233	520	124,773
Telephone and communications	3,987	698	-	4,685
Training	2,487	-	-	2,487
Travel	2,113	-	-	2,113
Vehicle	1,780	-	-	1,780
Utilities	41,480	1,842	-	43,322
Total functional expenses	\$ 981,069	\$ 126,514	\$ 37,883	\$ 1,145,466

The accompanying notes are an integral part of these financial statements.

*Avalon: A Center for Women and Children
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Statement of Cash Flows

Year Ended June 30, 2016

Cash flows by operating activities	
Change in net assets	\$ (90,975)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	46,438
Changes in:	
Accounts receivable - other	13,720
Grants receivable	31,152
Accounts payable	4,375
Accrued expenses	<u>(7,487)</u>
Net cash from operating activities	<u>(2,777)</u>
Cash flows from investing activities	
Purchases of property and equipment	(1,195)
Increase in restricted cash for endowment funds	<u>(610)</u>
Net cash from investing activities	<u>(1,805)</u>
Cash flows from financing activities	
Net change in note payable to bank	54,614
Net decrease in notes payable - Ways to Work	(40,974)
Principal payments on obligation under capital lease	<u>(1,765)</u>
Net cash from financing activities	<u>11,875</u>
Net change in cash and cash equivalents	7,293
Cash and cash equivalents - beginning of the year	<u>4,941</u>
Cash and cash equivalents - end of the year	<u>\$ 12,234</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	\$ 4,380
Supplemental disclosure of noncash information	
Donated supplies	\$ 115,920

The accompanying notes are an integral part of these financial statements.

***Avalon: A Center for Women and Children
d/b/a Avalon Center***

Notes to Financial Statements

June 30, 2016

1. Organization and Nature of Activities

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Financial Statement Presentation

The Organization reports information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The classes of net assets are described as follows:

- ***Unrestricted*** amounts are those currently available, at the discretion of the Board of Directors, for use in the Organization's operations.
- ***Temporarily restricted*** amounts are those that are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and net assets as net assets released from restriction.
- ***Permanently restricted*** amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

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 Organization 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 Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains cash accounts with high credit quality financial institutions. Collected funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to the legal limit. At June 30, 2016, the banks' collected balances were fully insured by the FDIC.

Grants Receivable and Allowance for Doubtful Accounts

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.

Property and Equipment

Property and equipment are stated at cost. Donated property is recorded at fair market value at date of receipt. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. 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 and net assets. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	3 - 10
Computer software	3
Furniture and fixtures	5 - 10
Building and improvements	5 - 27.5

Temporarily and Permanently Restricted Net Assets

Monies received from the public and not designated for a specific use are recognized as contributions when received and are reported as unrestricted funds.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and net assets as net assets released from restriction. The temporarily restricted net assets at June 30, 2016 relate to grants for fiscal year 2017. Permanently restricted net assets at June 30, 2016 of \$10,455 relate to the Organization's contributions received to fund its endowment.

Functional Expenses

The Organization 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.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a qualified charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined that it does not have any material unrecognized income tax benefits or obligations as of June 30, 2016. Fiscal years ending on or after June 30, 2013, remain subject to examination by federal and state tax authorities.

Advertising Costs

Advertising costs are expensed as incurred and were \$-0- for 2016.

Donated Materials and Services

The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization 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 Organization 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 and net assets 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 restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed supplies for the shelter of \$115,920 have been reflected in the statement of activities and net assets.

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.

3. Grants Receivable

Grants receivable of \$154,411 consist of grants due in less than one year as follows:

Federal	\$	4,883
State		39,028
Local		110,500
	\$	<u>154,411</u>

4. Property and Equipment

Property and equipment at June 30, 2016 consist of the following:

Machinery and equipment	\$ 145,926
Computer software	1,445
Furniture and fixtures	18,248
Land	200,000
Building and improvements	948,556
	<hr/>
	1,314,175
Less - accumulated depreciation	(179,925)
	<hr/>
	\$ 1,134,250

Depreciation expense for 2016 was \$46,438.

5. Note Payable to Bank

The Organization has available a \$200,000 unsecured line of credit demand note payable with Chesapeake Bank. The variable interest rate is charged at the Wall Street Journal prime lending rate plus 1% with a 5.5% floor (5.5% at June 30, 2016). The note matures September 10, 2017. The balance at June 30, 2016 was \$54,614.

6. Temporarily Restricted and Permanently Restricted Net Assets

Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that temporarily limit the use of the donated assets. When a donor restriction is satisfied, by either passage of time or action, temporarily restricted net assets are reclassified to unrestricted net assets. When restrictions are met in the same fiscal year the restricted support is received, the gift is classified as unrestricted support. The Organization had \$180,650 in temporarily restricted net assets at June 30, 2016 as follows:

Board development	\$ 4,150
Rapid Rehousing	70,000
United Way	38,000
Grants receivable - local government	68,500
	<hr/>
	\$ 180,650

The Organization had \$10,455 in permanently restricted net assets at June 30, 2016 from contributions received to fund its endowment with the Williamsburg Community Foundation. Future earnings on the permanently restricted funds will be reflected as board designated endowment funds until utilized.

7. Special Events

The Organization hosted fundraising events during 2016. Revenues and expenses related to such special events are as follows:

Special events revenue	\$ 26,940
Less - direct cost of special events	<u>(6,273)</u>
	<u>\$ 20,667</u>

8. Capital Lease

The Organization entered into a capital lease for computer equipment. The lease agreement contains a bargain purchase option at the conclusion of the lease term and has a stated interest rate of 9.99%. Future minimum lease payments under the lease are as follows:

2017	\$ 1,484
Less amount representing interest	<u>(58)</u>
Present value of net minimum obligation	<u>\$ 1,426</u>

Property and equipment held under the capital lease are as follows:

Computer equipment	\$ 16,134
Less - accumulated depreciation	<u>(16,134)</u>
	<u>\$ -</u>

Interest expense on the above capital lease was \$239 for 2016.

9. Operating Leases

In July 2013, the Organization amended its seven-year lease for its office space. The monthly rent is \$2,500. The landlord will donate \$417 per month which the Organization shall submit for Neighborhood Assistance Program (NAP) tax credits, on behalf of the landlord. This lease will be renegotiated each year depending upon the amount NAP tax credits awarded. Rent expense for 2016 was \$30,000 and is included in rent and real estate taxes in the statement of functional expenses.

The Organization entered in a 60-month operating lease for a copier, which expires February 2019, requiring rent payments of \$627. Lease expense for 2016 was \$7,524 and is included in office expense in the statement of functional expenses.

Future minimum payments due under this lease are as follows:

2017	\$ 7,524
2018	7,524
2019	<u>5,017</u>
	<u>\$ 20,065</u>

10. Commitments and Contingencies

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

11. Concentrations

A significant portion of the Organization's support is from federal, Virginia and local government grants. These grants are earned by the Organization based on its services. For 2016, approximately 61% of the Organization's support was provided by these government grants.

12. Retirement Plan

The Organization offers a 403(b) savings plan to all employees. The Organization does not make contributions to the plan on behalf of the employees.

13. Subsequent Events

In July, the Organization received a grant award from the Virginia Department of Social Services for a maximum of \$150,000. It also received a grant from the Virginia Department of Criminal Justice Services for \$488,833. Both grants are for the year ending June 30, 2017 and require services be provided in accordance with the related contracts.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2016, the date the financial statements were available to be issued.

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