

Financial Statements
Year Ended
June 30, 2017



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

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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, 2017, 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, 2017, 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 Moore & Associates, CPAs

August 17, 2017

Expertise ~ Attention ~ Agility

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

Statement of Financial Position

June 30, 2017

Assets

Current assets

Cash and cash equivalents	\$ 52,542
Grants receivable	279,189
Security deposits	650
Prepaid expenses	9,157

Total current assets 341,538

Property and equipment - net 1,099,424

Other assets

Security deposit	2,900
Beneficial interest in assets held by others	10,664

Total other assets 13,564

\$ 1,454,526

Liabilities and Net Assets

Current liabilities

Note payable to bank	\$ 264,009
Accounts payable and accrued expenses	71,687

Total current liabilities 335,696

Net Assets

Unrestricted	1,020,666
Unrestricted - board designated	209
Temporarily restricted	87,500
Permanently restricted	10,455

Total net assets 1,118,830

\$ 1,454,526

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
Support				
Contributions	\$ 218,086	\$ -	\$ -	\$ 218,086
In-kind contributions	84,870	-	-	84,870
Special events - net	35,204	-	-	35,204
United Way	4,721	19,000	-	23,721
Foundation grants	95,366	-	-	95,366
Federal grants	17,397	-	-	17,397
State grants	781,019	-	-	781,019
Local grants	4,029	68,500	-	72,529
Net assets released from restriction	180,650	(180,650)	-	-
Total support	<u>1,421,342</u>	<u>(93,150)</u>	<u>-</u>	<u>1,328,192</u>
Revenue				
Rental	515	-	-	515
Miscellaneous	4,052	-	-	4,052
Change in beneficial interest in assets held by others	209	-	-	209
Total revenue	<u>4,776</u>	<u>-</u>	<u>-</u>	<u>4,776</u>
Total support and revenue	<u>1,426,118</u>	<u>(93,150)</u>	<u>-</u>	<u>1,332,968</u>
Expenses				
Program services	1,208,141	-	-	1,208,141
Management and general	166,652	-	-	166,652
Fundraising	82,564	-	-	82,564
Total expenses	<u>1,457,357</u>	<u>-</u>	<u>-</u>	<u>1,457,357</u>
Change in net assets	<u>(31,239)</u>	<u>(93,150)</u>	<u>-</u>	<u>(124,389)</u>
Net assets - beginning of year	<u>1,052,114</u>	<u>180,650</u>	<u>10,455</u>	<u>1,243,219</u>
Net assets - end of year	<u>\$ 1,020,875</u>	<u>\$ 87,500</u>	<u>\$ 10,455</u>	<u>\$ 1,118,830</u>

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 Functional Expenses

Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Client assistance	\$ 2,908.00	\$ -	\$ -	\$ 2,908.00
Contract services	5,688	12,657	3,636	21,981
Depreciation	45,227	-	-	45,227
Dues and subscriptions	2,529	125	-	2,654
Employee benefits	30,146	10,017	3,987	44,150
Insurance	25,948	-	-	25,948
Interest	11,102	-	-	11,102
Licenses	-	325	-	325
Office	9,327	-	-	9,327
Other program expenses	6,804	-	-	6,804
Payroll taxes	71,245	9,506	4,390	85,141
Printing and postage	118	633	10,900	11,651
Rapid Rehousing	17,205	-	-	17,205
Rent	33,350	-	-	33,350
Repairs and maintenance	12,651	-	168	12,819
Salaries and wages	763,920	124,256	57,386	945,562
Supplies	112,078	4,728	938	117,744
Telephone and communications	4,876	-	-	4,876
Training	2,709	1,938	850	5,497
Travel	3,242	-	309	3,551
Vehicle	2,238	-	-	2,238
Utilities	44,830	2,467	-	47,297
Total functional expenses	\$ 1,208,141	\$ 166,652	\$ 82,564	\$ 1,457,357

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 Cash Flows

Year Ended June 30, 2017

Cash flows from operating activities	
Change in net assets	\$ (124,389)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	45,227
Change in beneficial interest in assets held by others	(209)
Changes in:	
Grants receivable	(124,778)
Security deposit	(3,550)
Prepaid expenses	(9,157)
Accounts payable and accrued expenses	59,596
Net cash from operating activities	<u>(157,260)</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(10,401)</u>
Cash flows from financing activities	
Net change in note payable to bank	209,395
Principal payments on obligation under capital lease	(1,426)
Net cash from financing activities	<u>207,969</u>
Net change in cash and cash equivalents	40,308
Cash and cash equivalents - beginning of the year	<u>12,234</u>
Cash and cash equivalents - end of the year	<u>\$ 52,542</u>
Supplemental disclosure of cash flow information	
Cash paid for interest	\$ 11,102
Supplemental disclosure of noncash information	
Donated supplies	\$ 84,870

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, 2017

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, 2017, 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, 2017 relate to grants for fiscal year 2018 or donor restricted funds. Permanently restricted net assets at June 30, 2017 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, 2017. Fiscal years ending on or after June 30, 2014, remain subject to examination by federal and state tax authorities.

Advertising Costs

Advertising costs are expensed as incurred and were \$-0- for 2017.

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 \$84,870 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 consist of grants due in less than one year as follows:

Federal	\$	1,544
State		194,895
Local		82,750
	\$	<u>279,189</u>

4. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Machinery and equipment	\$ 139,866
Computer software	1,445
Furniture and fixtures	19,517
Land	200,000
Building and improvements	952,866
	<hr/>
	1,313,694
Less - accumulated depreciation	(214,270)
	<hr/>
	\$ 1,099,424

Depreciation expense for 2017 was \$45,227.

5. Beneficial Interest in Assets Held By Others

The Organization has a beneficial interest in its endowment investments held by an outside third party, Williamsburg Community Foundation (Foundation). The Organization's Board of Directors (Board) approved the initial transfer of endowment funds to the Foundation. The Organization's Board determines future distributions to the Organization from the Foundation. The Organization's endowment funds are included in the pooled investments that the Foundation invests on behalf of the Organization. The beneficial interest in assets held by others was \$10,664 at June 30, 2017.

6. Note Payable to Bank

The Organization has available a \$300,000 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, 2017). The note matured in September 2017. The balance at June 30, 2017 was \$264,009. In September 2017, the Organization established a line of credit demand note payable with a new bank.

7. 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's temporarily restricted net assets at June 30, 2017 are as follows:

United Way	\$ 19,000
Local government	68,500
	<hr/>
	\$ 87,500

The Organization has \$10,455 in permanently restricted net assets at June 30, 2017 from contributions received to fund its endowment held by the Foundation. Future earnings on the permanently restricted funds will be reflected as board designated - endowment funds until utilized.

8. Special Events

The Organization hosted fundraising events during 2017. Revenues and expenses related to such special events are as follows:

Special events revenue	\$ 43,540
Less - direct cost of special events	<u>(8,336)</u>
	<u>\$ 35,204</u>

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. In 2017, rent expense was \$30,000 and is included in rent in the statement of functional expenses.

In June 2017, the Organization signed a seven-year lease for its new office space which includes additional needed space for youth services the program funded by a grant, beginning August 2017 and expiring June 2024. The monthly rent is \$3,450 with an annual escalation of 3%. The landlord has agreed to make a yearly donation of \$5,000 to the Organization. The Organization will allocate this donation to Neighborhood Assistance Program (NAP) tax credits, on behalf of the landlord.

The Organization entered in a 60-month operating lease for a copier, which expires February 2019, requiring monthly lease payments of \$627. Lease expense for 2017 was \$7,524 and is included in office expense in the statement of functional expenses.

Future minimum payments due under these leases are as follows:

2018	\$ 48,924
2019	47,659
2020	43,941
2021	45,239
2022	46,596
Thereafter	<u>97,428</u>
	<u>\$ 329,787</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 were awarded to the Organization based on its services. For 2017, approximately 65% 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 preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 17, 2017, the date the financial statements were available to be issued.

In September 2017, the Organization opened a new \$400,000 line of credit demand note payable with Sonabank. The variable interest rate is charged at the Wall Street Journal prime lending rate plus .5% with a 4.75% floor. The note matures in September 2019.

In September 2017, the Board of Directors approved the expansion of the Organization's services to the Middle Peninsula. The Organization was awarded a \$300,000 grant from the state to assist the Organization's expansion.

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