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

FINANCIAL REPORT

JUNE 30, 2023

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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* 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 January 31, 2024 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 31, 2024

FINANCIAL STATEMENTS

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

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

		2023		2022
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**290,538**	$	371,920
Grants receivable		**134,420**		164,839
Inventory		**9,068**		6,678
Prepaid expenses		**2,522**		2,439
Total current assets		**436,548**		545,876
Property and Equipment, net		**1,060,827**		1,033,599
Other Assets				
Operating right-of-use assets		**532,763**		-
Finance right-of-use assets		**1,774**		-
Security deposits		**4,400**		14,400
Beneficial interest in assets held by others		**16,403**		14,677
Total other assets		**555,340**		29,077
Total assets	**$**	**2,052,715**	$	1,608,552
LIABILITIES AND NET ASSETS				
Current Liabilities				
Current portion of operating lease liabilities	**$**	**63,828**	$	-
Current portion of finance lease liabilities		**1,796**		-
Accounts payable and accrued expenses		**60,689**		28,713
Total current liabilities		**126,313**		28,713
Other Liabilities				
Operating lease liabilities, net of current maturities		**470,722**		-
Total liabilities		**597,035**		28,713
Net Assets				
Without donor restrictions		**1,376,680**		1,486,839
With donor restrictions		**79,000**		93,000
Total net assets		**1,455,680**		1,579,839
Total liabilities and net assets	**$**	**2,052,715**	$	1,608,552

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	$ 257,533	$ -	$ 257,533
In-kind contributions	87,429	-	87,429
Special events, net of expenses of $10,029	19,777	-	19,777
United Way	8,957	-	8,957
Foundation grants	23,377	-	23,377
Federal and state grants	1,030,503	-	1,030,503
Local grants	-	79,000	79,000
Net assets released from restriction	93,000	(93,000)	-
Total support	1,520,576	(14,000)	1,506,576
Revenue			
Miscellaneous	5,312	-	5,312
Gain on the sale of assets	930	-	930
Change in beneficial interest in assets held by others	1,726	-	1,726
Total revenue	7,968	-	7,968
Total support and revenue	1,528,544	(14,000)	1,514,544
Expenses			
Program services	1,456,997	-	1,456,997
Management and general	103,155	-	103,155
Fundraising	78,551	-	78,551
Total expenses	1,638,703	-	1,638,703
Change in net assets	(110,159)	(14,000)	(124,159)
Net Assets - beginning of year	1,486,839	93,000	1,579,839
Net Assets - end of year	$ 1,376,680	$ 79,000	$ 1,455,680

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support			
Contributions	$ 306,415	$ -	$ 306,415
In-kind contributions	80,300	-	80,300
Special events, net of expenses of $7,521	13,687	-	13,687
United Way	7,327	15,000	22,327
Foundation grants	63,100	-	63,100
Federal and state grants	1,152,342	-	1,152,342
Local grants	5,000	78,000	83,000
Net assets released from restriction	89,898	(89,898)	-
Total support	1,718,069	3,102	1,721,171
Revenue			
Miscellaneous	3,158	-	3,158
Change in beneficial interest in assets held by others	(2,255)	-	(2,255)
Total revenue	903	-	903
Total support and revenue	1,718,972	3,102	1,722,074
Expenses			
Program services	1,395,877	-	1,395,877
Management and general	123,312	-	123,312
Fundraising	55,003	-	55,003
Total expenses	1,574,192	-	1,574,192
Change in net assets	144,780	3,102	147,882
Net Assets - beginning of year	1,342,059	89,898	1,431,957
Net Assets - end of year	$ 1,486,839	$ 93,000	$ 1,579,839

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

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Client assistance	$ 81,301	$ -	$ -	$ 81,301
Contractual services	28,838	21,775	9,428	60,041
Depreciation	46,285	8,168	-	54,453
Dues and subscriptions	2,720	-	-	2,720
Employee benefits and taxes	108,605	7,902	8,285	124,792
Insurance	26,160	4,617	-	30,777
Interest	8,001	-	-	8,001
Licenses	-	450	-	450
Office	2,541	-	74	2,615
Other program expenses	859	-	-	859
Printing and postage	255	494	12,127	12,876
Lease expense	60,188	9,530	4,871	74,589
Repairs and maintenance	14,780	2,592	-	17,372
Salaries and wages	892,726	39,346	41,252	973,324
Supplies	97,703	4,098	1,493	103,294
Telephone and communications	6,655	619	-	7,274
Training	-	2,502	925	3,427
Travel	3,989	-	-	3,989
Utilities	74,209	1,062	96	75,367
Vehicle	1,182	-	-	1,182
Total functional expenses	$ 1,456,997	$ 103,155	$ 78,551	$ 1,638,703

AVALON: A CENTER FOR WOMEN AND CHILDREN
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STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Client assistance	$ 48,686	$ -	$ -	$ 48,686
Contractual services	56,268	20,389	4,725	81,382
Depreciation	41,970	7,406	-	49,376
Dues and subscriptions	448	40	-	488
Employee benefits and taxes	110,312	10,606	5,659	126,577
Insurance	24,482	4,320	-	28,802
Interest	9,779	-	-	9,779
Licenses	-	4,685	-	4,685
Office	2,316	417	-	2,733
Other program expenses	713	-	-	713
Printing and postage	122	701	12,411	13,234
Rent	61,773	10,147	4,766	76,686
Repairs and maintenance	13,667	2,471	-	16,138
Salaries and wages	853,189	51,356	27,242	931,787
Supplies	99,852	6,132	116	106,100
Telephone and communications	6,519	1,199	-	7,718
Training	-	1,863	-	1,863
Travel	1,793	337	-	2,130
Utilities	61,858	1,243	84	63,185
Vehicle	2,130	-	-	2,130
Total functional expenses	$ 1,395,877	$ 123,312	$ 55,003	$ 1,574,192

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

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (124,159)	$ 147,882
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	54,453	49,376
Gain on sale of assets	(930)	-
Change in beneficial interest in assets held by others	(1,726)	2,255
Changes in:		
Grants receivable	30,419	(28,940)
Inventory	(2,390)	(3,000)
Prepaid expenses	(83)	7,492
Operating right-of-use assets	64,497	-
Finance right-of-use assets	1,935	-
Security deposits	10,000	(8,850)
Operating lease liabilities	(62,710)	-
Finance lease liabilities	(1,913)	-
Accounts payable and accrued expenses	31,976	(322)
Net cash provided by (used in) operating activities	(631)	165,893
Cash Flows from Investing Activities		
Proceeds from the sale of property and equipment	930	-
Purchases of property and equipment	(81,681)	(35,240)
Net cash used in investing activities	(80,751)	(35,240)
Cash Flows from Financing Activities		
Net payments on line of credit	-	(37,500)
Net cash used in financing activities	-	(37,500)
Net change in cash and cash equivalents	(81,382)	93,153
Cash and Cash Equivalents:		
Beginning of year	371,920	278,767
End of year	$ 290,538	$ 371,920

See Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2023 and 2022

		2023		2022
Supplemental Disclosures of Cash Flow Information				
Cash paid for interest	**$**	**4,736**	$	6,488
Payments on leases		**72,780**		-
Supplemental Disclosures of Non-Cash Activity				
Donated goods and services	**$**	**87,429**	$	80,300
Operating right-of-use assets obtained in exchange for lease obligations		**597,260**		-
Finance right-of-use assets obtained in exchange for lease obligations		**3,709**		-

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. When a donor restriction is met in the year the contribution is recorded, it is recorded as without donor restrictions on the statement of activities.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Inventory: 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

Leases: Effective July 1, 2022, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases,* and all related amendments using the optional transition method to the modified retrospective method, which eliminates the requirement to restate prior-period financial statements. Under this transition method, the Center has applied FASB Account Standards Codification (ASC) 842 to reporting periods on July 1, 2022, while periods continue to be reported and disclosed in accordance with the Center's historical accounting treatment under ASC 840, *Leases.*

Adoption of ASC 842 resulted in the recording of right-of-use (ROU) assets and lease liabilities related to the Center's operating leases of $597,260 and financing leases of $3,709 at July 1, 2022. The adoption of the new lease standard did not impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

As part of the new adoption, the Center has elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (i) whether the existing contracts contain a lease, (ii) the lease classification or (iii) unamortized initial direct costs for existing leases; and have elected to apply hindsight to existing leases. Additionally, the Center has made accounting policy elections such as exclusion of short-term leases (leases with terms of 12 months or less and which do not include a purchase option that they are reasonably certain to exercise) from statement of financial position presentation.

At contract commencement, the Center determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. The Center does not separate lease components for real estate leases.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (continued): For leases that have a lease term greater than one year, the Center initially recognizes current and non-current lease liabilities and ROU assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Center. ROU assets represent the Center's right to use an underlying asset for the lease term and current and non-current lease liabilities represent the present value of the Center's obligation to make lease payments over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate in the lease agreement is not readily determinable, the Center uses its incremental borrowing rate.

The incremental borrowing rate for the lease term is determined by adjusting the Center's unsecured borrowing rate for a similar term to approximate a collateralized borrowing rate. The Center's lease terms for each of its lease represents the non-cancelable period for which the Center has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Center is reasonably certain to exercise that option, (ii) periods covered by an option to terminate the lease if the Center is reasonably certain to not exercise that option, and (iii) periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Center recognizes lease expense as an operating expense on a straight-line basis over the lease term.

See Note 8 for additional information regarding leases.

Revenue recognition: The Center recognizes its revenue in accordance with FASB ASC 606, *Revenue from Contacts with Customers.* ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to 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.

FASB 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)

Income taxes (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, such as similar priced goods and services. 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 $87,429 and $80,300 have been reflected in the statement of activities as In-kind contributions for the year ended June 30, 2023 and 2022, respectively.

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.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the prior period reported results.

Subsequent events: In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through January 31, 2024, the date the financial statements were available to be issued. The Center determined that there are no subsequent events, that are required to be disclosed pursuant to the FASB ASC.

Note 3. Property and Equipment

Property and equipment at June 30, 2023 and 2022 consists of the following:

	2023	2022
Machinery and equipment	$ 168,443	$ 112,677
Furniture and fixtures	19,517	19,517
Land	200,000	200,000
Building and improvements	1,120,403	1,099,763
	1,508,363	1,431,957
Less accumulated depreciation	(447,536)	(398,358)
	$ 1,060,827	$ 1,033,599

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.

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.

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

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.

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). ASC 820 classifies the inputs used to measure fair value into a hierarchy. The Center's only asset measured under ASC 820 is the beneficial interest in assets held by others.

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:

	2023	2022
Fair value, beginning of year	**$ 14,677**	$ 16,932
Fees	**(250)**	(417)
Net appreciation (depreciation)	**1,976**	(1,838)
Fair value, end of year	**$ 16,403**	$ 14,677

Note 6. 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 4.75 % (13.00% and 5.15% at June 30, 2023 and 2022, respectively). The line of credit matures March 31, 2024. The balance at June 30, 2023 and 2022 was $0.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of time restrictions. Time restrictions are generally related to pledges receivable and are released when collected, if not further restricted as to purpose. The Center's net assets with donor restrictions at June 30, 2023 and 2022 are as follows:

	2023	2022
Time Restricted		
United Way grant receivable	**$ -**	$ 15,000
Local government grants receivable	**79,000**	78,000
	$ 79,000	$ 93,000

Note 8. Leases

Effective October 1, 2021, the Center signed an operating lease agreement for office space for $4,400 per month through July 31, 2033. Annually rent will escalate $30 more per month on August 1 of each year starting August 1, 2023, until the lease expires on July 31, 2033.

Effective July 1, 2021, the Center signed a three-year operating lease for office space expiring July 1, 2024 for $750 per month.

Effective December 1, 2021, the Center signed a three-year operating lease for office space expiring December 1, 2024 for $750 per month.

In February 2019, the Center entered in a 63-month finance lease for a copier, which expires May 2024, requiring monthly lease payments of $165.

Operating lease cost is recognized on a straight-line basis over the terms of the lease. Finance lease cost is recognized as a combination of amortization expense for the ROU asset and interest expense for the outstanding lease liabilities and results in a front-loaded expense pattern over the lease term. Components of lease expense are as follows for the year ended June 30, 2023:

Operating lease expense	**$ 72,587**
Finance lease interest	**67**
Finance lease amortization	**1,935**
Total	**$ 74,589**

Note 8. Leases (Continued)

Supplemental balance sheet information related to leases is as follows as of June 30, 2023:

Weighted-Average Remaining Lease Term for Finance Leases	0.92 years
Weighted-Average Remaining Lease Term for Operating Leases	9.72 years
Weighted-Average Discount Rate for Finance Leases	2.51%
Weighted-Average Discount Rate for Operating Leases	1.45%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

Years	Finance	Operating
2024	$ 1,815	$ 71,130
2025	-	57,240
2026	-	53,850
2027	-	54,210
2028	-	54,570
Thereafter	-	282,950
Total lease payments	1,815	573,950
Less imputed interest	(19)	$ (39,400)
	$ 1,796	$ 534,550

In accordance with U.S. GAAP in effect prior to the adoption of ASU 2016-02, *Leases* (Topic 842), total lease expense was $76,686 for the year ended June 30, 2022.

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. Approximately 68% and 72% of the Center's support was provided by these government grants for the years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the Center had $134,420 and $149,839 in receivables from federal, state and local governments, respectively.

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 years ended June 30, 2023 and 2022, 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:

		2023		2022
Financial Assets:				
Cash and cash equivalents	**$**	**290,538**	$	371,920
Grants receivable		**55,420**		71,839
Total financial assets available within one year		**345,958**		443,759
Liquidity Resources:				
Bank line of credit		**500,000**		500,000
Total financial assets and liquidity resources available within one year	**$**	**845,958**	$	943,759

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 $16,403 and $14,677 as described in Note 4 at June 30, 2023 and 2022, respectively. 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.

COMPLIANCE SECTION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

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	22-C3475VP20	$ -	$ 527,053
Sexual Assault Services Formula Program	16.017	Various	-	27,995
Violence Against Women Formula Grants	16.588	Various	-	18,810
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violent, Stalking, or Sexual Assault	16.736	15JOVW-21-GG-02056-TRAN	-	17,950
Total U.S. Department of Justice			-	591,808
U.S. Department of Treasury				
COVID-19 State and Local Fiscal Recovery Funds	21.027	22-A3475ARRF	-	158,727
			-	158,727
U.S. Department of Health & Human Services				
Passed through the Virginia Department of Social Services				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	FAM-22-078-03	-	100,000
Social Services Block Grant	93.667	FAM-22-078-03	-	52,291
Total U.S. Department of Health & Human Services			-	152,291
U.S. Department of Agriculture				
Pass-through from Virginia Department of Health				
Child and Adult Care Food Program	10.558	10379	-	8,126
U.S Department of Housing and Urban Development				
Passed through the Virginia Sexual and Domestic Violence Action Alliance				
COVID-19 Continuum of Care Program	14.267	VA0390D3F211900	-	41,644
Total expenditures of federal awards			$ -	$ 952,596

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, 2023

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, 2023. 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, 2023, the Center did not pass through any federal awards to subrecipients.

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 the 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, 2023, 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 31, 2024.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 31, 2024

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

Opinion on 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, 2023. 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.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 31, 2024

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

SCHEDULE OF FINDING AND QUESTIONED COSTS
Year Ended June 30, 2023

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.

SECTION IV. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None