



DOWNTOWN **WOMEN'S** CENTER

Homelessness ends here.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

WITH SUMMARY COMPARATIVE INFORMATION FOR 2017

-PUBLIC DISCLOSURE COPY-

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Downtown Women's Center:

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Downtown Women's Center as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Downtown Women's Center adopted Accounting Standards Update (ASU) no. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Downtown Women's Center 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 16, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Housing of the California Department of Housing and Community Development and the California Housing Finance Agency*, we have also issued a report dated October 9, 2019 on our consideration of Downtown Women's Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral report of an audit performed in accordance with *Government Auditing Standards* and the requirements of the *Audited Financial Statement Handbook for Multifamily Rental Housing of the California Department of Housing and Community Development and the California Housing Finance Agency*, in considering Downtown Women's Center's internal control over financial reporting and compliance.



Long Beach, California
October 9, 2019

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
ASSETS				
Cash and cash equivalents	\$ 1,123,940	\$ -	\$ 1,123,940	\$ 182,662
Investments	2,553,051	1,113,401	3,666,452	3,778,742
Accounts receivable, net	1,079,425	-	1,079,425	1,074,432
Promises to give, net	275,052	1,101,852	1,376,904	156,591
Prepays and other assets	73,956	-	73,956	117,085
Restricted cash	1,655,702	-	1,655,702	1,551,339
Property and equipment, net	<u>24,312,001</u>	<u>5,480,000</u>	<u>29,792,001</u>	<u>30,555,699</u>
TOTAL ASSETS	<u>\$ 31,073,127</u>	<u>\$ 7,695,253</u>	<u>\$ 38,768,380</u>	<u>\$ 37,416,550</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 508,720	\$ -	\$ 508,720	\$ 539,235
Line of credit	2,260,000	-	2,260,000	1,050,000
Loans payable	<u>19,108,338</u>	<u>-</u>	<u>19,108,338</u>	<u>19,280,838</u>
Total Liabilities	<u>21,877,058</u>	<u>-</u>	<u>21,877,058</u>	<u>20,870,073</u>

COMMITMENTS AND CONTINGENCIES

(Notes 9,10 and 11)

NET ASSETS	<u>9,196,069</u>	<u>7,695,253</u>	<u>16,891,322</u>	<u>16,546,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,073,127</u>	<u>\$ 7,695,253</u>	<u>\$ 38,768,380</u>	<u>\$ 37,416,550</u>

See Independent Auditors' Report

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

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE TOTALS FOR 2017**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
SUPPORT AND REVENUES:				
Support:				
Grant income	\$ 3,393,517	\$ 2,663,949	\$ 6,057,466	\$ 4,511,197
Contributions	1,734,994	-	1,734,994	1,174,049
Capital campaign	-	971,852	971,852	-
Special event income (net of direct expense of \$174,521 and \$219,084)	483,217	-	483,217	577,405
In-kind support	778,088	-	778,088	1,076,263
Debt forgiveness	172,500	-	172,500	172,500
Total Support	<u>6,562,316</u>	<u>3,635,801</u>	<u>10,198,117</u>	<u>7,511,414</u>
 Other Revenues:				
Net investment return	(131,324)	-	(131,324)	464,794
Rental income	771,037	-	771,037	806,793
Social enterprise income	339,010	-	339,010	313,310
Other revenues	23,418	-	23,418	38,079
Net assets released from restrictions	2,035,424	(2,035,424)	-	-
Total Other Revenues	<u>3,037,565</u>	<u>(2,035,424)</u>	<u>1,002,141</u>	<u>1,622,976</u>
Total Support and Other Revenues	<u>9,599,881</u>	<u>1,600,377</u>	<u>11,200,258</u>	<u>9,134,390</u>
 EXPENSES				
Program services	8,727,220	-	8,727,220	8,030,984
Fundraising	1,014,926	-	1,014,926	1,035,919
Management and general	1,113,267	-	1,113,267	1,010,386
Total Expenses	<u>10,855,413</u>	<u>-</u>	<u>10,855,413</u>	<u>10,077,289</u>
 CHANGE IN NET ASSETS	 (1,255,532)	 1,600,377	 344,845	 (942,899)
 NET ASSETS, BEGINNING OF YEAR	 <u>10,451,601</u>	 <u>6,094,876</u>	 <u>16,546,477</u>	 <u>17,489,376</u>
 NET ASSETS, END OF YEAR	 <u>\$ 9,196,069</u>	 <u>\$ 7,695,253</u>	 <u>\$ 16,891,322</u>	 <u>\$ 16,546,477</u>

See Independent Auditors' Report

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

DOWNTOWN WOMEN'S CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Program Services				Fundraising	Management and General	Total	
	Health and Wellness	Housing	Other	Total			2018	2017
Salaries	\$ 1,540,211	\$ 2,197,466	\$ 235,923	\$ 3,973,600	\$ 524,103	\$ 434,733	\$ 4,932,436	\$ 4,134,145
Benefits	358,123	519,435	51,639	929,197	157,783	40,472	1,127,452	887,530
In-kind - Program Supplies	778,088	-	-	778,088	-	-	778,088	1,035,972
Housing	83,928	643,500	3,135	730,563	-	-	730,563	554,378
Utilities, Telephone and Facilities	234,223	343,011	24,436	601,670	34,447	66,752	702,869	610,184
Health and Wellness	204,490	4,204	169	208,863	-	-	208,863	222,797
Consulting	16,619	144,660	24,565	185,844	104,787	52,447	343,078	520,673
Store Expenses	66,421	83,740	7,593	157,754	17,514	-	175,268	180,922
Repairs and Maintenance	46,881	66,220	5,195	118,296	8,434	6,350	133,080	172,762
Travel and Transportation	14,954	79,385	1,462	95,801	4,789	5,502	106,092	90,224
Insurance	33,200	47,659	3,421	84,280	5,733	4,391	94,404	101,725
Printing and Postage	18,793	23,190	2,159	44,142	11,690	12,078	67,910	79,196
Miscellaneous	19,452	21,037	2,158	42,647	7,963	5,304	55,914	139,742
Office Supplies	15,139	20,705	2,769	38,613	4,450	9,765	52,828	52,823
Staff Training	12,333	15,070	4,272	31,675	2,502	1,031	35,208	55,166
Meals and Entertainment	9,861	11,788	1,807	23,456	5,501	3,006	31,963	-
Workforce Development	-	1,119	17,276	18,395	-	-	18,395	16,448
Taxes, Licenses, Permits	5,910	8,172	605	14,687	1,678	3,608	19,973	10,044
Technology	3,089	3,968	347	7,404	8,441	78,513	94,358	141,614
Accounting and Legal	-	-	-	-	-	143,834	143,834	45,321
In-kind - Professional Services	-	-	-	-	-	-	-	40,291
Interest Expense	-	-	-	-	-	102,787	102,787	65,369
Bank Fees	-	-	-	-	-	70,666	70,666	69,903
Total expenses before depreciation	3,461,715	4,234,329	388,931	8,084,975	899,815	1,041,239	10,026,029	9,227,229
Depreciation	18,292	621,898	2,055	642,245	115,111	72,028	829,384	850,060
2018 Total expenses	\$ 3,480,007	\$ 4,856,227	\$ 390,986	\$ 8,727,220	\$ 1,014,926	\$ 1,113,267	\$ 10,855,413	
2017 Total expenses	\$ 3,103,008	\$ 2,937,629	\$ 1,990,347	\$ 8,030,984	\$ 1,035,919	\$ 1,010,386		\$ 10,077,289
Percentage of total expenses:								
2018	32%	45%	4%	80%	10%	10%	100%	
2017	31%	29%	20%	80%	10%	10%		100%

See Independent Auditors' Report

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

DOWNTOWN WOMEN'S CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 344,845	\$ (942,899)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock donations received	(52,652)	(66,726)
Unrealized loss (gain) on investments	263,795	(342,343)
Forgiveness of loan	(172,500)	(172,500)
Depreciation	829,384	850,060
Changes in:		
Accounts receivable	(4,993)	(124,002)
Promises to give, net	(1,220,313)	454,441
Prepays and other assets	43,129	(49,267)
Accounts payable and accrued expenses	(30,515)	(28,568)
Net Cash Provided By (Used In) Operating Activities	180	(421,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	(104,363)	(142,136)
Proceeds from sale of investments	477,362	527,181
Purchases of investments	(576,215)	(573,883)
Purchase of property and equipment	(65,686)	(117,069)
Net Cash Used In Investing Activities	(268,902)	(305,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	1,210,000	710,000
Net Cash Provided By Financing Activities	1,210,000	710,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	941,278	(17,711)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	182,662	200,373
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,123,940	\$ 182,662

See Independent Auditors' Report

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

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 – Organization and Purpose

The Downtown Women's Center (DWC) is the only organization in Los Angeles focused exclusively on serving and empowering women experiencing homelessness and formerly homeless women. DWC envisions a Los Angeles with every woman housed and on a path to personal stability. Its mission is to end homelessness for women in greater Los Angeles through housing, wellness, and advocacy.

Founded in 1978, DWC was the first permanent supportive housing provider for women in the U.S. It has become a nationally recognized model because its wraparound services fulfill immediate and critical needs, while providing more intensive and long-term solutions to ending homelessness for women. The organization now reaches over 4,000 women annually and provides a wide array of resources all in one place to remove barriers to accessing support, including:

- **Basic Needs and Resources:** For women living on the streets or in night-to-night shelters, DWC's Day Center provides warm meals and other essential services such as access to phones, mail, laundry, and showers.
- **On-Site Housing and Supportive Services:** With 119 units of permanent supportive housing in two residences, DWC is one of the largest housing centers for women in the nation and continues to create innovative and successful housing models focused on ending women's homelessness.
- **Community-Based Housing Services:** Through partnerships with the Los Angeles County Department of Health Services and grants from corporations and private foundations, Los Angeles Homeless Services Agency, the Governor's Office of Emergency Services, and private foundations, DWC provides housing and supportive services to female veterans and their families, women with severe physical and mental health concerns, and survivors of domestic violence. Our case managers work individually with women to connect them with housing and resources throughout Los Angeles County.
- **Health and Wellness:** DWC offers individual and group counseling, medical care, mental health services, preventive screenings, trauma recovery services, and enrichment activities focused on overall health and social connectedness.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 1 – Organization and Purpose (Continued)

- Job Readiness and MADE by DWC: DWC offers education, job readiness, and employment placement resources aimed at breaking the cycles of unemployment and homelessness, along with two innovative social enterprise boutiques through which job training opportunities are provided.
- Advocates Program: This training program empowers formerly homeless women to become successful advocates for themselves and for other women experiencing homelessness. DWC Advocates participate in press interviews, public policy meetings, lobby visits with legislators, fundraising events, and press conferences.
- Public Education and Volunteer Program: DWC conducts outreach and public education efforts on the root causes of and solutions to women's homelessness along with engaging over 5,000 individuals annually to volunteer their time to support DWC's direct service, fundraising, and advocacy efforts.
- Measuring Impact: DWC is measuring how it moves the needle on ending the cycle of homelessness, so that the organization can continue to offer unique and successful programs and share their practices with the community.

DWC serves women who are homeless, formerly homeless, and extremely low-income. They participate in program offerings at the DWC Day Center or are served by our housing programs. The women reflect the multi-ethnic diversity of Los Angeles and come from a variety of backgrounds. Many are dealing with the effects of extreme stress and difficulty of life on the streets. Almost one hundred percent of them live significantly below the poverty line with little or no income, and the majority are overcoming histories of domestic violence and sexual assault, physical and mental illness, major depression and trauma, and/or long-term homelessness.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 1 – Organization and Purpose (Continued)

In 2018, DWC achieved the following milestones:

- Created a safe space for 4,900 women who received a comprehensive array of services including meals, showers, phone/computer/mail services, case management, permanent housing, healthcare, employment placements, and overall support.
- Provided 109,920 nutritious meals.
- Maintained permanent housing for 119 living in DWC's owned and operated buildings in downtown Los Angeles.
- Supported 350 women (including survivors of domestic violence and Veterans) in housing navigation services to locate and maintain permanent housing.
- Helped break the cycle of homelessness by ensuring that 99% of the women housed by DWC, do not return to homelessness.
- Provided 1275 one-on-one mental health counseling sessions and 17,755 case management sessions to ensure that each woman has an individualized service plan tailored to her needs.
- Offered primary medical care, mammograms, women's health services, STD screenings, and physical and mental health assessments to 1044 women.
- Assisted 1,100 women with education and job readiness through the Learning Center and computer lab, vocational classes, educational counseling, and employment coaching.
- Found employment for 85 women.
- 5,000 volunteers provided 24,635 hours of service through preparing meals, sorting donations, and leading enrichment classes.
- Grew our Los Angeles Domestic Violence Homeless Services Coalition to 400 individuals within 80 organizations creating cross-sector service improvements for women.
- Trained 25 formerly homeless women as advocates for change.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In 2018, the Center adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic): Presentation of Financial Statements of Not-for-Profit Entities*. The main provisions include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction to net assets with donor restrictions. The guidance also enhances disclosures for board-designated amounts, components of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. With the adoption of the standard, the Center updated net asset presentation in the financial statements and included additional disclosures as required. No significant reclassification to prior-year amounts were necessary in order to adopt the new standard.

Principles of Consolidation

The Downtown Women's Center Housing, LLC (LLC), a wholly owned subsidiary of DWC, is a sole member California limited liability corporation formed to hold title to real estate and similar property purchased by DWC. The accompanying consolidated financial statements include DWC and the LLC (collectively, the Center). All material intercompany accounts and transactions have been eliminated upon consolidation.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenues are classified based upon the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that may be temporary in nature that may be or will be met by actions of the Center or the passage of time. Other donor stipulations may be perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity.

As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Comparative Totals

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements. Significant items subject to such estimates and assumptions include useful lives of property and equipment, the valuation of long-lived assets, investments, accounts receivable, and promises to give.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Realized gains and losses are computed as the difference between the beginning-of-year fair value, or cost for current year acquisitions, and sales proceeds. Unrealized gains and losses are the current year appreciation and depreciation in investments held at year-end. Unrealized gains and losses are included in the change in net assets in the consolidated statement of activities.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Investments (Continued)

The Center's investments are exposed to various risks, such as market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Accounts Receivable

Accounts receivable are stated at the amount the Center expects to collect from balances outstanding at year-end. The Center records a provision for bad debts at such time as collectability cannot be reasonably assured. At December 31, 2018, the provision recorded for doubtful accounts totaled \$131,201.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment is recorded at the estimated fair value at the date of donation. Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the respective assets. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed. Larger property donations for which there is a reasonable basis to measure value, and purchases over \$5,000, are capitalized and depreciated.

Contributions

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

Contributions, including endowment gifts and pledges, are recognized as support in the period received or pledged. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Legacies and Bequests

The Center has been named a beneficiary in a number of bequests. Bequests are not recognized as support until all of the following conditions are met: the demise of the testator; the amount of the bequest is known; and the Center is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

Contributions In-Kind

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

The Center recorded in-kind support totaling \$778,088 for donated food, clothing and household items, furnishings, equipment and holiday items and professional services during the year ended December 31, 2018. Donated volunteer services other than professional services are not reflected in the accompanying consolidated financial statements; however, in 2018, more than 5,000 volunteers donated approximately 25,000 hours valued at an estimated \$640,000. (The value of volunteer time is calculated by The Independent Sector based on the average hourly earnings of all production and non-supervisory workers on private non-farm payrolls - as determined by the Bureau of Labor Statistics.)

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and other activities based upon the relative benefit received. Expenses are allocated on a square footage basis or on the basis of estimates of time and effort.

Tax Status

DWC is a nonprofit organization and, therefore, is not subject to federal or state income taxes under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. This exemption is for all income taxes except for those assessed on unrelated business income, of which there is none.

The LLC is a limited liability corporation and has elected to be treated as a partnership for federal income tax purposes and, accordingly, the income or loss of the LLC will be recorded on the return of its member. The LLC is exempt from California franchise tax under California Revenue and Taxation Code Section 23701(d). As a result, no provision for income tax has been recorded on these consolidated financial statements.

The Center recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Subsequent Events

The Center has evaluated subsequent events through October 9, 2019, the date the consolidated financial statements were available to be issued for the year ended December 31, 2018.

**DOWNTOWN WOMEN’S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 3 – Financial Assets and Liquidity Resources

The total financial assets held by Downtown Women’s Center at December 31, 2018 and the amounts of those financial assets that could be made available for general expenditures, that is, without donor, lender or other restrictions limiting their use, within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2018	
Cash and cash equivalents	\$ 1,123,940
Restricted cash	1,655,702
Investments	3,666,452
Accounts receivable	1,079,425
Promises to give	<u>1,376,904</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2018	8,902,423
Less Amounts Not Available to Be Used within One Year, Due to:	
Lender Requirements:	
Restricted cash reserves	(1,655,702)
Donor-Imposed Restrictions:	
Promises to give with purpose or time restrictions	(1,101,852)
Funds held with purpose restrictions	<u>(1,113,401)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,031,468</u>

Downtown Women’s Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of Downtown Women’s Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, Downtown Women’s Center has a line of credit of \$2,500,000.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 4 – Restricted Cash

The Center is required under terms of various notes payable agreements to maintain reserves for property maintenance, operating expense shortfalls, or any discontinuance of rent subsidies received by the Center. The funds are required to be held in an interest-bearing account, earnings retained, and are not available for current use.

Restricted cash balances as of December 31, 2018 consists of the following:

<u>Lender</u>	<u>Reserve Requirements</u>	<u>Reserve Purpose</u>	<u>Amount</u>
MHP	\$850 per unit at the San Pedro Street Home	Replacement	\$ 430,037
Housing Authority	\$607 per unit at the Los Angeles Street Home or amounts required by senior financing	Replacement	<u>28,816</u>
			<u>458,853</u>
MHP	\$150,237 initial funding, plus annual operating surpluses	Operating	<u>168,949</u>
MHP	\$504,806, plus annual funding of \$80,000 until the reserve reaches \$1,027,900	Transition	<u>1,027,900</u>
Total Restricted Cash for Lender Reserves			<u>\$ 1,655,702</u>

The Home Funds and CRA notes payable agreements (as described in Note 10) also contain provisions for replacement, operating and transition reserves. The agreements require minimum funding equal to or less than the MHP required reserves and additional funding only in periods of cash flow in excess of operating expenses.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5 – Investments

Investments at December 31, 2018 consists of the following:

	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 1,393,935	\$ 1,312,662
Equities	<u>2,126,804</u>	<u>2,353,790</u>
	<u>\$ 3,520,739</u>	<u>\$ 3,666,452</u>

NOTE 6 – Fair Value Hierarchy

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Center groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 6 – Fair Value Hierarchy (Continued)

The following table presents assets at December 31, 2018 that are measured at fair value on a recurring basis:

	Fair Value Measurements at Reporting Date			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments				
Fixed income	\$ 1,312,662	\$ -	\$ -	\$ 1,312,662
Equities	2,353,790	-	-	2,353,790
Total	\$ 3,666,452	\$ -	\$ -	\$ 3,666,452

NOTE 7 – Promises to Give

The Center anticipates collection of outstanding pledges receivable at December 31, 2018 as follows:

Receivable in one year	\$ 545,227
Receivable in two to five years	860,000
	1,405,227
Less discount to present value	(28,323)
Net unconditional promises to give	\$ 1,376,904

**DOWNTOWN WOMEN'S CENTER
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NOTE 8 – Property and Equipment

Property and equipment at December 31, 2018 consists of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,070,500	
Building and improvements	28,986,080	39.5 years
Furniture and equipment	865,823	5-20 years
Software and website	146,094	3 years
	<u>36,068,497</u>	
Less accumulated depreciation	<u>(6,276,496)</u>	
	<u>\$ 29,792,001</u>	

San Pedro Street Home

In February 2009, the city of Los Angeles donated land and a building (the San Pedro Street Home) to be used by the Center to expand program services. The six-story San Pedro Street Home is located at 434, 438, and 442 South San Pedro Street, Los Angeles, California. The Center completed the renovation of this building in December 2010, which provides seventy-one units of permanent, supportive, affordable housing, a drop-in day center, a social enterprise/job-training program, and the only medical and mental health clinic specializing in women's health on Skid Row. The completed rehabilitation created a new home for the Center and has resulted in a significant increase in both the housing offered and the number of women served by the Center.

In conjunction with the development of the San Pedro Street Home, an Agreement Containing Covenants Affecting Real Property was recorded by the city of Los Angeles restricting occupancy of the residential units for a period of at least 55 years to women who are homeless or at risk of homelessness and the total monthly rental charges affordable to persons at the very low income level or below. The Center reports the land value for the San Pedro Street Home as with donor restricted asset due to the nature of this restriction on use imposed at the time of donation.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 8 – Property and Equipment (Continued)

Los Angeles Street Home

Also included in buildings and improvements are costs relating to the Center's renovation of its Los Angeles Street Home located at 325 and 333 Los Angeles Street, Los Angeles, California, which was completed in November 2012. The renovation of the facility includes an additional forty-eight residential units and serves chronically homeless women, providing a pathway out of homelessness and into personal stability. As part of the renovation project, the Center also opened the MADE by DWC Resale Boutique providing quality products for sale to the Los Angeles community while providing on-the-job vocational education and training to the women that it serves.

NOTE 9 – Line of Credit

The Center has a line of credit agreement with a bank whereby it may borrow up to \$2,500,000 at the greater of 1.00% per year or the bank's prime rate minus 0.5% (5.0% at December 31, 2018). The line of credit commitment expires February 28, 2020. At December 31, 2018, the balance outstanding on the line of credit was \$2,260,000.

NOTE 10 – Loans Payable

Loans payable at December 31, 2018 consists of the following:

CRA Permanent Loan	\$ 2,070,000
Housing Authority Loan – San Pedro Street Home	2,000,000
Housing Authority Loan – Los Angeles Street Home	1,395,282
Home Fund Loan	4,847,914
AHP Loan – San Pedro Street Home	420,000
AHP Loan – Los Angeles Street Home	390,000
MHP Loan	<u>7,985,142</u>
	<u>\$ 19,108,338</u>

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 10 – Loans Payable (Continued)

The Center has entered into construction and permanent loan agreements with various lending and government entities. The City of Los Angeles Community Redevelopment Agency (CRA) loaned the Center \$950,000 (CRA Preconstruction Loan) for predevelopment costs associated with the development of a new site in 2010. Subsequent to the acquisition of the property, the CRA agreed to provide additional construction and permanent financing up to \$3,450,000 (CRA Permanent Loan) inclusive of the CRA Preconstruction Loan. The loan is secured by a second lien deed of trust, subordinate to the MHP loan on the San Pedro Street Home property and rights to plans with interest at 3%. Interest and principal payments are to be repaid in annual installments in the form of service credits, as defined by the agreement, for a period of twenty years. DWC has recognized a service credit as debt forgiveness in the accompanying statement of activities in the amount of \$172,500 for the year ended December 31, 2018. While the Los Angeles Housing and Community Investment Department, which is managing all CRA loans, has not formally approved the payment, management believes they have fulfilled the requisite duties outlined in the agreement to earn the service credit for the year ended December 31, 2018. At December 31, 2018, the CRA Permanent Loan balance was \$2,070,000.

In June 2009, the Center obtained financing from the Housing Authority of the County of Los Angeles (Housing Authority). The Housing Authority agreement provides for advances up to \$2,000,000 (Housing Authority Loan - San Pedro Street Home), secured by a fourth-lien position deed of trust on the San Pedro Street Home property, subject to interest at 3%. Interest and principal repayments are due to the Housing Authority at 6.74% of residual receipts as defined by the agreement, of the leasing activities for the property payable through March 2065. It is not anticipated that the Center will have any residual receipts on the operation of the San Pedro Street Home that will activate the requirement to make cash repayments on the Housing Authority San Pedro Street Home Loan. At December 31, 2018, the Housing Authority San Pedro Street Home Loan balance was \$2,000,000.

In March 2012, the Center obtained financing from the Housing Authority. The Housing Authority agreement provides for advances up to \$1,395,282 (Housing Authority Loan - Los Angeles Street Home), secured by a deed of trust on the Los Angeles Street Home property, subject to interest at 3%. Principal repayments are to be made in annual installments of 50% of residual receipts, as defined by the agreement, for the operating year that is two years prior through June 1, 2066. It is not anticipated that the Center will have any residual receipts on the operation of the Los Angeles Street Home that will activate the requirement to make cash repayments on the Housing Authority Los Angeles Street Home Loan. At December 31, 2018, the outstanding balance was \$1,395,282.

DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10 – Loans Payable (Continued)

The Center has a note payable to the City of Los Angeles Home Fund (Home Fund Loan). The Home Fund Loan is secured by a third-lien position deed of trust on the San Pedro Street Home property, subject to interest at 5%. Interest and principal repayments are due to the city of Los Angeles at 26.92% of the residual receipts of the project as defined by the agreement, payable through June 2066. It is not anticipated that the Center will have any residual receipts on the operation of the San Pedro Street Home that will activate the requirement to make cash payments on the Home Fund Loan. At December 31, 2018, the Home Fund Loan balance was \$4,847,914.

The Center has obtained financing from the Federal Home Loan Bank Affordable Housing program (AHP Loan – San Pedro Street Home) to finance construction on the San Pedro Street Home. The loan is secured by a deed of trust with assignment of rents, security agreement and fixture filing and is subordinate to the MHP, CRA Preconstruction and Permanent Loans, Housing Authority Loan, and Home Fund Loan. The loan will be forgiven in November 2026 upon the Center fulfilling the restricted use requirements as defined in the agreement. At December 31, 2018, the AHP Loan – San Pedro Street Home balance was \$420,000.

In October 2013, the Center obtained financing from the Federal Home Loan Affordable Housing Program (AHP Loan – Los Angeles Street Home) for renovations at its Los Angeles Street Home. The loan is secured by a deed of trust with assignment of rents, security agreement, fixture filing and is subordinate to the Housing Authority Los Angeles Street Home Loan. The loan will be forgiven in November 2027 upon the Center fulfilling the restricted use requirements as defined in the agreement. At December 31, 2018, the loan balance was \$390,000.

**DOWNTOWN WOMEN'S CENTER
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 10 – Loans Payable (Continued)

In March 2012, the Center received proceeds in the amount of \$7,985,142 from the California Department of Housing and Community Development's Multifamily Housing Program (MHP), of which \$6,716,686 was used to fund repayment of a bank construction loan balance and related accrued interest. The MHP loan is secured by a first-lien position deed of trust and assignment of rents on the San Pedro Street Home. The loan is subject to interest at 3% per annum and matures March 2067. The Center is required to make payments in an amount equal to the lesser of the full amount of interest accruing on the unpaid principal amount advanced for the preceding 12-month period, or the amount determined by MHP, to be necessary to cover the costs of continued monitoring of the compliance of the Center's MHP Program. These payments are required should the Center have net cash flow as described in the agreement. It is not anticipated that the Center will have net cash flow from operations. In addition, the Center must make annual payments recorded as reductions in contingent interest equal to .42% of the principal balance. Annual payments made during the year ended December 31, 2018 were \$33,538. At December 31, 2018, the loan balance was \$7,985,142.

Certain loans payable contain provisions for interest accrual and payment should the Center generate residual receipts or net cash flow from operations. The Center does not anticipate generating income from operations requiring repayment of the accrued interest, but future repayment is reasonably possible.

Contingent interest payable associated with the forgivable debt as of December 31, 2018 is summarized below:

Housing Authority-San Pedro Street Home Loan	\$ 534,943
Housing Authority-Los Angeles Street Home Loan	261,201
Home Fund Loan	2,101,328
MHP Loan	<u>1,391,850</u>
 Total contingent interest payable	 <u>\$ 4,289,322</u>

DOWNTOWN WOMEN'S CENTER
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DECEMBER 31, 2018

NOTE 11 – Commitments

Operating Leases

The Center leases certain office equipment under an operating lease expiring February 2020. Future minimum rental payments are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ 28,239
2020	<u>2,353</u>
	<u>\$ 30,592</u>

Rental expense for the year ended December 31, 2018 approximated \$28,000.

NOTE 12 – Rental Subsidy

The Center entered into an agreement with the Housing Authority that provides a rental subsidy to the Center for select units in its San Pedro Street Home through December 2025. The Housing Authority distributes funding provided by federal Housing and Urban Development (HUD). The Housing Authority provides housing assistance payments (HAP) for units designated for families receiving supportive services. There are currently 66 units that are designated for use of HAP recipients. During the year ended December 31, 2018, the Center received \$563,733 in HAP payments which is included on the statement of activities in rental income.

NOTE 13 – Retirement Plan

The Center has a defined contribution retirement plan covering all eligible employees with two years of service. The Center may make discretionary contributions to the plan. The Center's contributions to the plan totaled \$17,785 during the year ended December 31, 2018.

**DOWNTOWN WOMEN'S CENTER
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NOTE 14 – Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 are summarized as follows:

Building fund	\$ 5,480,000
Capital campaign	771,852
Permanent supportive housing and domestic violence	448,500
Day center programs	286,660
Time restrictions	238,300
Health and wellness	188,116
Social enterprise programs	145,000
Community-based housing	63,948
Education and job readiness	46,000
Volunteer services	15,000
Veterans program	10,000
Housing	<u>1,877</u>
	<u>\$ 7,695,253</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events by the donors as follows for the year ended December 31, 2018:

Expiration of time restrictions	<u>\$ 100,000</u>
Restricted-purpose	
Capital campaign	200,000
Permanent supportive housing and domestic violence	642,500
Day center programs	265,710
Health and wellness	204,623
Social enterprise programs	40,548
Community-based housing	196,052
Education and job readiness	130,660
Volunteer services	11,718
Housing	135,613
Other	<u>108,000</u>
	<u>1,935,424</u>
	<u>\$ 2,035,424</u>

**DOWNTOWN WOMEN'S CENTER
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NOTE 15 – Supplemental Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2018 for:

Interest	\$ 102,787
Income taxes	\$ -