DOWNTOWN WOMEN'S CENTER

Every woman housed

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2017, 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 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. 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 auditor's 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 auditor considers 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Downtown Women's Center 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Windes, Inc.

Long Beach, California
August 16, 2018

DOWNTOWN WOMEN'S CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

ASSETS

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
ASSETS				
Cash and cash equivalents	$ 182,662	$ -	$ 182,662	$ 200,373
Investments	3,248,931	529,811	3,778,742	3,322,971
Accounts receivable, net	1,074,432	-	1,074,432	950,430
Promises to give, net	71,526	85,065	156,591	611,032
Prepaids and other assets	117,085	-	117,085	67,818
Restricted cash	1,551,339	-	1,551,339	1,409,203
Property and equipment, net	25,075,699	5,480,000	30,555,699	31,288,690
TOTAL ASSETS	$ 31,321,674	$ 6,094,876	$ 37,416,550	$ 37,850,517

LIABILITIES AND NET ASSETS

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
LIABILITIES				
Accounts payable and accrued expenses	$ 539,235	$ -	$ 539,235	$ 567,803
Line of credit	1,050,000	-	1,050,000	340,000
Loans payable	19,280,838	-	19,280,838	19,453,338
Total Liabilities	20,870,073	-	20,870,073	20,361,141
COMMITMENTS AND CONTINGENCIES (Notes 9 and 10)				
NET ASSETS	10,451,601	6,094,876	16,546,477	17,489,376
TOTAL LIABILITIES AND NET ASSETS	$ 31,321,674	$ 6,094,876	$ 37,416,550	$ 37,850,517

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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
SUPPORT AND REVENUES:				
Support:				
Grant income	$ 3,528,067	$ 983,130	$ 4,511,197	$ 4,299,492
Contributions	1,174,049	-	1,174,049	1,128,072
Special event income (net of direct expense of $219,084 and $212,519)	577,405	-	577,405	1,058,777
In-kind support	1,076,263	-	1,076,263	973,554
Debt forgiveness	172,500	-	172,500	172,500
Total Support	6,528,284	983,130	7,511,414	7,632,395
Other Revenues:				
Interest and dividends	122,451	-	122,451	89,846
Net gain on investments	342,343	-	342,343	125,320
Rental income	806,793	-	806,793	762,303
Social enterprise income	313,310	-	313,310	316,587
Other revenues	38,079	-	38,079	23,716
Net assets released from restrictions	2,569,387	(2,569,387)	-	-
Total Other Revenues	4,192,363	(2,569,387)	1,622,976	1,317,772
Total Support and Other Revenues	10,720,647	(1,586,257)	9,134,390	8,950,167
EXPENSES				
Program services	8,030,984	-	8,030,984	7,327,396
Fundraising	1,035,919	-	1,035,919	958,583
Management and general	1,010,386	-	1,010,386	860,769
Total Expenses	10,077,289	-	10,077,289	9,146,748
CHANGE IN NET ASSETS	643,358	(1,586,257)	(942,899)	(196,581)
NET ASSETS, BEGINNING OF YEAR	9,808,243	7,681,133	17,489,376	17,685,957
NET ASSETS, END OF YEAR	$ 10,451,601	$ 6,094,876	$ 16,546,477	$ 17,489,376

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, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Program Services	Fundraising	Management and General	Total 2017	Total 2016
Salaries	$ 3,342,040	$ 529,480	$ 262,625	$ 4,134,145	$ 3,978,256
In-kind - Program Supplies	1,035,972	-		1,035,972	873,511
Benefits	717,479	113,670	56,381	887,530	853,926
Utilities, Telephone, and Facilities	545,063	26,750	38,371	610,184	587,515
Housing	554,378	-	-	554,378	197,709
Consulting	127,689	177,759	215,225	520,673	405,401
Health and Wellness	222,797	-	-	222,797	179,056
Store Expenses	162,830	18,092	-	180,922	175,567
Repairs and Maintenance	157,842	8,744	6,176	172,762	125,900
Technology	47,149	37,138	57,327	141,614	123,129
Miscellaneous	45,181	20,937	37,127	103,245	68,193
Insurance	93,674	5,018	3,033	101,725	96,310
Travel and Transportation	82,788	4,253	3,183	90,224	104,600
Printing	25,064	12,154	34,569	71,787	69,019
Bank Charges	-	-	69,903	69,903	72,752
Interest Expense	-	-	65,369	65,369	52,453
Staff Training	43,258	5,351	6,557	55,166	30,181
Office Supplies	30,164	6,604	16,055	52,823	61,536
Accounting and Legal	-	-	45,321	45,321	40,727
In-kind - Professional Services	-	-	40,291	40,291	100,043
Bad Debt Expense	-	-	26,334	26,334	28,035
Workforce Development	16,448	-	-	16,448	12,537
Promotion and Awareness	9,561	403	200	10,164	47,104
Taxes, Licenses, and Permits	6,522	787	2,735	10,044	13,666
Postage	840	519	6,049	7,408	11,506
Total expenses before depreciation	7,266,739	967,659	992,831	9,227,229	8,308,632
Depreciation	764,245	68,260	17,555	850,060	838,116
2017 Total expenses	$ 8,030,984	$ 1,035,919	$ 1,010,386	$ 10,077,289	
2016 Total expenses	$ 7,327,396	$ 958,583	$ 860,769		$ 9,146,748
Percentage of total expenses:					
2017	80%	10%	10%	100%	
2016	80%	11%	9%		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, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (942,899)	$ (196,581)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock donations received	(66,726)	(86,676)
Unrealized and realized gain on investments	(342,343)	(121,949)
Forgiveness of loan	(172,500)	(172,500)
Depreciation	850,060	838,116
Changes in:		
Accounts receivable	(124,002)	206,450
Promises to give, net	454,441	(379,658)
Prepaids and other assets	(49,267)	45,219
Accounts payable and accrued expenses	(28,568)	142,008
Net Cash Provided By (Used In) Operating Activities	(421,804)	274,429
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	(142,136)	(142,037)
Proceeds from sale of investments	527,181	2,748,785
Purchases of investments	(573,883)	(2,819,256)
Purchase of property and equipment	(117,069)	(81,320)
Net Cash Used In Investing Activities	(305,907)	(293,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	710,000	(210,000)
Capital campaign, net of fundraising	-	100,000
Net Cash Provided By (Used In) Financing Activities	710,000	(110,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,711)	(129,399)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	200,373	329,772
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 182,662	$ 200,373

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, 2017**

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; services include:

- 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.

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.

NOTE 1 – Organization and Purpose (Continued)

In 2017, the following milestones were achieved; DWC:

- Provided over 110,000 meals to those in need.
- Created a safe oasis for more than 4,000 women and a permanent supportive home for 119 formerly homeless women.
- Provided nearly 1,300 one-on-one counseling sessions and over 15,000 case management sessions to ensure that each woman has an individualized service plan tailored to her needs.
- Offered basic medical care, mammograms, and women's health services, HIV screenings, and physical and mental health assessments to resulting in more than 1,000 visits from women through Skid Row's only Women's Health Clinic.
- Assisted nearly 1,000 women with education and job readiness resources through the Learning Center and computer lab; classes in computer skills, literacy, and math; and academic and vocational counseling.
- Found job placements for 59 women.
- Provided 23,000 showers, changes of clothing, laundry, phone, and mail services in the drop-in Day Center.
- Surpassed 25,000 annual volunteer hours and 5,000 volunteers.
- Continued our national work on women's homelessness, entitled "1-in-4" to gather service providers, researchers, and policymakers to bring attention to this under-recognized group.
- Helped break the cycle of homelessness by ensuring that 99% of the women DWC houses stay housed permanently.

NOTE 2 – Summary of Significant Accounting Policies

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence and nature of donor-imposed restrictions.

> **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.
>
> **Temporarily Restricted Net Assets** – Funds restricted based upon specific donor designations and, as such, are obligations the Center must fulfill. They include gifts for which donor-imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. These amounts are not available for unrestricted purposes.
>
> **Permanently Restricted Net Assets** – Includes gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the invested corpus. The Center had no permanently restricted net assets at December 31, 2017 and 2016.

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, 2016, 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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, 2017, the provision recorded for doubtful accounts totaled $109,176.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for unrestricted use 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 temporarily restricted or permanently restricted support that increases those net asset classes. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions In-Kind (Continued)

The Center recorded in-kind support totaling $1,076,263 for donated food, clothing and household items, furnishings, equipment and holiday items and professional services during the year ended December 31, 2017. Donated volunteer services other than professional services are not reflected in the accompanying consolidated financial statements; however, in 2017, more than 5,000 volunteers donated more than 25,000 hours valued at an estimated $620,000. (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.)

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.

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 23701. 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Center is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

Subsequent Events

The Center has evaluated subsequent events through August 16, 2018, the date the consolidated financial statements were available to be issued for the year ended December 31, 2017.

NOTE 3 – 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.

NOTE 3 – Restricted Cash (Continued)

Restricted cash balances as of December 31, 2017 consist of the following:

Lender	Reserve Requirements	Reserve Purpose	Amount
MHP	$850 per unit at the San Pedro Street Home	Replacement	$ 368,010
Housing Authority	$607 per unit at the Los Angeles Street Home or amounts required by senior financing	Replacement	27,355
			395,365
MHP	$150,237 initial funding, plus annual operating surpluses	Operating	168,612
MHP	$504,806, plus annual funding of $80,000 until the reserve reaches $1,027,900	Transition	987,362
Total Restricted Cash for Lender Reserves			$ 1,551,339

The Home Funds and CRA notes payable agreements (as described in Note 9) 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.

NOTE 4 – Investments

Investments at December 31, 2017 consist of the following:

	Cost	Fair Value
Fixed income	$ 1,317,465	$ 1,294,573
Equities	2,074,143	2,484,169
	$ 3,391,608	$ 3,778,742

NOTE 5 – 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.

The following table presents assets at December 31, 2017 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	$ 1,294,573	$ -	$ -	$ 1,294,573
Equities	2,484,169	-	-	2,484,169
Total	$ 3,778,742	-	-	$ 3,778,742

NOTE 6 – Promises to Give

The Center anticipates collection of outstanding pledges receivable at December 31, 2017 as follows:

Receivable in one year	$ 150,754
Receivable in two to five years	6,012
	156,766
Less discount to present value	(175)
Net unconditional promises to give	$ 156,591

NOTE 7 – Property and Equipment

Property and equipment at December 31, 2017 consists of the following:

		Estimated Useful Lives
Land	$ 6,070,500	
Building and improvements	28,873,531	39.5 years
Furniture and equipment	853,692	5-20 years
Software and website	139,560	3 years
	35,937,283	
Less accumulated depreciation	(5,447,112)	
	30,490,171	
Construction in progress	65,528	
	$ 30,555,699	

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.

NOTE 7 – Property and Equipment (Continued)

San Pedro Street Home (Continued)

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 a temporarily restricted asset due to the nature of this restriction on use imposed at the time of donation.

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 8 – 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% (4.0% at December 31, 2017). The line of credit commitment expires November 30, 2018. At December 31, 2017, the balance outstanding on the line of credit was $1,050,000.

NOTE 9 – Loans Payable

Loans payable at December 31, 2017 consists of the following:

CRA Permanent Loan	$ 2,242,500
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	7,985,142
	$ 19,280,838

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, 2017. 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, 2017. At December 31, 2017, the CRA Permanent Loan balance was $2,242,500.

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, 2017, the Housing Authority San Pedro Street Home Loan balance was $2,000,000.

NOTE 9 – Loans Payable (Continued)

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, 2017, the outstanding balance was $1,395,282.

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, 2017, 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, 2017, 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, 2017, the loan balance was $390,000.

NOTE 9 – 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, 2017 were $33,538. At December 31, 2017, 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, 2017 is summarized below:

Housing Authority-San Pedro Street Home Loan	$ 474,943
Housing Authority-Los Angeles Street Home Loan	219,343
Home Fund Loan	1,858,932
MHP Loan	1,185,833
Total contingent interest payable	$ 3,739,051

NOTE 10 – Commitments

Operating Leases

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

Year Ending December 31,	
2018	$ 28,239
2019	28,239
2020	2,353
	$ 58,831

Rental expense for the year ended December 31, 2017 approximated $28,000.

NOTE 11 – 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, 2017, the Center received $537,413 in HAP payments.

NOTE 12 – 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 $7,724 during the year ended December 31, 2017.

NOTE 13 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 are summarized as follows:

Building fund	$ 5,480,000
Permanent supportive housing and domestic violence	205,000
Housing	137,490
Time restrictions	100,000
Education and job readiness	76,659
Health and wellness	65,239
Volunteer services	11,718
Community-based housing	10,000
Day Center programs	8,770
	$ 6,094,876

Former Term Endowment

The term endowment of $1,000,000 was previously restricted by the donor through March 2017. During the term, the donation was not to be spent and investment income was restricted for general operations of Project Home ("San Pedro Street Home Operations"). The restrictions on this endowment were released during the year ended December 31, 2017.

NOTE 14 – Supplemental Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2017 for:

Interest	$	65,369
Income taxes	$	-