



DOWNTOWN **WOMEN'S** CENTER

Every woman housed

Consolidated Financial Statements

December 31, 2019

With Summary Comparative Information for 2018

Public Disclosure Copy

CONTENTS

Independent Auditors' Report.....	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to the Consolidated Financial Statements	7-28

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, 2019, 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, 2019, 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. 2014-09, Revenue from Customers (Topic 606) and ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Downtown Women’s Center 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 August 25, 2020 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
August 25, 2020

DOWNTOWN WOMEN'S CENTER

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018**

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2019</u>	<u>Total 2018</u>
ASSETS				
Cash and cash equivalents	\$ 1,162,946	\$ -	\$ 1,162,946	\$ 1,123,940
Investments	2,797,117	1,106,811	3,903,928	3,666,452
Accounts receivable, net	1,273,458	-	1,273,458	1,079,425
Promises to give, net	-	983,976	983,976	1,376,904
Prepays and other assets	21,311	-	21,311	73,956
Restricted cash	1,718,636	-	1,718,636	1,655,702
Property and equipment, net	<u>23,899,023</u>	<u>5,480,000</u>	<u>29,379,023</u>	<u>29,792,001</u>
TOTAL ASSETS	<u>\$ 30,872,491</u>	<u>\$ 7,570,787</u>	<u>\$ 38,443,278</u>	<u>\$ 38,768,380</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 674,493	\$ -	\$ 674,493	\$ 508,720
Line of credit	1,735,000	-	1,735,000	2,260,000
Loans payable	<u>18,935,838</u>	<u>-</u>	<u>18,935,838</u>	<u>19,108,338</u>
Total Liabilities	<u>21,345,331</u>	<u>-</u>	<u>21,345,331</u>	<u>21,877,058</u>

COMMITMENTS AND CONTINGENCIES

(Notes 9,10 and 11)

NET ASSETS	<u>9,527,160</u>	<u>7,570,787</u>	<u>17,097,947</u>	<u>16,891,322</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,872,491</u>	<u>\$ 7,570,787</u>	<u>\$ 38,443,278</u>	<u>\$ 38,768,380</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, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
SUPPORT AND REVENUE:				
Support:				
Grant income	\$ 3,397,318	\$ 2,030,809	\$ 5,428,127	\$ 6,057,466
Contributions	2,785,915	50,000	2,835,915	2,706,846
Special event income (net of direct expense of \$171,042 and \$174,521)	811,886	-	811,886	483,217
In-kind support	823,795	-	823,795	778,088
Debt forgiveness	172,500	-	172,500	172,500
Total Support	<u>7,991,414</u>	<u>2,080,809</u>	<u>10,072,223</u>	<u>10,198,117</u>
Other Revenue:				
Net investment return	828,389	-	828,389	(131,324)
Rental income	860,846	-	860,846	771,037
Social enterprise income	382,339	-	382,339	339,010
Other revenue	25,483	-	25,483	23,418
Net assets released from restrictions	2,205,275	(2,205,275)	-	-
Total Other Revenue	<u>4,302,332</u>	<u>(2,205,275)</u>	<u>2,097,057</u>	<u>1,002,141</u>
Total Support and Other Revenue	<u>12,293,746</u>	<u>(124,466)</u>	<u>12,169,280</u>	<u>11,200,258</u>
EXPENSES				
Program services	10,062,867	-	10,062,867	8,727,220
Fundraising	859,246	-	859,246	1,014,926
Management and general	1,040,542	-	1,040,542	1,113,267
Total Expenses	<u>11,962,655</u>	<u>-</u>	<u>11,962,655</u>	<u>10,855,413</u>
CHANGE IN NET ASSETS	331,091	(124,466)	206,625	344,845
NET ASSETS, BEGINNING OF YEAR	<u>9,196,069</u>	<u>7,695,253</u>	<u>16,891,322</u>	<u>16,546,477</u>
NET ASSETS, END OF YEAR	<u>\$ 9,527,160</u>	<u>\$ 7,570,787</u>	<u>\$ 17,097,947</u>	<u>\$ 16,891,322</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, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services				Fundraising	Management and General	Total	
	Health and Wellness	Housing	Other	Total			2019	2018
Salaries	\$ 1,203,526	\$ 2,287,420	\$ 1,187,121	\$ 4,678,067	\$ 473,042	\$ 247,243	\$ 5,398,352	\$ 4,932,436
Benefits	256,943	531,250	226,072	1,014,265	119,330	103,592	1,237,187	1,127,452
In-kind - Program Supplies	823,795	-	-	823,795	-	-	823,795	778,088
Housing	31,661	449,937	-	481,598	-	153	481,751	730,563
Facilities and Maintenance	291,314	470,834	193,778	955,926	13,510	48,737	1,018,173	835,949
Health and Wellness	230,918	-	-	230,918	-	-	230,918	208,863
Consulting	75,888	16,063	163,450	255,401	85,574	24,951	365,926	343,078
Social Enterprise Store Expenses	-	-	326,320	326,320	198	195	326,713	175,268
Travel and Transportation	5,991	67,652	15,451	89,094	1,306	2,186	92,586	106,092
Insurance	24,712	47,422	23,018	95,152	9,826	29,122	134,100	94,404
Printing and Postage	12,810	25,262	15,517	53,589	17,704	14,854	86,147	67,910
Miscellaneous	54,324	50,862	28,064	133,250	4,596	62,480	200,326	55,914
Office Supplies	5,899	12,690	5,562	24,151	5,545	-	29,696	52,828
Conferences and Training	11,102	25,383	50,738	87,223	5,608	10,326	103,157	35,208
Meals and Entertainment	7,208	10,312	10,540	28,060	13,593	-	41,653	31,963
Workforce Development	-	-	21,327	21,327	-	-	21,327	18,395
Taxes, Licenses, Permits	9,071	19,172	17,627	45,870	3,731	12,554	62,155	19,973
Technology	20,811	44,797	20,531	86,139	16,361	27,721	130,221	94,358
Accounting and Legal	-	870	-	870	-	172,555	173,425	143,834
Interest Expense	-	-	-	-	-	144,946	144,946	102,787
Bank Fees	-	-	-	-	-	67,932	67,932	70,666
Total expenses before depreciation	3,065,973	4,059,926	2,305,116	9,431,015	769,924	969,547	11,170,486	10,026,029
Depreciation	7,425	621,613	2,814	631,852	89,322	70,995	792,169	829,384
Total expenses	<u>\$ 3,073,398</u>	<u>\$ 4,681,539</u>	<u>\$ 2,307,930</u>	<u>\$ 10,062,867</u>	<u>\$ 859,246</u>	<u>\$ 1,040,542</u>	<u>\$ 11,962,655</u>	<u>\$ 10,855,413</u>
Percentage of total expenses	26%	39%	19%	84%	7%	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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 206,625	\$ 344,845
Adjustments to reconcile change in net assets to net cash from operating activities:		
Stock donations received	(78,077)	(52,652)
Unrealized loss (gain) on investments	(686,666)	263,795
Forgiveness of loan	(172,500)	(172,500)
Depreciation	792,169	829,384
Changes in:		
Accounts receivable	(194,033)	(4,993)
Promises to give, net	392,928	(1,220,313)
Prepays and other assets	52,645	43,129
Accounts payable and accrued expenses	165,773	(30,515)
Net Cash Provided By Operating Activities	478,864	180
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,268,130	477,362
Purchases of investments	(740,863)	(576,215)
Purchase of property and equipment	(379,191)	(65,686)
Net Cash Provided By (Used In) Investing Activities	148,076	(164,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	(525,000)	1,210,000
Net Cash Provided By (Used In) Financing Activities	(525,000)	1,210,000
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
	101,940	1,045,641
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR		
	2,779,642	1,734,001
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR		
	\$ 2,881,582	\$ 2,779,642

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, 2019

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 5,400 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. As of August 2019, DWC also provides Bridge Housing for 25 women on a nightly basis and ensuring continuity of care for unhoused women who are in the process of pursuing housing.
- **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, 2019

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. Our Domestic Violence Homeless Services Coalition also continues to convene, organize, advocate, and teach in order to meet our underlying goal of effecting system's change to better serve the need of DV survivors experiencing homelessness.
- **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. This year included a marked increase in the number of trans-women and transitional age youth (TAY) served by the Center.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

NOTE 1 – Organization and Purpose (Continued)

In 2019, DWC achieved the following milestones:

- Created a safe space for 3,399 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 597 women (including survivors of domestic violence and Veterans) in housing navigation services to locate and maintain permanent housing.
- Began officially serving families including 124 children in community based housing.
- Helped break the cycle of homelessness by ensuring that 99% of the women housed by DWC do not return to homelessness.
- Provided 1,325 one-on-one clinical sessions and 3,498 case management sessions to ensure that each woman has an individualized service plan tailored to her needs.
- Offered primary medical care, women's health services, STD screenings, and physical and mental health assessments to 1,147 women.
- Assisted 1,024 women with education and job readiness through the Learning Center and computer lab, vocational classes, educational counseling, and employment coaching.
- Helped 113 women secure employment.
- Utilized 6,163 individual volunteers and 3,592 volunteer groups who provided 35,556 hours of service through preparing meals, sorting donations, and leading enrichment classes.
- Increased membership in the Domestic Violence Homeless Services Coalition by 87%, advocacy actions by 50%, and published research and disseminated best practice learning to national audiences. Our membership now includes 418 individuals and 150 organizations.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – Summary of Significant Accounting Policies

Recently Adopted Accounting Standards

In 2019, the Center adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and has applied them prospectively. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP and requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2018-08 provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional and unconditional contributions. No significant reclassifications to prior-year amounts were necessary in order to adopt the new standards.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The amendment requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Center adopted the new standard in the financial statements for the year ended December 31, 2019, and applied the new standard retrospectively. As a result of the retrospective adoption, in the Center's statement of cash flows for the year ended December 31, 2018, the Center included \$1,655,702 of restricted cash in the ending balances of cash and restricted cash.

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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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, 2018, 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 revenue 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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019, accounts receivable were considered fully collectible.

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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

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. Discounts are computed using risk-free interest rates applicable to the years in which the pledges are expected to be received. Amortization of the discounts is included in contribution revenue. The Center uses an interest rate of 2% to compute the discount on multi-year pledges. 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.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributions In-Kind (Continued)

The Center recorded in-kind support totaling \$823,795 for donated food, clothing and household items, furnishings, equipment and holiday items and professional services during the year ended December 31, 2019. Donated volunteer services other than professional services are not reflected in the accompanying consolidated financial statements; however, in 2019, more than 6,000 volunteers donated approximately 36,000 hours valued at an estimated \$904,000. (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.)

Social Enterprise Income

Social enterprise income is recognized at a point in time when products are sold at the Center's boutiques. Revenue is measured as the amount of total consideration received in exchange for providing the product.

A performance obligation is a promise to transfer a distinct good to the customer. For social enterprise transactions, the Center provides products at specified rates, such as for food, drinks, or handmade products.

The Center did not have any receivables, contract assets, or contract liabilities arising from transactions with social enterprise customers.

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.

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Tax Status (Continued)

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.

Reclassifications

Certain items in the 2018 consolidated financial statements have been reclassified to conform to the current 2019 consolidated financial statement presentation.

Subsequent Events

The Center has evaluated subsequent events through August 25, 2020, the date the consolidated financial statements were available to be issued for the year ended December 31, 2019.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is intended to improve financial reporting on leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by lease terms of more than 12 months. In June 2020, the FASB issued ASU 2020-05, which deferred the mandatory effective date to years beginning after December 15, 2021 (2022 for the Center), with early adoption permitted. The Center is currently evaluating the impact the adoption of this ASU will have on its financial statements.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements (Continued)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which establishes a new accounting model accounting for credit losses, requiring immediate recognition of management's estimates of current expected credit losses. The amendments are effective for the Center's fiscal years beginning after December 15, 2022, including interim periods within those years. Early adoption of the amendments is permitted. The Center is currently evaluating the impact the adoption of this ASU will have on its financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which is intended to improve the effectiveness of disclosures about fair value measurements. For all entities, the amendments are effective for fiscal years beginning after December 15, 2019. The Center does not anticipate the adoption of this ASU will have a significant impact on its financial statements.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 – Financial Assets and Liquidity Resources

The total financial assets held by Downtown Women's Center at December 31, 2019 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, 2019	
Cash and cash equivalents	\$ 1,038,220
Restricted cash	1,718,636
Investments	3,903,928
Accounts receivable	1,273,458
Promises to give	<u>983,976</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2019	8,918,218
Less Amounts Not Available to Be Used within One Year, Due to:	
Lender Requirements:	
Restricted cash reserves	(1,718,636)
Donor-Imposed Restrictions:	
Promises to give with purpose or time restrictions	(983,976)
Funds held with purpose restrictions	<u>(1,106,810)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,108,796</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, of which \$765,000 was unused at December 31, 2019.

Subsequent to year-end, the Center obtained a loan under the Paycheck Protection Program totaling \$928,781, to be used for salaries and occupancy-related expenditures. (See Note 16.)

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019 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	\$ 492,413
Housing Authority	\$607 per unit at the Los Angeles Street Home or amounts required by senior financing	Replacement	<u>28,825</u>
			<u>521,238</u>
MHP	\$150,237 initial funding, plus annual operating surpluses	Operating	<u>169,498</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>\$ 1,718,636</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
DECEMBER 31, 2019**

NOTE 5 – Investments

Investments at December 31, 2019 consists of the following:

	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 1,399,854	\$ 1,368,660
Equities	<u>1,865,077</u>	<u>2,535,268</u>
	<u>\$ 3,264,931</u>	<u>\$ 3,903,928</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
DECEMBER 31, 2019**

NOTE 6 – Fair Value Hierarchy (Continued)

The following table presents assets at December 31, 2019 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	\$ 1,368,660	\$ -	\$ -	\$ 1,368,660
Equities	2,535,268	-	-	2,535,268
Total	\$ 3,903,928	\$ -	\$ -	\$ 3,903,928

NOTE 7 – Promises to Give

The Center anticipates collection of outstanding pledges receivable at December 31, 2019 as follows:

Receivable in one year	\$ 395,664
Receivable in two to five years	600,000
	995,664
Less discount to present value	(11,688)
Net unconditional promises to give	\$ 983,976

DOWNTOWN WOMEN’S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 – Property and Equipment

Property and equipment at December 31, 2019 consists of the following:

		<u>Estimated Useful Lives</u>
Land	\$ 6,070,500	
Building and improvements	29,256,139	39.5 years
Furniture and equipment	975,784	5-20 years
Software and website	139,560	3 years
	<u>36,441,983</u>	
Less accumulated depreciation	<u>(7,068,670)</u>	
	<u>\$ 29,373,313</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
DECEMBER 31, 2019**

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 which provides 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% (4.25% at December 31, 2019). The line of credit commitment expires February 28, 2021. At December 31, 2019, the balance outstanding on the line of credit was \$1,735,000.

NOTE 10 – Loans Payable

Loans payable at December 31, 2019 consists of the following:

CRA Permanent Loan	\$ 1,897,500
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	<u>7,985,142</u>
	<u>\$ 18,935,838</u>

DOWNTOWN WOMEN'S CENTER

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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, 2019. 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, 2019. At December 31, 2019, the CRA Permanent Loan balance was \$1,897,500.

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, 2019, 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, 2019, the outstanding balance was \$1,395,282.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019, the Home Fund Loan balance was \$4,847,914.

The Center has obtained financing from the Federal Home Loan 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, 2019, 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, 2019, the loan balance was \$390,000.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019 were \$33,538. At December 31, 2019, 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, 2019 is summarized below:

Housing Authority-San Pedro Street Home Loan	\$ 594,943
Housing Authority-Los Angeles Street Home Loan	303,060
Home Fund Loan	2,343,724
MHP Loan	<u>1,598,531</u>
Total contingent interest payable	<u>\$ 4,840,258</u>

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 – Commitments

Operating Leases

The Center leases certain office equipment under an operating lease expiring June 2024. Future minimum rental payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 23,095
2021	13,391
2022	10,941
2023	10,941
2024	<u>5,470</u>
	<u>\$ 63,838</u>

Rental expense for the year ended December 31, 2019 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, 2019, the Center received \$582,384 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 one year of service. The Center may make discretionary contributions to the plan. The Center's contributions to the plan totaled \$14,346 during the year ended December 31, 2019.

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14 – Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 are summarized as follows:

Donated land, restricted	\$ 5,480,000
Capital campaign	753,918
Permanent supportive housing and domestic violence	588,894
Housing	211,277
Community-based housing	155,000
Clinical health services	133,100
Veterans program	55,237
Social enterprise programs	50,000
Health and wellness	46,750
Other	45,538
Education and job readiness	33,833
Time restrictions	<u>17,240</u>
	<u>\$ 7,570,787</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, 2019:

Expiration of time restrictions	<u>\$ 238,300</u>
Restricted-purpose	
Capital campaign	17,934
Permanent supportive housing and domestic violence	515,906
Clinical health services	125,641
Day center programs	420,417
Health and wellness	209,375
Social enterprise programs	125,725
Community-based housing	68,362
Education and job readiness	182,750
Veterans program	74,763
Housing	40,601
Other	<u>185,501</u>
	<u>1,966,975</u>
	<u>\$ 2,205,275</u>

DOWNTOWN WOMEN'S CENTER

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 15 – Supplemental Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2019 for:

Interest	\$	144,946
Income taxes	\$	-

NOTE 16 – Subsequent Events

Organization Risks Associated with the Impact of COVID-19 and Paycheck Protection Program Loan

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of the coronavirus COVID-19 as an international pandemic. Because of the severity and global nature of the COVID-19 pandemic, it is reasonably possible that the estimates in the financial statements will change in the near term and the effect of such change could be material. The impact on the Center's business could be significant and have a material impact on its financial position and operating results. There is significant uncertainty and management is in the process of evaluating the potential future impact on the Center and the financial statements.

In addition, on April 15, 2020, the Center received a Paycheck Protection Program (PPP) loan totaling \$928,781 under the Coronavirus Aid Relief and Economic Security (CARES) Act. Under the terms of the PPP, the loan is unsecured, has a 2 year term, and accrues interest at 1%. The loan is structured to be forgiven if the proceeds are used for their intended purpose, which includes employee wages, benefits, payroll taxes and rent, utilities and mortgage interest for the covered period.