

**THE WOMEN'S HOME  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2017 AND 2016  
*(With Independent Auditor's Report Thereon)*

**Insight. Oversight. Foresight.<sup>SM</sup>**

 **DoerenMayhew**  
CPAs AND ADVISORS

# THE WOMEN'S HOME

## TABLE OF CONTENTS

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Operations and Changes in Net Assets .....	4
Consolidated Statement of Functional Expenses - Year Ended December 31, 2017 .....	5
Consolidated Statement of Functional Expenses - Year Ended December 31, 2016 .....	6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements .....	8

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
of **The Women's Home**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The Women's Home and Affiliates (collectively, The Home), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in net assets, functional expenses and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the December 31, 2017 and 2016 balance sheets of The Women's Home Hammerly Phase II, LP (Hammerly LP), which statements reflect total assets of \$16,372,825 and \$16,903,754, respectively, and total liabilities of \$1,371,728 and \$9,677,394, respectively. We did not audit the statements of operations of Hammerly LP, which for the year ended December 31, 2017 reflects total revenues of \$657,968 and total expenses of 1,796,504. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hammerly LP, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of Hammerly LP were not audited in accordance with *Government Auditing Standards*.

**Auditor’s Responsibility (Continued)**

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, based on the audit evidence we have obtained and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Women’s Home and Affiliates as of December 31, 2017 and 2016, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, on our consideration of The Home’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Home’s internal control over financial reporting and compliance.



Houston, Texas  
June 28, 2018

# THE WOMEN'S HOME

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents (Note 3)	\$ 739,783	\$ 659,945
Pledges receivable (Notes 3, 5 and 12)	476,802	563,932
Government grants receivable	185,601	339,297
Thrift shop inventory	109,687	108,085
Prepaid expenses and other assets	124,972	132,383
Developer fee receivable (Note 6)	1,050,327	1,071,833
Investments (Notes 8 and 9)	1,870,553	2,430,381
Note receivable (Note 7)	6,724,000	6,724,000
Restricted cash and cash equivalents (Note 14)	1,527,249	8,311,348
Pledges receivable restricted for capital projects, net (Notes 3, 5 and 12)	146,185	591,203
Property and equipment, net (Notes 10 and 14 )	34,695,563	28,027,123
	<u>\$ 47,650,722</u>	<u>\$ 48,959,530</u>
<b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 736,578	\$ 278,939
Construction payable	700,591	321,220
Security deposits and prepaid rent	37,950	28,866
Line of credit (Note 10)	250,000	-
Developer fee payable (Note 13)	1,204,348	1,204,348
Notes payable (Note 12)	200,029	10,816,476
New Market Tax Credits notes payable, net (Note 14)	9,306,309	9,288,441
	<u>12,435,805</u>	<u>21,938,290</u>
Net assets:		
Unrestricted:		
The Women's Home (Note 9)	24,478,661	22,153,924
Noncontrolling interest in Hammerly LP (Note 21)	8,585,972	1,288,544
	<u>33,064,633</u>	<u>23,442,468</u>
Total unrestricted		
Temporarily restricted (Notes 15 and 17)	1,857,089	3,285,577
Permanently restricted (Note 17)	293,195	293,195
	<u>35,214,917</u>	<u>27,021,240</u>
Total net assets		
	<u>\$ 47,650,722</u>	<u>\$ 48,959,530</u>

See accompanying notes to consolidated financial statements.

# THE WOMEN'S HOME

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public support:</b>								
Government grants	\$ 1,942,791	\$ -	\$ -	\$ 1,942,791	\$ 373,243	\$ -	\$ -	\$ 373,243
Contributions	995,788	234,691	-	1,230,479	1,659,638	1,572,794	-	3,232,432
Special events	361,459	10,000	-	371,459	549,641	15,000	-	564,641
Direct donor benefits for special events	(141,145)	-	-	(141,145)	(221,741)	-	-	(221,741)
United Way contributions	-	187,877	-	187,877	-	191,708	-	191,708
Net assets released from restrictions (Note 12)	1,892,977	(1,892,977)	-	-	6,287,264	(6,287,264)	-	-
Total public support	5,051,870	(1,460,409)	-	3,591,461	8,648,045	(4,507,762)	-	4,140,283
<b>Revenues:</b>								
Sales to public	632,192	-	-	632,192	648,507	-	-	648,507
Rental income (Note 20)	657,400	-	-	657,400	610,292	-	-	610,292
Program service fees	697,046	-	-	697,046	101,334	-	-	101,334
Project development fees (Note 6)	-	-	-	-	1,243,881	-	-	1,243,881
Net investment income (Notes 9 and 17)	154,419	31,921	-	186,340	90,218	18,589	-	108,807
Other income (Note 7)	184,078	-	-	184,078	35,574	-	-	35,574
Total revenues	2,325,135	31,921	-	2,357,056	2,729,806	18,589	-	2,748,395
Total public support and revenues	7,377,005	(1,428,488)	-	5,948,517	11,377,851	(4,489,173)	-	6,888,678
<b>Expenses:</b>								
<b>Program services:</b>								
Apartments and resident services	2,831,584	-	-	2,831,584	1,322,095	-	-	1,322,095
Residential rehabilitation	815,475	-	-	815,475	805,474	-	-	805,474
Clinical counseling	514,313	-	-	514,313	524,701	-	-	524,701
Support services	753,229	-	-	753,229	818,601	-	-	818,601
The Cottage Shop	321,682	-	-	321,682	329,390	-	-	329,390
Total program services	5,236,283	-	-	5,236,283	3,800,261	-	-	3,800,261
Management and general	414,024	-	-	414,024	447,561	-	-	447,561
Fundraising	589,026	-	-	589,026	393,425	-	-	393,425
Total expenses	6,239,333	-	-	6,239,333	4,641,247	-	-	4,641,247
<b>Change in net assets before</b>								
noncontrolling ownership interest	1,137,672	(1,428,488)	-	(290,816)	6,736,604	(4,489,173)	-	2,247,431
Change in noncontrolling ownership interest (Note 21)	1,187,065	-	-	1,187,065	368,355	-	-	368,355
<b>Change in net assets</b>								
Net assets, beginning of year	2,324,737	(1,428,488)	-	896,249	7,104,959	(4,489,173)	-	2,615,786
Net assets, beginning of year	22,153,924	3,285,577	293,195	25,732,696	15,048,965	7,774,750	293,195	23,116,910
Net assets, end of year	<u>\$ 24,478,661</u>	<u>\$ 1,857,089</u>	<u>\$ 293,195</u>	<u>\$ 26,628,945</u>	<u>\$ 22,153,924</u>	<u>\$ 3,285,577</u>	<u>\$ 293,195</u>	<u>\$ 25,732,696</u>

See accompanying notes to consolidated financial statements.

# THE WOMEN'S HOME

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 410,378	\$ 424,865	\$ 362,017	\$ 591,252	\$ 213,246	\$ 189,207	\$ 296,102	\$ 2,487,067
Depreciation	989,867	95,355	15,425	27,918	23,359	19,471	2,810	1,174,205
Professional fees/contract services	417,272	8,781	84,530	21,128	11,847	61,119	136,050	740,727
Utilities	439,725	120,232	25,067	48,419	21,504	16,937	20,263	692,147
Repairs, maintenance and rental	211,913	55,800	9,306	20,868	14,732	24,549	8,591	345,759
Interest expense	245,951	-	-	-	-	9,626	-	255,577
Other	27,828	2,968	5,463	18,892	19,755	55,827	46,974	177,707
Food and supplies	15,637	91,143	3,644	12,500	9,161	18,449	17,848	168,382
Insurance	71,772	15,925	8,285	10,873	7,197	14,683	4,749	133,484
Printing and postage	1,241	406	576	1,379	881	4,156	55,639	64,278
Total expenses	<u>\$ 2,831,584</u>	<u>\$ 815,475</u>	<u>\$ 514,313</u>	<u>\$ 753,229</u>	<u>\$ 321,682</u>	<u>\$ 414,024</u>	<u>\$ 589,026</u>	<u>\$ 6,239,333</u>

See accompanying notes to consolidated financial statements.

# THE WOMEN'S HOME

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2016

	Apartments and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Fundraising	Total
Salaries and employee benefits	\$ 309,850	\$ 421,134	\$ 389,375	\$ 563,236	\$ 214,467	\$ 226,301	\$ 221,738	\$ 2,346,101
Depreciation	361,987	100,547	15,633	28,607	23,351	20,017	3,132	553,274
Professional fees and contract services	191,591	7,996	67,387	19,918	19,918	38,467	64,852	410,129
Utilities	158,476	69,380	19,812	36,699	20,512	18,745	11,002	334,626
Repairs, maintenance and rental	153,153	104,988	11,600	20,332	10,212	21,870	10,206	332,361
Interest expense	69,513	-	-	-	-	35,411	-	104,924
Other	32,448	4,567	8,715	125,209	19,874	50,697	29,303	270,813
Food and supplies	13,385	80,164	2,490	12,630	10,518	15,831	6,712	141,730
Insurance	30,906	16,349	9,486	10,418	8,660	14,121	5,408	95,348
Printing and postage	786	349	203	1,552	1,878	6,101	41,072	51,941
<b>Total expenses</b>	<b>\$ 1,322,095</b>	<b>\$ 805,474</b>	<b>\$ 524,701</b>	<b>\$ 818,601</b>	<b>\$ 329,390</b>	<b>\$ 447,561</b>	<b>\$ 393,425</b>	<b>\$ 4,641,247</b>

See accompanying notes to consolidated financial statements.



# THE WOMEN'S HOME

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 896,249	\$ 2,615,786
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,174,205	553,274
Amortization of debt issuance costs	17,868	4,467
Contributions restricted to investment in capital projects	-	(2,060,874)
Discount on pledges receivable	5,896	23,128
Net unrealized and realized gain on investments	(135,945)	(53,361)
Change in operating assets and liabilities:		
Pledges receivable	81,234	(110,200)
Government grants receivable	153,696	201,033
Thrift shop inventory	(1,602)	(16,215)
Prepaid expenses and other assets	7,411	36,900
Developer fee receivable	21,506	(1,071,833)
Accounts payable and accrued liabilities	457,639	219,203
Security deposits and prepaid rent	9,084	4,496
Developer fee payable	-	1,204,348
Net cash provided by operating activities	2,687,241	1,550,152
Cash flows from investing activities:		
Purchases of property and equipment	(7,463,274)	(10,981,542)
Net change in restricted cash and cash equivalents	6,784,099	(6,617,905)
Purchases of investments	(2,262,704)	(878,433)
Sales of investments	2,958,477	992,349
Net cash provided (used) used by investing activities	16,598	(17,485,531)
Cash flows from financing activities:		
Proceeds from contributions restricted to capital projects	445,018	2,654,611
Changes in noncontrolling ownership interest	7,297,428	(408,355)
Proceeds from line of credit	250,000	-
Issuance of note receivable	-	(6,724,000)
Payments on debt	(10,841,415)	(1,079,339)
Proceeds from debt	224,968	21,715,815
Debt issuance costs	-	(536,026)
Net cash (used) provided by financing activities	(2,624,001)	15,622,706
Net increase (decrease) in cash and cash equivalents	79,838	(312,673)
Cash and cash equivalents, beginning of year	659,945	972,618
Cash and cash equivalents, end of year	\$ 739,783	\$ 659,945
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, including capitalized interest of \$138,070 and \$127,041 for 2017 and 2016, respectively	\$ 393,647	\$ 226,502
Noncash investing and financing activities - purchase of property and equipment through a construction payable	\$ 379,371	\$ 870,345

See accompanying notes to consolidated financial statements.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 1 - Description of Organization

#### About The Women's Home

The Women's Home builds communities that strengthen women and support families as they reclaim their stability. Since its creation in 1957, the agency has fulfilled this mission by providing housing, behavioral health treatment and other wraparound support services to vulnerable women and families in the Houston, Texas area. The Women's Home embraces the WholeLife® service model, which addresses six areas of wellness - emotional/mental, physical, fiscal, social, vocational, and spiritual so that women and their families can create a balanced and rewarding life.

#### Residential Treatment and Transitional Housing Program

The Treatment and Transitional Housing Program provides housing, behavioral health treatment and wraparound support services to women experiencing homelessness due to addiction and mental illness. This program has the capacity to serve 50 women at one time and offers participants up to 18 months of clinical counseling, support and vocational services, with the goal of helping them obtain self-sufficiency.

#### Apartments and Resident Services

The Women's Home has two permanent supportive housing complexes in the Spring Branch neighborhood of Houston – Jane Cizik Garden Place and Adele and Ber Pieper Family Place. Together, these facilities offer 171 units of safe, affordable housing and case management services to low income and homeless households in the Houston area.

#### The Cottage Shop

The Women's Home operates a thrift shop that sells donated items such as clothing, furniture, and housewares. The shop is partially staffed by volunteers and serves as a job training site for residential clients.

#### Mabee WholeLife® Service Center

The Women's Home operates a collaborative, community service center in the Spring Branch neighborhood of Houston called the Mabee WholeLife® Service Center. With its cooperative partners, The Women's Home will provide holistic care for the entire family at the center that includes integrated healthcare, youth development programming, workforce development training, adult basic education, physical wellness, creative arts engagement and other support services.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 1 - Description of Organization (Continued)

#### Affiliate Companies

The Women's Home Hammerly Phase II, LP (Hammerly LP) is a Texas limited partnership formed on June 30, 2014 to develop Adele and Ber Pieper Family Place, an affordable housing, 84-unit permanent supportive apartment community that serves families in a safe, sober environment that includes case management services. The Women's Home Hammerly GP, LLC (Hammerly GP) is the general partner and 0.01% owner of Hammerly LP; Hudson SLP, LLC is the Special Limited Partner and 0.01% owner, and Hudson Women's Home, LLC is the Investment Partner and 99.98% owner. This project was financed with Low Income Housing Tax Credits allocated from the Texas Department of Housing and Community Affairs and funded by the City of Houston (the City) through Home Investment Partnership Program (HOME) funds, a federal pass-through from the U.S. Department of Housing and Urban Development (HUD), in addition to contributions from private sources. Construction of the Adele and Ber Pieper Family Place was completed in October 2016, whereupon it commenced rental operations. Hammerly LP will continue in perpetuity, unless dissolved earlier. The Women's Home is the sole member of Hammerly GP.

On October 12, 2015, WholeLife™ Services, Inc. was organized as a Texas nonprofit corporation to serve as the Qualified Active Low Income Community Business to secure the New Market Tax Credit (NMTC) financing for the construction of the Mabee WholeLife™ Service Center. This project is next to the Jane Cizik Garden Place and will use collaborative relationships to offer a variety of services to enhance the wellness and stability of families in the housing programs and the surrounding neighborhood. These services will include primary and behavioral healthcare, after-school and summer enrichment programs, and adult education and workforce development programs. This project was funded in part by the City through Community Development Block Grant Funds, a federal pass-through from HUD, and contributions from private sources. Construction of the Mabee WholeLife™ Service Center was completed in October 2017, whereupon it commenced operations. WholeLife™ Services, Inc.'s board is appointed by The Women's Home.

### Note 2 - Summary of Significant Accounting Policies

#### Basis of Consolidation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP), and include the consolidated activities of The Women's Home, Hammerly GP, Hammerly LP and WholeLife™ Services, Inc. (collectively, The Home). Based on the terms of the partnership agreement, Hammerly GP is considered to control Hammerly LP, and as a result, the limited partnership is included in these consolidated financial statements. Intercompany transactions, except revenue funded by limited partner equity transactions, have been eliminated in consolidation.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, all highly liquid investments with a maturity of three months or less at time of purchase are considered to be cash equivalents. Any restricted funds or escrows with use restrictions are not considered cash equivalents. Cash equivalents held for investment purposes in money market accounts are classified as investments on the consolidated statement of financial position.

#### Pledges Receivable

Pledges are recorded as revenue in the year they are received unless they contain a conditional promise to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material.

#### Allowance for Uncollectible Accounts

An allowance for pledges and government grants receivable is provided when it is believed amounts may not be collected in full. The amount of bad debt expense recognized each period and the resulting adequacy of the allowance at the end of each period are determined using a combination of historical loss experience and account by account analysis of balances each period. Receivables are written off as a charge to the allowance for uncollectible accounts when management determines the receivable will not be collected. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables. As of December 31, 2017 and 2016, no allowance was established for potentially uncollectible accounts.

#### Thrift Shop Inventory

Thrift shop inventory represents donated items such as clothing and home furnishings held for sale to the general public and are valued based on estimated fair value.

#### Note Receivable

The note receivable is reported at its outstanding principal balance. The note receivable is considered to be fully collectible, and accordingly, no allowance for doubtful accounts has been provided. Interest on the note receivable is recognized over the term of the note receivable and is calculated using the simple-interest method on principal amounts outstanding.

#### Investments

Investments are reported at fair value. Investment income is reported in the consolidated statement of activities and changes in net assets as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment income whose use is restricted by the donor is reported as an increase in temporarily restricted net assets until expended in accordance with donor-imposed restrictions.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of gift, if donated. Property and equipment purchases over \$5,000 are capitalized. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to ten years for furniture, fixtures and equipment and ten to thirty-nine years for buildings and improvements.

#### Impairment of Long Lived Assets

The Home reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which carrying amount exceeds the fair value as determined by an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized as of December 31, 2017 or 2016.

#### Debt Issuance Costs

Debt issuance costs represent costs related to the issuance of the NMTC notes payable and are amortized over the term of the notes. Amortization of debt issuance costs is reported as a component of interest expense. Unamortized debt issuance costs are reported as a direct reduction of the related debt. Accumulated amortization of debt issuance costs is \$22,335 and \$4,467 at December 31, 2017 and 2016, respectively.

#### Net Asset Classification

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Unrestricted net assets* include those net assets whose use is not subject to donor-imposed stipulations and that may be designated for specific purpose by action of the Board of Directors.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return on permanently restricted net assets is temporarily restricted until used in accordance with donor restrictions.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### Contributions

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions that are restricted by the donor for future periods or a specific purpose are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Gifts of property and equipment are recognized as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from restrictions when the donated or acquired long-lived assets are placed in service.

#### Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at date of receipt. A substantial number of volunteers have made significant contributions of their time to support programs, the thrift shop, fundraising efforts and administration. No amounts have been reflected in the accompanying consolidated financial statements for these services since the nature of these services does not meet the criteria for revenue recognition under GAAP.

#### Government Grants, Sales to Public and Program Service Fees

Government grants and program service fees are recognized in the period that services are provided. Sales to the public are recognized when products are sold.

#### Rental Income

Rental income is recognized as rent becomes due. Rental payments received in advance are deferred until earned and reported as prepaid rent. Apartment rental rates include free utilities and access to cable television. Other income resulting from fees earned for late payments, cleaning, damages and laundry facilities are recorded when earned.

#### Project Development Fees

Project development fees are recognized in accordance with the respective agreements.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 2 - Summary of Significant Accounting Policies (Continued)

#### 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 changes in net assets. Expenses which are directly associated with a particular program are charged to that program. Expenses that cannot be directly identified with a specific program are charged to the various programs based upon salaries, square footage, or other reasonable methods for allocating multiple program expenditures.

#### Use of Estimates

Management uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the amounts of reported revenues and expenses, and the allocation of expenses among various programs. Accordingly, actual results could differ from those estimates.

#### Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the current year presentation.

#### Subsequent Events

Management has evaluated subsequent events through June 28, 2018, the date which the consolidated financial statements were available to be issued. Management has determined that the consolidated financial statements include subsequent events requiring recognition or disclosure under GAAP.

### Note 3 - Concentrations of Credit Risk

#### Pledges Receivable

At December 31, 2017, pledges totaling \$412,780 from two organizations were in excess individually of 10% of gross total pledges. At December 31, 2016, pledges totaling \$475,417 from two organizations were in excess individually of 10% of gross total pledges.

#### Cash in Excess of FDIC Insurance

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. As of December 31, 2017 and 2016, amounts in excess of the insured limits were \$1,573,882 and \$9,193,442, respectively. Management believes that the credit risk is mitigated by the financial strength of the financial institutions where the deposits are held.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 4 - Income Taxes

The Women's Home and WholeLife™ Services, Inc. are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, file annual federal information returns that are subject to routine examinations. There are no examinations for any tax periods currently in progress for these tax-exempt entities and the open tax period is 2014 through 2017.

Hammerly GP and Hammerly LP are for-profit entities that are treated as pass-through entities for tax purposes and are not subject to federal income taxes. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements for these for-profit entities. These partnerships may be subject to state franchise taxes consisting of tax on taxable margin. No provision for state franchise taxes was made in the accompanying consolidated financial statements as management anticipates no state franchise tax liability for the year ended December 31, 2017 or 2016. Income tax returns filed by the partnerships are subject to examination by the Internal Revenue Service for period of three years. There are no examinations currently in progress for the partnership tax returns.

### Note 5 - Pledges Receivable

Pledges receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Amounts to be collected within one year:		
United Way	\$ 197,363	\$ 191,712
Other pledges	397,873	816,036
Amounts to be collected one to five years	<u>30,000</u>	<u>155,532</u>
Pledges receivable	625,236	1,163,280
Discount to present value, 4% interest rate	<u>(2,249)</u>	<u>(8,145)</u>
Pledges receivable, net	<u>\$ 622,987</u>	<u>\$ 1,155,135</u>
Pledges receivable	\$ 476,802	\$ 563,932
Pledges receivable restricted to capital projects, net	<u>146,185</u>	<u>591,203</u>
Pledges receivable, net	<u>\$ 622,987</u>	<u>\$ 1,155,135</u>

### Note 6 - Developer Fee Receivable

On May 29, 2015, The Women's Home entered into an agreement to provide development and consulting services to the third party developer of the Adele and Ber Pieper Family Place. The amount earned by The Women's Home is paid by the third party developer from amounts received from their development agreement with Hammerly LP (see Note 12). As of December 31, 2017 and 2016, the developer fee receivable is \$1,050,327 and \$1,071,833, respectively.



# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### **Note 7 - Note Receivable**

The Women's Home entered into an agreement on October 14, 2016 to lend \$6,724,000 to COCRF Women's Home Fund, LLC (COCR Fund). The note is secured by COCRF Fund's membership interest in Catalyst CDE-5, LLC (CSH CDE) and COCRF SubCDE 43, LLC (COCR CDE), (collectively the CDEs) and other cash accounts held by a secured party. The interest rate on the note is fixed at 1.5%. Interest is payable quarterly beginning December 2016 until October 2023. All principal and unpaid interest is due and payable in October 2046. Interest earned in 2017 and 2016 was \$100,860 and \$21,573, respectively. This note receivable serves as collateral to secure performance by The Home pursuant to a grant agreement with the City of Houston.

### **Note 8 - Fair Value of Financial Instruments**

GAAP requires that certain assets and liabilities be reported at fair value and establishes a hierarchy that prioritizes inputs used to measure fair value. Fair value 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 reporting date.

Certain of The Home's financial assets are measured at fair value on a recurring basis. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3 - Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally unobservable.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 8 - Fair Value of Financial Instruments (Continued)

Financial instruments measured at fair value on a recurring basis at December 31, 2017 are as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 1,056,333	\$ -	\$ -	\$ 1,056,333
Registered investment companies	366,008	-	-	366,088
Money market funds	182,711	-	-	182,711
Corporate bonds	170,607	-	-	170,607
U.S. government securities and sponsored enterprises	94,894	-	-	94,894
Total investments	\$ 1,870,553	\$ -	\$ -	\$ 1,870,553

Financial instruments measured at fair value on a recurring basis at December 31, 2016 are as follows:

	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 2,253,588	\$ -	\$ -	\$ 2,253,588
Money market funds	176,793	-	-	176,793
Total investments	\$ 2,430,381	\$ -	\$ -	\$ 2,430,381

Registered investment companies and money market funds are valued at the net asset value of shares held at year end as reported on the active market on which the securities are traded. Equities, corporate bonds, and U.S. government securities and sponsored enterprises are valued at the closing price reported on the active market on which the individual securities are traded. There have been no changes in methodologies used at December 31, 2017 or 2016.

The inputs or methodology used to measure investments are not necessarily indicative of the risk of investing in a particular security. Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position and statement of operations and changes in net assets.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 9 - Investments and Investment Income

Investments are comprised as follows at December 31:

	<b>2017</b>	<b>2016</b>
Board designated net assets for replacement reserve	\$ -	\$ 270,000
Donor-endowed funds designated for facility maintenance	431,681	399,760
Operations and facility maintenance	1,438,872	1,760,621
Total investments	\$ 1,870,553	\$ 2,430,381

Investment income is comprised as follows for the years ended December 31:

	<b>2017</b>	<b>2016</b>
Net realized and unrealized gain	\$ 135,945	\$ 53,361
Interest and dividends	74,130	84,012
Investment fees	(23,735)	(28,566)
Net investment income	\$ 186,340	\$ 108,807

### Note 10 - Property and Equipment

The following is a summary of property and equipment at December 31:

	<u>Lives</u>	<b>2017</b>	<b>2016</b>
Land		\$ 3,460,874	\$ 3,460,874
Land improvements	15 years	1,034,517	1,032,273
Buildings and improvements	10 - 39 years	34,107,205	25,549,619
Furniture and fixtures	7 years	1,495,292	1,213,567
Office equipment	3 - 10 years	454,466	454,466
Automobiles	5 years	90,447	90,447
Construction in progress		-	1,002,246
Property and equipment		40,642,801	32,803,492
Less: accumulated depreciation		(5,947,238)	(4,776,369)
Property and equipment, net		\$ 34,695,563	\$ 28,027,123

Construction in progress at December 31, 2016 represented the cost of construction and other direct costs for the Mabee WholeLife™ Service Center. Construction of this project was completed during 2017.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 11 - Line of Credit

As of December 31, 2017, The Women's Home had a \$250,000 revolving line of credit with a bank, carrying a floating interest rate of Prime plus 1.35%, or the floor rate of 4%. This line of credit expired on March 25, 2018, with the outstanding amount paid with funds obtained through a line of credit obtained on January 25, 2018. This new line of credit matures on January 25, 2019, carries a variable interest rate based on the prime rate and is uncollateralized.

On June 15, 2018, The Women's Home executed a commitment letter with a bank to obtain a \$1,000,000 revolving line of credit. The closing date for this line of credit cannot be later than August 17, 2018 and the line of credit will expire eighteen months from the closing date. Interest is at the prime rate, with such amounts payable monthly. The revolving line of credit will be collateralized by the administrative office's land and building.

### Note 12 - Notes Payable

On October 14, 2016, The Women's Home entered into a loan agreement with a bank totaling \$3,788,781. The loan agreement was initiated as a construction loan for the Mabee WholeLife™ Service Center, bears interest at prime plus 1%, and matures on October 13, 2019. This loan is secured by pledge receivables and certain other assets. As of December 31, 2017 and 2016, the principal balance outstanding on this loan was \$200,029 and \$2,709,442.

On May 29, 2015, Hammerly LP entered into an advancing construction loan agreement with a bank. The loan agreement is for a maximum of \$8,761,411, bears interest at a floating rate of LIBOR plus 3.5% (with a minimum rate of 4.25%) and matured on May 29, 2017. The construction loan is secured by a senior multifamily construction deed of trust, an assignment of rents, security agreement and fixture filing and is guaranteed by The Women's Home. As of December 31, 2017 and 2016, the principal balance outstanding on this construction loan was \$- and \$8,107,034, respectively.

Future maturities of notes payable are as follows as of December 31, 2017:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ -
2019	<u>200,029</u>
Total notes payable	<u>\$ 200,029</u>

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 13 - Developer Fee Payable

Hammerly LP entered into an agreement with a third party developer to provide specified services in connection with the development and construction of the Adele and Ber Pieper Family Place. As of December 31, 2016, the total developer fee of \$2,007,247 had been earned by the third party and capitalized into the project. As of December 31, 2017 and 2016, the remaining amount due for the developer fee was \$1,204,348. Developer fees not paid when earned accrue interest at a rate of 2.3%. As of December 31, 2017 and 2016, interest of \$33,164 and \$5,646, respectively, was accrued. Developer fee payments will be made from additional Limited Partner capital contributions and cash flow. The General Partner is obligated to make a capital contribution to pay any developer fees remaining after the 12th anniversary of the payment of the second capital contribution.

### Note 14 - New Market Tax Credits Notes Payable

WholeLife™ Services, Inc., as a Qualified Active Low Income Community Business, executed loan agreements on October 14, 2016, that provide for borrowings of \$8,820,000 and \$1,000,000 from CSH CDE and COCRF CDE, respectively. The loans are to finance the construction of the Mabee WholeLife™ Service Center Project and are intended to be treated as a “qualified low-income community investment” for purposes of generating NMTC under Section 45D of the Internal Revenue Code of 1986, as amended. The loans are secured by a property deed of trust, security agreement and fixture filing on this property, and a guaranty by The Women's Home.

Pursuant to the issuance of the NMTC Financing Commitment, WholeLife™ Services, Inc. is required to maintain certain funds at Capital One, N.A. which are contractually restricted. At December 31, 2017 and 2016, \$1,527,249 and \$8,311,348, respectively, is held for this purpose.

	<u>2017</u>	<u>2016</u>
Total NMTC notes payable	\$ 9,820,000	\$ 9,820,000
Less: Unamortized debt issuance costs	<u>(513,691)</u>	<u>(531,559)</u>
NMTC notes payable, net	<u>\$ 9,306,309</u>	<u>\$ 9,288,441</u>

**THE WOMEN'S HOME**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**Note 14 - New Market Tax Credits Notes Payable (Continued)**

The balances outstanding on the notes payable, maturity dates and repayment terms are as follows:

	<b>2017</b>	<b>2016</b>
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	\$ 6,051,600	\$ 6,051,600
Note payable to CSH CDE, interest of 1.539%, matures on October 13, 2046, with principal payments commencing in December 2023.	2,768,400	2,768,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	672,400	672,400
Note payable to COCRF CDE, interest of 1.009%, matures on October 13, 2046, with principal payments commencing in December 2023.	327,600	327,600
Total NMTC notes payable	<b>\$ 9,820,000</b>	<b>\$ 9,820,000</b>

No prepayment of any portion of the loans is allowed until the seventh anniversary of the loan. At any time after the seventh anniversary and before the eighth anniversary of the NMTC notes payable, the sole member in the COCRF Fund can exercise its put option to sell its interest in the COCRF Fund to The Women's Home for \$1,000. After exercising its option to purchase the interest in the COCRF Fund, The Women's Home may cancel the NMTC notes payable.

Future maturities of the NMTC notes payable are as follows as of December 31, 2017:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ -
2019	-
2020	-
2021	-
2022	-
Thereafter	9,820,000
Total NMTC notes payable	<b>\$ 9,820,000</b>

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 15 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Property maintenance reserves	\$ 1,433,556	\$ 1,389,017
Clinical counseling program	279,119	191,577
Vocational program	96,945	55,890
Strategic planning	30,000	-
Special events - future periods	10,000	15,000
Residential rehabilitation program	7,469	71,692
Capital expansion and improvement	-	1,512,401
Jane Cizik Garden Place case management	-	50,000
	<u>                    </u>	<u>                    </u>
Temporarily restricted net assets	<u>\$ 1,857,089</u>	<u>\$ 3,285,577</u>

### Note 16 - Net Assets Released From Restrictions

During 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	<u>2017</u>	<u>2016</u>
Capital expansion and improvements	\$ 1,512,401	\$ 5,977,140
Clinical counseling program	191,577	65,244
Residential rehabilitation program	71,393	73,158
Vocational program	52,606	54,722
Jane Cizik Garden Place case management	50,000	-
Special events - future periods	15,000	15,000
Property maintenance reserves	-	102,000
	<u>                    </u>	<u>                    </u>
Net assets released from restrictions	<u>\$ 1,892,977</u>	<u>\$ 6,287,264</u>

### Note 17 - Endowment Fund

The Home has a donor-restricted endowment fund for facility maintenance which is maintained in accordance with explicit donor stipulations. The Board of Directors of The Home has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Home classifies endowment contributions as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Home.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 17 - Endowment Fund (Continued)

In accordance with TUPMIFA, The Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of The Home and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of The Home
- The investment policies of The Home

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted purchasing power of the assets. To satisfy its long-term rate-of-return objectives, The Home relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Home targets a diversified portfolio to achieve its long-term objectives within prudent risk constraints. The Home has adopted a policy that the maximum distribution from the endowment fund each year is the lesser of five percent of the market value of the endowment fund or the investment return for the year. In establishing this policy, The Home considered the long-term expected return on its endowment. No appropriations have been approved from the donor-restricted endowment fund since its inception.

The facility maintenance endowment fund, by net asset classification, is as follows:

	<u>2017</u>	<u>2016</u>
Permanently restricted net assets	\$ 293,195	\$ 293,195
Temporarily restricted net assets	<u>138,486</u>	<u>106,565</u>
Total endowment net assets	<u>\$ 431,681</u>	<u>\$ 399,760</u>



# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 17 - Endowment Fund (Continued)

Changes in the endowment fund for the years ended December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ -	\$ 130,124	\$ 293,195	\$ 423,319
Investment income	-	23,394	-	23,394
Investment management fees	-	(4,805)	-	(4,805)
Appropriation for expenditure	42,148	(42,148)	-	-
Disbursement	<u>(42,148)</u>	<u>-</u>	<u>-</u>	<u>(42,148)</u>
 Endowment net assets, December 31, 2016	 <u>-</u>	 <u>106,565</u>	 <u>293,195</u>	 <u>399,760</u>
 Investment income	 -	 36,137	 -	 36,137
Investment management fees	<u>-</u>	<u>(4,216)</u>	<u>-</u>	<u>(4,216)</u>
 Endowment net assets, December 31, 2017	 <u>\$ -</u>	 <u>\$ 138,436</u>	 <u>\$ 293,195</u>	 <u>\$ 431,681</u>

### Note 18 - Employee Benefit Plan

The Home established a defined contribution plan for its employees. Under this plan, the employee may elect to defer a percentage of eligible compensation, as defined in the plan adoption agreement and subject to limit by Internal Revenue Code regulations. During 2017 and 2016, The Home matched 100% of the participant's contributions, up to 4% of the participant's eligible compensation. The matching contributions made into the defined contribution plan by The Home during 2017 and 2016 were \$49,272 and \$32,930, respectively.

### Note 19 - Commitments and Contingencies

A portion of the development costs of The Home's affordable housing projects has been funded through HOME funds and other governmental grants or performance-based loans. These agreements have various restrictive covenants, including operating and financial constraints such as limitations on transfer or sale of the properties or additional borrowings and required replacement and other reserves. These sources of funding generally place specific long-term restrictions on the properties as to their operation as affordable housing. Should these restrictions not be met in the future, The Home would be responsible for refunding all or a portion of these proceeds to the government. A liability for such repayment is not reported in these consolidated financial statements because management believes the properties are being operated in accordance with such restrictions.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 19 - Commitments and Contingencies (Continued)

#### Jane Cizik Garden Place

This property was funded in part by a \$2,500,000 HOME grant from the City of Houston, a \$1,009,500 HOME grant from Harris County, and a \$400,000 grant from the U.S. Department of Housing and Urban Development. Under the terms of the grants, these amounts and accrued interest will be forgiven 20 years after project completion (in 2028, 2028 and 2029, respectively), provided The Women's Home continues to comply with the terms of the agreements. The development is subject to Land Use Restriction Agreements for each of the funding sources.

#### Adele and Ber Pieper Family Place (Hammerly LP)

This property was funded in part by a \$3,500,000 HOME grant from the City of Houston. Under the terms of the grant agreement, this amount plus accrued interest will be forgiven 20 years after completion of the facility (in 2036), provided that The Women's Home continues to comply with the terms of the agreement.

This property was funded in part by a \$500,000 subsidy from the Federal Home Loan Bank of Dallas. Under the terms of the subsidy agreement, principal and interest will be forgiven 15 years after completion of the facility (in 2031), provided that The Women's Home continues to comply with the terms of the agreement.

This project received a Housing Tax Credit allocation which was sold in return for a limited partnership interest in Hammerly LP. These Housing Tax Credits require compliance with Section 42 of the Internal Revenue Code. Failure to maintain compliance with tenant income eligibility and rent limits, or to correct instances of noncompliance within a reasonable time period, could result in recapture of previously claimed tax credits plus interest. The Women's Home is the guarantor of the limited partnership agreement. In connection with this property, Hammerly GP is obligated to pay all excess development costs, as defined.

Hammerly GP is obligated to loan Hammerly LP any funds required to fund operating deficits, beginning with the date breakeven operations, as defined, is achieved and ending on the later of the date on which (i) breakeven operations are maintained over twelve month periods on an annual basis for three consecutive years, and (ii) the operating reserve account balance is at least equal to \$400,000. Hammerly GP shall not be obligated to fund more than \$625,000 of operating deficits in the aggregate. Operating Deficit Loans bear no interest and are repayable from net cash flow, as defined. Hammerly GP shall not be required to make an Operating Deficit Loan unless the Operating reserve has been depleted to zero.

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

---

### Note 19 - Commitments and Contingencies (Continued)

#### Mabee WholeLife™ Service Center

This facility was completed during 2017 and was funded in part by a \$1,630,000 grant agreement with the City of Houston. The grant agreement requires that the facility be used as a social service center for a period of five years after date of completion. During 2016, The Women's Home secured NMTC financing to construct the Mabee WholeLife™ Service Center. The Home partnered with Capital One, N.A. and Corporation for Supportive Housing in this transaction. The NMTC program carries a seven year compliance period, during which time The Home will be responsible to provide services as agreed in financing documents.

### Note 20 - Future Rental Income

Leases are maintained with tenants at the Mabee WholeLife™ Service Center through August 2023 and generated \$22,468 of rental income for the year ended December 31, 2017. Future rental income for these leases are as follows as of December 31, 2017:

<u>Years Ending December 31,</u>	<u>Amount</u>
2018	\$ 124,349
2019	120,745
2020	120,745
2021	120,745
2022	120,745
Thereafter	<u>80,497</u>
Total	<u>\$ 687,826</u>

# THE WOMEN'S HOME

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

### Note 21 - Noncontrolling Ownership Interest

Noncontrolling ownership interest represents the limited partners' ownership in Hammerly LP, which was formed during 2014 but which did not become operational until 2015. The changes in noncontrolling interest are as follows for the years ended December 31, 2016 and 2017:

	Total	Controlling Interest	Noncontrolling Interest
Noncontrolling interest, December 31, 2015	\$ 1,696,999	\$ 100	\$ 1,696,899
Syndication costs	(40,000)	-	(40,000)
Change in noncontrolling interest (net loss)	(368,392)	(37)	(368,355)
Noncontrolling interest, December 31, 2016	1,288,607	63	1,288,544
Contributions	8,484,493	-	8,484,493
Change in noncontrolling interest (net loss)	(1,187,184)	(119)	(1,187,065)
Noncontrolling interest, December 31, 2017	\$ 8,585,916	\$ (56)	\$ 8,585,972

Remaining capital contribution installment payments are payable upon the achievement of certain financing, operating and reporting milestones, as defined. Profits, losses and tax credits are generally allocated to the partners in accordance with their ownership interests. Net cash flow from operations, as defined, shall be distributed annually as defined.

\* \* \* End of Notes \* \* \*