

**THE WOMEN'S HOME
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018
(With Independent Auditor's Report Thereon)

Insight. Oversight. Foresight.SM

 **DoerenMayhew**
CPAs AND ADVISORS

THE WOMEN'S HOME

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
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, 2019	5
Consolidated Statement of Functional Expenses - Year Ended December 31, 2018	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, 2019 and 2018, 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, 2019 and 2018 statements of financial position of The Women's Home Hammerly Phase II, LP (Hammerly LP), which statements reflect total assets of \$15,478,039 and \$15,816,437, respectively adjusted for elimination entries, and total liabilities of \$674,758 and \$1,530,741, respectively adjusted for elimination entries. We did not audit the statements of operations of Hammerly LP, which for the years ended December 31, 2019 and 2018, reflects total revenues of \$925,901 and \$764,972, respectively, and total expenses of \$1,368,773 and \$1,420,844, respectively adjusted for elimination entries. 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. 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.

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 our audits and the report of 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, 2019 and 2018, 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.



Houston, Texas
April 24, 2020

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents (Note 3)	\$ 1,810,011	\$ 1,154,687
Pledges receivable, net (Notes 3 and 5)	362,901	403,124
Government grants receivable	106,554	46,970
Inventory	120,192	140,692
Prepaid expenses and other assets	179,789	203,593
Developer fee receivable (Note 6)	504,610	1,050,327
Investments (Note 7)	1,764,620	1,616,213
Note receivable (Note 11)	6,724,000	6,724,000
Restricted cash and cash equivalents (Note 11)	222,308	280,308
Property and equipment, net (Notes 8, 9 and 11)	32,217,207	33,394,290
Total assets	<u>\$ 44,012,192</u>	<u>\$ 45,014,204</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 455,254	\$ 575,453
Construction payable	76,982	153,963
Security deposits and prepaid rent	29,031	35,432
Developer fee payable (Note 10)	579,248	1,204,348
Line of credit, net (Note 9)	-	454,134
New Market Tax Credits notes payable, net (Note 11)	9,342,045	9,324,177
Total liabilities	<u>10,482,560</u>	<u>11,747,507</u>
Net assets:		
Without donor restrictions:		
The Women's Home	22,086,371	23,125,153
Noncontrolling interest in Hammerly LP (Note 18)	8,396,896	7,864,607
Total without donor restrictions	<u>30,483,267</u>	<u>30,989,760</u>
With donor restrictions:		
Temporary (Notes 12 and 14)	2,753,170	1,983,742
Perpetual (Notes 12 and 14)	293,195	293,195
Total with donor restrictions	<u>3,046,365</u>	<u>2,276,937</u>
Total net assets	<u>33,529,632</u>	<u>33,266,697</u>
Total liabilities and net assets	<u>\$ 44,012,192</u>	<u>\$ 45,014,204</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, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
	Total		Total	
Public support:				
Government grants	\$ 716,862	\$ -	\$ 716,862	\$ -
Contributions	1,035,123	961,935	1,997,058	561,263
Special events	328,552	-	328,552	-
Direct donor benefits for special events	(109,031)	-	(109,031)	-
United Way contributions	-	164,541	164,541	157,385
Net assets released from restrictions (Note 13)	673,884	(673,884)	581,523	(581,523)
Total public support	2,645,390	452,592	3,097,982	137,125
Revenues:				
Sales to public	691,115	-	691,115	-
Rental income (Note 17)	829,159	-	829,159	-
Program service fees	963,983	-	963,983	-
Net investment income (loss)	1,415	316,836	318,251	(10,472)
Other income (Note 11)	272,979	-	272,979	-
Total revenues	2,758,651	316,836	3,075,487	(10,472)
Total public support and revenues	5,404,041	769,428	6,173,469	126,653
Expenses:				
Program services:				
Apartments and resident services	3,510,974	-	3,510,974	-
Residential rehabilitation	931,978	-	931,978	-
Clinical counseling	538,390	-	538,390	-
Support services	590,539	-	590,539	-
The Cottage Shop	326,209	-	326,209	-
Total program services	5,898,090	-	5,898,090	-
Management and general	513,726	-	513,726	-
Fundraising	539,861	-	539,861	-
Total expenses	6,951,677	-	6,951,677	-
Change in net assets before noncontrolling ownership interest	(1,547,636)	769,428	(778,208)	126,653
Change in noncontrolling ownership interest from net loss (Note 18)	508,854	-	508,854	-
Change in net assets	(1,038,782)	769,428	(269,354)	126,653
Net assets, beginning of year	23,125,153	2,276,937	25,402,090	2,150,284
Net assets, end of year	\$ 22,086,371	\$ 3,046,365	\$ 25,132,736	\$ 2,276,937

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Apartment and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Cost of Goods Sold	Fundraising	Total
Salaries and employee benefits	\$ 807,616	\$ 494,969	\$ 378,231	\$ 397,811	\$ 228,823	\$ 268,802	\$ -	\$ 383,476	\$ 2,959,728
Depreciation	1,190,373	83,151	17,934	37,313	22,518	29,459	-	812	1,381,560
Utilities and occupancy	489,264	140,667	19,181	39,973	16,700	24,932	-	14,898	745,615
Professional fees/contract services	320,213	31,177	97,843	50,190	4,312	107,958	-	78,362	690,055
Repairs, maintenance and rental	254,747	49,490	7,591	14,456	11,882	9,642	-	3,899	351,707
Food and supplies	40,288	102,838	7,445	14,469	10,803	14,434	-	19,033	209,310
Interest expense	166,946	-	-	-	-	14,227	-	-	181,173
Insurance	100,172	21,610	5,288	16,321	4,434	22,102	-	7,225	177,152
Other	25,572	8,068	4,822	19,743	24,219	21,240	-	19,747	123,411
Costs of direct benefits to donors	-	-	-	-	-	-	109,031	-	109,031
Management fees	94,773	-	-	-	-	-	-	-	94,773
Printing and postage	8,233	8	55	263	2,518	930	-	12,409	24,416
Property taxes	12,777	-	-	-	-	-	-	-	12,777
Total expenses by function	3,510,974	931,978	538,390	590,539	326,209	513,726	109,031	539,861	7,060,708
Less costs of direct benefits to donors included with revenues on the statement of operations	-	-	-	-	-	-	(109,031)	-	(109,031)
Total expenses included in the expense section on the statement of operations	\$ 3,510,974	\$ 931,978	\$ 538,390	\$ 590,539	\$ 326,209	\$ 513,726	\$ -	\$ 539,861	\$ 6,951,677

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Apartment and Resident Services	Residential Rehabilitation	Clinical Counseling	Support Services	The Cottage Shop	Management and General	Cost of Goods Sold	Fundraising	Total
Salaries and employee benefits	\$ 475,782	\$ 430,826	\$ 430,416	\$ 649,956	\$ 229,263	\$ 262,886	\$ -	\$ 350,282	\$ 2,829,411
Depreciation	1,170,956	89,452	14,731	28,592	24,818	13,726	-	1,945	1,344,220
Utilities and occupancy	470,620	121,810	19,849	40,883	16,605	28,165	-	17,793	715,725
Professional fees/contract services	246,650	11,490	89,649	23,810	4,586	120,626	-	101,024	597,835
Repairs, maintenance and rental	124,212	40,596	5,797	12,752	8,240	15,816	-	4,304	211,717
Food and supplies	46,232	94,732	6,389	12,445	10,631	21,266	-	5,446	197,141
Interest expense	183,200	-	-	-	-	19,864	-	-	203,064
Insurance	99,038	15,422	4,786	12,326	4,499	8,316	-	4,248	148,635
Other	131,177	4,610	2,437	20,107	23,339	85,789	-	36,945	304,404
Costs of direct benefits to donors	-	-	-	-	-	-	65,816	-	65,816
Management fees	69,388	-	-	-	-	-	-	-	69,388
Printing and postage	4,249	116	36	1,269	1,796	966	-	8,959	17,391
Property taxes	80,251	-	-	-	-	-	-	-	80,251
Total expenses by function	3,101,755	809,054	574,090	802,140	323,777	577,420	65,816	530,946	6,784,998
Less costs of direct benefits to donors included with revenues on the statement of operations	-	-	-	-	-	-	(65,816)	-	(65,816)
Total expenses included in the expense section on the statement of operations	\$ 3,101,755	\$ 809,054	\$ 574,090	\$ 802,140	\$ 323,777	\$ 577,420	\$ -	\$ 530,946	\$ 6,719,182

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (269,354)	\$ (1,226,855)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,339,680	1,323,015
Amortization of debt issuance costs	22,829	22,002
Discount on pledges receivable	(1,838)	1,367
Net unrealized and realized (gain) loss on investments	(274,423)	150,634
In-kind donation of assets	(19,500)	(27,660)
Change in operating assets and liabilities:		
Decrease in pledges receivable	36,664	77,708
(Increase) decrease in government grants receivable	(59,584)	138,631
Decrease (increase) in inventory	20,500	(3,345)
Decrease (increase) in prepaid expenses and other assets	23,804	(78,621)
Decrease in accounts payable and accrued liabilities	(120,199)	(161,125)
Decrease in security deposits and prepaid rent	(6,401)	(2,518)
Net cash provided by operating activities	<u>692,178</u>	<u>213,233</u>
Cash flows from investing activities:		
Purchases of property and equipment	(220,078)	(568,370)
Purchases of investments	(417,640)	(570,875)
Sales of investments	543,656	674,581
Net cash used by investing activities	<u>(94,062)</u>	<u>(464,664)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted to capital projects	5,397	140,788
Changes in noncontrolling ownership interest	532,289	(721,365)
Net change in line of credit	(459,095)	214,883
Proceeds from developer fee receivable	545,717	-
Payments for developer fee payable	(625,100)	-
Payments on debt	-	(200,029)
Debt issuance costs	-	(14,883)
Net cash used by financing activities	<u>(792)</u>	<u>(580,606)</u>
Net increase (decrease) in cash and cash equivalents	597,324	(832,037)
Cash, cash equivalents and restricted cash, beginning of year	1,434,995	2,267,032
Cash, cash equivalents and restricted cash, end of year	<u>\$ 2,032,319</u>	<u>\$ 1,434,995</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 234,549</u>	<u>\$ 171,230</u>

See accompanying notes to consolidated financial statements.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 provides 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, 2019 AND 2018

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 (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 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.

WholeLife[®] Services, Inc. is a Texas nonprofit corporation formed on October 12, 2015 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 Family Place. The project uses collaborative relationships to offer a variety of services to enhance the wellness and stability of families in the housing programs and surrounding neighborhood. These services 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 have been eliminated in consolidation.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The Home reports its consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or Board of Directors (Board) designation.

Net assets with donor restrictions: Net assets subject to donor or grantor-imposed restrictions. These restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions may be perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

If donor or grantor-imposed restrictions are met in the same reporting period as the contribution or grant is recognized as revenue, The Home reports such amount as an increase in net assets without donor restrictions. All other donor or grantor-restricted contributions and grants are reported as increases in net assets with donor restrictions, and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions.

Cash, Cash Equivalents, and Restricted Cash

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. Cash equivalents held for investment purposes in money market accounts are classified as investments in the consolidated statement of financial position and are excluded from cash equivalents for the purpose of cash flows. Amounts included in restricted cash represent funds or escrows with use restrictions from external parties.

The following is a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position at December 31, 2019 and 2018 to the amount shown within the consolidated statement of cash flows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,810,011	\$ 1,154,687
Cash contractually restricted (See Note 11)	<u>222,308</u>	<u>280,308</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,032,319</u>	<u>\$ 1,434,995</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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. At December 31, 2019 and 2018, no allowance was established for potentially uncollectible accounts.

Inventory

Inventory represents donated items such as clothing and home furnishings held for sale to the general public at The Cottage Shop, as well as items that are intended to be used in fundraising events. These items are valued based on estimated fair value at time of donation.

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 operations and changes in net assets as an increase in net assets without donor restrictions 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 net assets with donor restrictions until expended in accordance with donor-imposed restrictions. Investment income is reported net of investment related expenses.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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, 2019 or 2018.

Debt Issuance Costs

Debt issuance costs are amortized over the term of the related debt. 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.

Revenue Recognition

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. At December 31, 2019 and 2018, The Home had no conditional contributions.

Contributed property and equipment are reflected at their estimated fair value at the date of receipt. Contributed property and equipment is 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 donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the donated or acquired long-lived assets are placed in service.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributed services that meet the revenue recognition requirements of GAAP are recorded at estimated fair value when received. To be recognized as revenue, the donated services must either (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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 represent cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when The Home has incurred expenditures in compliance with specific contract or grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances. The Home received cost-reimbursable grants of \$129,800 that have not been recognized at December 31, 2019 because qualifying expenditures have not yet been incurred. No advance payments were received as of December 31, 2019 or 2018.

Sales to the public are recognized when products are sold.

Rental income is recognized as rent becomes due. Rental payments received in advance are deferred until earned and reported as prepaid rent. Other income resulting from fees earned for late payments, cleaning, damages and laundry facilities are recorded when earned.

Program service fees are recognized in the period that services are provided.

Special events revenue is recognized when the event is held.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of operations 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.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles

On January 1, 2019, The Home adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and all related amendments (collectively, ASC 606) using the modified retrospective method. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers or clients in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 resulted in no significant changes to The Home's financial reporting. Accordingly, no adjustment to beginning net assets was necessary.

On January 1, 2019, The Home adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* using the modified prospective method. This ASU improved the clarity on existing guidance for the determination of exchange transactions and distinguishing between conditional and unconditional contributions. The adoption of this ASU had no impact on The Home's consolidated financial statements.

During fiscal year 2019, The Home adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, and as such, has appropriately classified restricted cash as a cash and cash equivalent in the consolidated statement of cash flows. Reclassifications were made to the previously reported fiscal year 2018 cash flow amounts to conform with the current year presentation.

Note 3 - Concentrations of Credit Risk

Pledges Receivable

At December 31, 2019, pledges totaling \$266,168 from two organizations were in excess individually of 10% of gross total pledges. At December 31, 2018, pledges totaling \$272,654 from three 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, 2019 and 2018, amounts in excess of the insured limits were \$1,214,361 and \$530,540, 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, 2019 AND 2018

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 2016 through 2019.

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 years ended December 31, 2019 or 2018. 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>2019</u>	<u>2018</u>
Amounts to be collected within one year:		
United Way	\$ 166,168	\$ 172,651
Other pledges	184,008	170,386
Amounts to be collected one to five years	<u>14,503</u>	<u>63,703</u>
 Pledges receivable	 364,679	 406,740
Discount to present value, 4% interest rate	<u>(1,778)</u>	<u>(3,616)</u>
 Total outstanding pledges, net	 <u>\$ 362,901</u>	 <u>\$ 403,124</u>
 Pledges receivable - operating, net	 \$ 362,901	 \$ 397,727
Pledges receivable - restricted to capital projects	<u>-</u>	<u>5,397</u>
 Total outstanding pledges, net	 <u>\$ 362,901</u>	 <u>\$ 403,124</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 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 10). At December 31, 2019 and 2018, the developer fee receivable is \$504,610 and \$1,050,327, respectively.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 7 - 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.

Financial instruments measured at fair value on a recurring basis at December 31, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 992,147	\$ -	\$ -	\$ 992,147
Registered investment companies	339,174	-	-	339,174
Corporate bonds	186,021	-	-	186,021
U.S. government securities and sponsored enterprises	185,533	-	-	185,533
Money market funds	<u>61,745</u>	<u>-</u>	<u>-</u>	<u>61,745</u>
Total investments	<u>\$ 1,764,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,764,620</u>

Financial instruments measured at fair value on a recurring basis at December 31, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 901,977	\$ -	\$ -	\$ 901,977
Registered investment companies	313,702	-	-	313,702
Corporate bonds	169,141	-	-	169,141
U.S. government securities and sponsored enterprises	182,962	-	-	182,962
Money market funds	<u>48,431</u>	<u>-</u>	<u>-</u>	<u>48,431</u>
Total investments	<u>\$ 1,616,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,616,213</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 7 - Fair Value of Financial Instruments (Continued)

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, 2019 or 2018.

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 consolidated statement of operations and changes in net assets.

Note 8 - Property and Equipment

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

	<u>Lives</u>	<u>2019</u>	<u>2018</u>
Land		\$ 3,460,874	\$ 3,460,874
Land improvements	15 years	1,034,517	1,034,517
Buildings and improvements	10 - 39 years	34,178,227	34,136,053
Furniture and fixtures	5 - 7 years	1,549,114	1,495,292
Office equipment	3 - 10 years	513,960	447,360
Automobiles	5 years	<u>90,447</u>	<u>90,447</u>
Property and equipment		40,827,139	40,664,543
Less: accumulated depreciation		<u>(8,609,932)</u>	<u>(7,270,253)</u>
Property and equipment, net		<u>\$ 32,217,207</u>	<u>\$ 33,394,290</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,339,680 and \$1,323,015, respectively.

Note 9 - Line of Credit

At December 31, 2019 and 2018, The Women's Home had a balance of \$0 and \$464,883, respectively, on a revolving line of credit that was entered into on July 27, 2018. The line of credit facility is for a maximum amount of \$1,000,000, bears interest at prime, with such amounts payable monthly, and expires on January 27, 2020. This line of credit is collateralized by land and building with a net book value of \$1,078,355 and \$1,123,643 at December 31, 2019 and 2018, respectively. In connection with obtaining the line of credit, debt issuance costs of \$14,883 were incurred, with an unamortized balance of \$0 and \$10,749 as of December 31, 2019 and 2018, respectively. Subsequent to year end, this line of credit was renewed with identical terms and a maturity date of January 27, 2021.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 10 - Developer Fee Payable

Hammerly LP entered into a \$2,007,247 development agreement with a third party to provide specified services in connection with the development and construction of Family Place. The total fee due under the agreement has been earned and capitalized into the project. At December 31, 2019 and 2018, the remaining amount due for the developer fee was \$579,248 and \$1,204,348, respectively. Developer fees not paid when earned accrue interest at a rate of 2.3%. At December 31, 2019 and 2018, interest of \$6,661 and \$60,864, 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 unpaid after the 12th anniversary of the payment of the second capital contribution, which occurred in 2019.

Note 11 - New Market Tax Credit Transactions

The Women's Home entered into an agreement on October 14, 2016 to lend \$6,724,000 to COCRF Women's Home Fund, LLC (COCRF Fund). The note receivable is secured by COCRF Fund's membership interest in Catalyst CDE-5 and COCRF SubCDE 43, LLC, which are Community Development Entities formed for the NMTC transactions. The interest rate on the note receivable is fixed at 1.5%, with interest payable quarterly, beginning December 2016 until October 2023. All principal and unpaid interest is due and payable in October 2046. Interest earned in both 2019 and 2018 was \$100,860 and is reflected in other income on the consolidated statements of operations and changes in net assets. This note receivable serves as collateral to secure performance by The Home pursuant to a grant agreement with the City of Houston.

WholeLife[®] Services, Inc. entered into agreements on October 14, 2016 with Catalyst CDE-5 and COCRF SubCDE 43, LLC, that provided for borrowings of \$8,820,000 and \$1,000,000, respectively. These funds were used 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 project, and a guaranty by The Women's Home. The net book value of the collateralized assets at December 31, 2019 and 2018 is \$8,298,107 and \$8,603,324, respectively. Pursuant to the issuance of the NMTC loans, WholeLife[®] Services, Inc. is required to maintain certain funds at Capital One, N.A. which are contractually restricted. At December 31, 2019 and 2018, \$222,308 and \$280,308, respectively, is held for this purpose.

No prepayment of any portion of the NMTC loans is allowed until the seventh anniversary of the loans, which is October 14, 2023. At any time after the seventh anniversary and before the eighth anniversary, the sole member in the COCRF Fund can exercise a put option to The Women's Home to sell its interest in the COCRF Fund for \$1,000, which would result in the effective cancellation of the \$6,724,000 note receivable from COCRF Fund and allow The Women's Home to cancel the NMTC notes payable.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 11 - New Market Tax Credits Notes Payable (Continued)

The balances outstanding on the notes payable, maturity dates and repayment terms are as follows at December 31:

	<u>2019</u>	<u>2018</u>
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.	<u>327,600</u>	<u>327,600</u>
Total NMTC notes payable	9,820,000	9,820,000
Less: Unamortized debt issuance costs	<u>(477,955)</u>	<u>(495,823)</u>
NMTC notes payable, net	<u>\$ 9,342,045</u>	<u>\$ 9,324,177</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following at December 31:

	<u>2019</u>	<u>2018</u>
Subject to specified purpose or period:		
Property maintenance reserves	\$ 1,847,265	\$ 1,566,765
Residential rehabilitation program	432,567	86,529
Behavioral health and children's programing	362,673	132,948
Clinical counseling program	56,499	77,462
Vocational program	46,524	77,462
Case managers for Family Place and Garden Place	7,642	29,937
Strategic Planning	<u>-</u>	<u>12,639</u>
Total subject to specified purpose or period	2,753,170	1,983,742
Subject to restriction in perpetuity	<u>293,195</u>	<u>293,195</u>
Total net assets with donor restrictions	<u>\$ 3,046,365</u>	<u>\$ 2,276,937</u>

Note 13 - Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. The net assets released from donor restriction are as follows:

	<u>2019</u>	<u>2018</u>
Property maintenance reserves	\$ 364,465	\$ 170,629
Residential rehabilitation program	86,529	7,469
Clinical counseling program	77,462	279,119
Vocational program	77,462	96,945
Case managers for Family Place and Garden Place	29,937	-
Behavioral health and children's programing	25,390	-
Strategic planning	12,639	17,361
Special events - future periods	<u>-</u>	<u>10,000</u>
Net assets released from donor restrictions	<u>\$ 673,884</u>	<u>\$ 581,523</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 14 - 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. The Home classifies net assets associated with the donor-restricted endowment as net assets with donor restrictions.

In accordance with TUPMIFA, The Home considers the following factors in making a determination to appropriate for expenditure 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 previous year. In establishing this policy, The Home considered the long-term expected return on its endowment.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 14 - Endowment Fund (Continued)

Endowment net assets consist of the following at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 293,195	\$ 293,195
Accumulated investment gains	-	159,825	159,825
Total	<u>\$ -</u>	<u>\$ 453,020</u>	<u>\$ 453,020</u>

Endowment net assets consist of the following at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor restricted gift amount required to be maintained in perpetuity by donor	\$ -	\$ 293,195	\$ 293,195
Accumulated investment gains	-	105,769	105,769
Total	<u>\$ -</u>	<u>\$ 398,964</u>	<u>\$ 398,964</u>

Changes in the endowment fund for the years ended December 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ -	\$ 431,681	\$ 431,681
Investment loss	-	(5,932)	(5,932)
Investment management fees	-	(4,540)	(4,540)
Appropriation for expenditure	22,245	(22,245)	-
Expenditure	<u>(22,245)</u>	<u>-</u>	<u>(22,245)</u>
Endowment net assets, December 31, 2018	<u>-</u>	<u>398,964</u>	<u>398,964</u>
Investment income	-	79,701	79,701
Investment management fees	-	(4,910)	(4,910)
Appropriation for expenditure	20,735	(20,735)	-
Expenditure	<u>(20,735)</u>	<u>-</u>	<u>(20,735)</u>
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 453,020</u>	<u>\$ 453,020</u>

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 15 - 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 2019 and 2018, 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 2019 and 2018 were \$44,763 and \$33,517, respectively.

Note 16 - 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.

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.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 16 - Commitments and Contingencies (Continued)

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

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.

Hammerly GP is required to establish a \$400,000 operating reserve from proceeds of the second and third Investment Partner capital contributions. 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. As of December 31, 2019 and 2018, the operating reserve held \$401,030 and \$58,513, respectively.

Hammerly GP is required to fund a supplemental operating reserve account from distributions of net cash flow, with such funds maintained throughout the compliance period and used to fund operating deficits, capital improvements and social service expenses. As of December 31, 2019 and 2018, the supplemental operating reserve had not been funded.

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.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 17 - Future Rental Income

Leases are maintained with tenants at the Mabee WholeLife® Service Center through August 2023 and generated approximately \$150,000 and \$133,000 of rental income for the years ended December 31, 2019 and 2018, respectively. Future rental income for these leases are as follows as of December 31, 2019:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 120,745
2021	120,745
2022	120,745
2023	<u>80,497</u>
Total	<u>\$ 442,732</u>

Note 18 - Noncontrolling Ownership Interest

Noncontrolling ownership interest represents the limited partners' ownership in Hammerly LP. For the years ended December 31, 2019 and 2018, the changes in noncontrolling interest are as follows:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Balance at January 1, 2018	\$ 8,585,916	\$ (56)	\$ 8,585,972
Fiscal year 2018 activity:			
Change in noncontrolling interest - net loss	<u>(721,437)</u>	<u>(72)</u>	<u>(721,365)</u>
Balance at December 31, 2018	7,864,479	(128)	7,864,607
Fiscal year 2019 activity:			
Contributions	1,041,143	-	1,041,143
Change in noncontrolling interest - net loss	<u>(508,905)</u>	<u>(51)</u>	<u>(508,854)</u>
Balance at December 31, 2019	<u>\$ 8,396,717</u>	<u>\$ (179)</u>	<u>\$ 8,396,896</u>

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.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 19 - Liquidity and Availability of Resources

The following table reflects The Home's financial assets at December 31, 2019, reduced by amounts not anticipated to be available for general expenditure within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use through purpose restrictions.

Financial assets available within one year:	<u>Amount</u>
Cash and cash equivalents	\$ 1,810,011
Pledges receivable	350,176
Government grants receivable	106,554
Developer fee receivable	504,610
Receivables within other assets	57,297
Investments	<u>1,764,620</u>
Total financial assets available within one year	4,593,268
Amounts unavailable for general expenditure within one year:	
Restricted by donors with purpose restrictions	(2,753,170)
Restricted by donors in perpetuity	(293,195)
Required operating reserve for Hammerly LP	(400,000)
Required replacement reserve for Hammerly LP	<u>(42,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,104,903</u>

The Home regularly monitors liquidity required to meet its operational needs and other contractual commitments. The Home has various sources of liquidity, including cash, cash equivalents and investments, and has an available line of credit. Excess funds are invested for long-term appreciation and current income, but remain available to be spent at the Board's discretion. The Home strives to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

THE WOMEN'S HOME

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Note 20 - Subsequent Events

Subsequent to year end, the \$1,000,000 line of credit was renewed with identical terms and a maturity date of January 27, 2021.

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during the first half of March, as federal, state and local governments reacted to the public health crisis. As a result of COVID-19, The Cottage Shop was temporarily closed for operations on March 13, 2020 and remains closed as of April 24, 2020. It is not known when full scale operations at The Cottage Shop may resume. Management is assessing the impact that COVID-19 may ultimately have on The Home's operations and cash flows. Management believes that the extent to which COVID-19 will impact The Home's operations will depend on future developments, which are highly uncertain, and for which the ultimate effects are unknown at this time.

On April 20, 2020, The Women's Home obtained a \$456,300 Paycheck Protection Program Loan (PPP Loan) which was established under the CARES Act and is guaranteed by the U.S. Small Business Administration. The PPP Loan is due in seventeen equal principal payments beginning November 20, 2020, with final payment due April 20, 2022. The PPP Loan has a fixed interest rate of 1.00%, with accrued interest payable monthly beginning November 20, 2020. The PPP Loan may be forgiven, in whole or in part, if The Women's Home complies with certain requirements of the CARES Act.

Management has evaluated subsequent events through April 24, 2020, the date which the consolidated financial statements were available to be issued. Management has determined that there are no other subsequent events requiring recognition or disclosure in the consolidated financial statements.

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