AVANCE-Dallas, Inc.

Financial Statements

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
AVANCE-Dallas, Inc.
Dallas, Texas

We have audited the accompanying financial statements of AVANCE-Dallas, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AVANCE-Dallas, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of AVANCE-Dallas, Inc.as of June 30, 2017, were audited by other auditors whose report dated October 31, 2017, expressed an unmodified opinion on those statements.

Armanino LLP

Armanino[LLP]
Dallas, Texas

April 15, 2019

AVANCE-Dallas, Inc.
Statement of Financial Position
June 30, 2018

ASSETS

Cash	$	119,959
Certificates of deposit		80,764
Grants receivable		99,635
Prepaid expenses and deposits		29,783
Total assets	$	330,141

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	$	45,279
Due to National (AVANCE, Inc.)		2,500
Total liabilities		47,779
Net assets		
Unrestricted		272,362
Temporarily restricted		10,000
Total net assets		282,362
Total liabilities and net assets	$	330,141

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

AVANCE-Dallas, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Contributions and other	$ 1,068,929	$ 10,000	$ 1,078,929
United Way	852,050	-	852,050
Fundraising events	120,845	-	120,845
In-kind contributions	78,336	-	78,336
Interest income	115	-	115
Total revenues and other support	2,120,275	10,000	2,130,275
Net assets released from restriction	209,452	(209,452)	-
Total revenues and other support	2,329,727	(199,452)	2,130,275
Functional expenses			
Program services	1,919,790	-	1,919,790
Management and general	303,093	-	303,093
Fundraising	167,677	-	167,677
Total functional expenses	2,390,560	-	2,390,560
Change in net assets	(60,833)	(199,452)	(260,285)
Net assets, beginning of year	333,195	209,452	542,647
Net assets, end of year	$ 272,362	$ 10,000	$ 282,362

AVANCE-Dallas, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Management and general	Fundraising	Total
Salaries & wages	$ 1,194,453	$ 153,231	$ 63,500	$ 1,411,184
Employee benefits	213,444	17,361	6,777	237,582
Payroll taxes	131,339	12,537	4,451	148,327
Professional fees	45,084	55,073	14,246	114,403
Supplies	39,798	5,333	635	45,766
Telephone, fax, & internet	12,798	3,074	590	16,462
Postage & shipping	197	405	404	1,006
Occupancy	41,805	5,963	1,872	49,640
Donated use of facilities	78,336	-	-	78,336
Rental & maintenance of equipment	9,352	1,679	715	11,746
Printing & publications	7,809	2,248	2,623	12,680
Travel	21,056	1,376	56	22,488
Client participation	57,304	-	-	57,304
Conferences & meetings	-	12,708	261	12,969
Staff development	4,002	6,703	24	10,729
Membership fees	436	110	-	546
Insurance	8,541	2,379	-	10,920
Interest	-	174	-	174
Miscellaneous	633	15,140	-	15,773
Affiliation fees	38,621	847	200	39,668
Fundraising	-	14	70,315	70,329
Non-capital equipment	14,782	3,051	1,008	18,841
Depreciation and amortization	-	3,687	-	3,687
	$ 1,919,790	$ 303,093	$ 167,677	$ 2,390,560

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

AVANCE-Dallas, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities	
Change in net assets	$ (260,285)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	3,687
Changes in operating assets and liabilities	
Grants receivable	145,755
Other receivables	1,071
Prepaid expenses and other deposits	2,884
Accounts payable and accrued expenses	(29,922)
Due to AVANCE, Inc.	316
Net cash used in operating activities	(136,494)
Cash flows from investing activities	
Reinvestment of interest income	(30)
Net cash used in investing activities	(30)
Net decrease in cash	(136,524)
Cash, beginning of year	256,483
Cash, end of year	$ 119,959

1. NATURE OF OPERATIONS

AVANCE-Dallas, Inc. (the "Organization") is a community-based nonprofit organization that provides family support and education services to at-risk, economically impoverished Hispanic families. The Organization, established in October 1996, is one of six chapters affiliated with its parent agency, AVANCE, Inc., established in San Antonio, Texas in 1973. To accomplish its mission, the Organization provides support and education services to low-income families; strives to strengthen the family unit; enhances parenting skills which nurtures the optimal development of children; promotes educational success; and fosters the personal and economic success of parents.

The Organization receives grants primarily from private companies, foundations and individuals as well as federal and state agencies to fund their programs. The Organization operates multiple programs within the framework of a two-generation approach to family success. The main program offered is the Parent-Child Education program that equips parents with the education and experiences they need to transform their homes into lifelong learning labs, and to volunteer and take leadership in their low-income communities, so they can become their child's first teacher, starting from birth to age 3. As such, children from birth to age 3 are able to develop dedicated educational partners in their parents from birth to graduation and are prepared for success in school.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities-Presentation of Financial Statements*. Under FASB ASC Topic 958-205, the Organization is to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as defined below:

- *Unrestricted net assets* - These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization.
- *Temporarily restricted net assets* - These are resources that are subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* - These are resources that are subject to donor-imposed stipulations requiring that the principal be held in perpetuity and any income thereon be used by the Organization in accordance with donor-imposed restrictions, if any. The Organization did not have any permanently restricted net assets as of June 30, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturity of three months or less from date of purchase to be cash equivalents. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. The Organization had no cash equivalents at June 30, 2018.

Certificates of deposit

Certificates of deposit held for investment with an original maturity date greater than three months, that are not debt securities, are disclosed separately from cash in the accompanying statements of financial position. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

Grants receivable

Grants receivable represent pending reimbursements of program expenses incurred as of June 30, 2018, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers such receivables at June 30, 2018 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was recorded in the accompanying financial statements.

Property and equipment

Property and equipment are recorded at cost or, if donated, at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are recorded as restricted contributions. Presently, the Organization does not have any assets which have donor-imposed restrictions.

The Organization’s policy is to capitalize all expenditures for property and equipment in excess of $5,000 per unit. Maintenance and repairs are charged to expense when incurred. Major improvements and renewals are capitalized.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Office furniture and equipment	5 years
Leasehold improvements	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

The cost of certain facilities, which are used by the Organization in connection with their various programs, are not reflected in the statements of financial position because asset titles remain with the contributing organizations. The Organization has reported in-kind contribution revenue and program expense in the accompanying statements of activities for the free use of the facilities during the years ended June 30, 2018.

Compensable absences

Annual vacation time and sick leave are granted to the Organization's employees. Under the Organization's policy, vacation time and sick leave are earned based on the employees' length of service. Any unused vacation time up to a maximum of 25 days not taken by the end of the year may be carried over to the following calendar year. Upon separation of employment, any unused vacation time is forfeited. Paid sick leave may be carried from one year to the next to a maximum sick leave bank of 60 days. Paid absences for employee vacation and sick leave are recorded as expenses when used. No accrual for unused employee vacation and sick days are recorded in the accompanying financial statements since they are forfeited upon separation of employment.

Revenue recognition

Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on the passage of time. Program income and other income are recognized when earned. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions they depend on are substantially met.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions. The Organization does not imply a time restriction on gifts of long-lived assets, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with the Organization's cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Tax-exempt status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent that it has unrelated business income. The Organization did not have taxable unrelated business income during the year ended June 30, 2018 . The Organization's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at the time. The Organization uses a more likely than not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. To the extent that the Organization's assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Organization reports tax-related interest and penalties, if applicable, as a component of income tax expense as incurred. As of June 30, 2018, no uncertain tax positions have been identified and, therefore, no amounts have been recognized in the accompanying financial statements.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements relate primarily to the useful lives applied in asset depreciation, estimates of the values of in-kind contributions and services, as well as the functional allocation of expenses.

Subsequent events

Management has evaluated subsequent events through April 15, 2019, the date these financial statements were available to be issued. No changes were made, or are necessary to be made, to the financial statements, as a result of that evaluation.

3. CONCENTRATION OF CREDIT RISKS

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. Although the Organization does not have a formal deposit policy, it maintains cash and cash equivalents at federally insured banks and strives to minimize its exposure to custodial credit risk by maintaining deposits at institutions with demonstrated financial strength. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to the specified limit of $250,000, per ownership category. The total cash maintained by the Organization at these various financial institutions may exceed the FDIC limit. The Organization has not experienced any such losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Credit risk associated with grants receivable is minimal due to the credit worthiness of the local funding sources. For the year ended June 30, 2018, a single funding source made up 63% of grants receivable and a single funding source contributed 34% of the Organization's revenue and other support.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office furniture and equipment	$ 84,482
Leasehold improvements	79,804
	164,286
Accumulated depreciation	(164,286)
	$ -

Depreciation and amortization expense for the year ended June 30, 2018 was $3,687.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following:

Time restrictions	$ 10,000
	$ 10,000

Temporarily restricted net assets released from restriction consisted of the following:

Purpose restrictions	$ 95,552
Time restrictions	113,900
	$ 209,452

6. RETIREMENT PLAN

The Organization participates in a 403(b) Annuity Plan (the "Plan") sponsored by AVANCE, Inc., which allows employees the opportunity to invest a portion of their income in a tax-deferred annuity. The Plan covers all full-time employees who are at least 21 years of age, and who elect to participate in the Plan. The Organization contributes 25% of the first 5% of the amount which a participant contributes through salary deferral for employees who have completed one year of service with the Organization.

The Organization's contributions to the Plan for the year ended June 30, 2018 amounted to $9,430.

7. COMMITMENTS AND CONTINGENCIES

The Organization leases office facilities and office equipment pursuant to non-cancelable operating lease agreements expiring at various times through fiscal year 2023.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,	
2019	$ 53,834
2020	53,334
2021	49,844
2022	27,682
2023	1,036
	$ 185,730

Rent expense for the year ended June 30, 2018 was $44,879. Office equipment lease expense for the years ended June 30, 2018 was $10,996.

8. RELATED PARTY TRANSACTIONS

The Organization is a chapter of AVANCE, Inc. As a chapter, the Organization's bylaws must conform to the requirements of AVANCE, Inc.'s bylaws. The Organization's payments to AVANCE, Inc. for membership as well as technical support fees and affiliation fees amounted to $39,668 for the year ended June 30, 2018.