AVANCE-Dallas, Inc.

Financial Statements

June 30, 2019

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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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Armanino LLP

Armanino[LLP]
Dallas, Texas

October 18, 2019

AVANCE-Dallas, Inc.
Statement of Financial Position
June 30, 2019

ASSETS	
Cash	$ 415,736
Certificates of deposit	80,772
Contributions and grants receivable	97,850
Other receivables	15,970
Prepaid expenses and deposits	3,696
Total assets	$ 614,024
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	$ 54,081
Total liabilities	54,081
Net assets	
Without donor restrictions	499,190
With donor restrictions	60,753
Total net assets	559,943
Total liabilities and net assets	$ 614,024

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

AVANCE-Dallas, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions and other	$ 1,092,795	$ 60,753	$ 1,153,548
United Way	857,098	-	857,098
Fundraising events	228,421	-	228,421
In-kind contributions	78,336	-	78,336
Interest income	129	-	129
Total revenues and other support	2,256,779	60,753	2,317,532
Net assets released from restriction	10,000	(10,000)	-
Total revenues and other support	2,266,779	50,753	2,317,532
Functional expenses			
Program services	1,612,196	-	1,612,196
Management and general	236,324	-	236,324
Fundraising	191,431	-	191,431
Total functional expenses	2,039,951	-	2,039,951
Change in net assets	226,828	50,753	277,581
Net assets, beginning of year	272,362	10,000	282,362
Net assets, end of year	$ 499,190	$ 60,753	$ 559,943

AVANCE-Dallas, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries & wages	$ 1,013,706	$ 127,381	$ 61,985	$ 1,203,072
Employee benefits	170,122	21,375	10,402	201,899
Payroll taxes	105,130	13,210	6,428	124,768
Professional fees	41,185	50,572	32,256	124,013
Supplies	36,583	1,579	41	38,203
Telephone, fax, & internet	10,471	769	415	11,655
Postage & shipping	-	390	125	515
Occupancy	41,425	6,685	575	48,685
Donated use of facilities	78,336	-	-	78,336
Rental & maintenance of equipment	10,379	2,788	467	13,634
Printing & publications	7,143	1,703	373	9,219
Travel	17,557	704	1,117	19,378
Client participation	13,545	-	-	13,545
Conferences & meetings	-	2,761	14	2,775
Staff development	2,778	1,266	225	4,269
Membership fees	-	1,531	-	1,531
Insurance	13,723	1,918	-	15,641
Interest	-	109	-	109
Miscellaneous	-	503	-	503
Affiliation fees	35,824	780	50	36,654
Fundraising	-	-	76,958	76,958
Non-capital equipment	14,289	300	-	14,589
	$ 1,612,196	$ 236,324	$ 191,431	$ 2,039,951

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

AVANCE-Dallas, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities	
Change in net assets	$ 277,581
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Changes in operating assets and liabilities	
Contributions and grants receivable	1,785
Other receivables	(15,970)
Prepaid expenses and other deposits	26,087
Accounts payable and accrued expenses	8,802
Due to AVANCE, Inc.	(2,500)
Net cash provided by operating activities	295,785
Cash flows from investing activities	
Reinvestment of interest income	(8)
Net cash used in investing activities	(8)
Net increase in cash	295,777
Cash, beginning of year	119,959
Cash, end of year	$ 415,736

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

AVANCE-Dallas, Inc.
Notes to Financial Statements
June 30, 2019

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 (GAAP).

Not-for-profit organizations are required to report information regarding their financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor imposed restrictions that will be met by expenditure in accordance with the donors' requests and/or the passage of time.

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, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Contributions and grants receivable

Grants receivable represent pending reimbursements of program expenses incurred as of June 30, 2019, both billed and unbilled. Contributions receivable represent unconditional promises to give which are recognized when the promise is received. All contributions and grants receivable are expected to be received in the subsequent year. Management considers such receivables at June 30, 2019 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was recorded in the accompanying financial statements.

Property and equipment

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. All property and equipment purchased over the capitalization threshold have been fully depreciated as of June 30, 2019.

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, 2019.

Compensable absences

Annual paid time off (PTO) is granted to the Organization's employees. Under the Organization's policy, PTO is earned based on the employees' length of service. Any unused PTO not taken by the end of the year may be carried over to the following calendar year; however, employees may not carry over or maintain more than 62 days per year. Upon separation of employment, any unused PTO is forfeited. Paid absences for employees is recorded as expenses when used. No accrual for unused PTO is recorded in the accompanying financial statements since they are forfeited upon separation of employment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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 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.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Amounts received that are designated by the donor for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the contribution as net assets without restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions and reported in the statement of activities as net assets released from restrictions. Contributions of long-lived assets are recognized when made or pledged as net assets with donor restrictions. Once the long-lived asset is placed in service the asset is released to net assets without donor restrictions. Presently, the Organization does not have any long-lived assets which have donor-imposed restrictions.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions they depend on are substantially met. Conditional promises to give are not included as revenue or pledges receivable until such time as the conditions are substantially met. As of June 30, 2019, the Organization has approximately $176,000 in conditional promises to give. These promises were conditioned on meeting defined objectives related to the grant funding requirements.

Donated facilities

The Organization's policy is to recognize in-kind goods when donated as revenue at fair value in the period such contribution is made or pledged. Donated professional services are recognized if the services create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills. The Organization collaborates with several independent school districts to provide facilities at little or no cost to the Organization. The estimated values of such facilities of $78,336 for the year ended June 30, 2019 has been recognized in the accompanying financial statements. The Organization also receives substantial donated services from parents or other volunteers in carrying out the Organization's mission. No related amounts have been recorded in the financial statements for these services as they do not meet the criteria for recognition.

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 statement of activities and in the statement 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. Certain salaries and benefits are allocated based on estimates of time and effort. Facilities rent expense is allocated based on the positions of the employees occupying the space.

Tax-exempt status

The Organization files a consolidated federal tax return with its parent organization (see Note 8), AVANCE, Inc., and 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, 2019. 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, 2019, 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 GAAP 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 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 October 18, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
   a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
   b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
   c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
   d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
   e. Methods used to allocate costs among program and support functions.
   f. Underwater endowment funds.
3. Reporting investment return net of external and direct internal investment expenses.
4. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments have been applied on a retrospective basis in 2019.

3. LIQUIDITY AND FUNDS AVAILABLE

The following disclosure describes assets that are available or expected to be available within one year of June 30, 2019 to fund general expenditures:

Financial assets:	
Cash and cash equivalents	$ 415,736
Certificates of deposit	80,772
Contributions and grants receivable	97,850
Other receivables	15,970
	610,328
Less amounts unavailable for general expenditure within one year:	
Net assets with donor restrictions	(60,753)
	(60,753)
	$ 549,575

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. CONCENTRATION OF CREDIT RISK

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 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, 2019, a single funding source contributed 17% of the Organization's revenue and other support.

5. 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.

5. COMMITMENTS AND CONTINGENCIES (continued)

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

Year ending June 30,		
2020	$	53,334
2021		49,844
2022		27,682
2023		1,036
	$	131,896

Rent expense for the year ended June 30, 2019 was $45,427. Office equipment lease expense for the year ended June 30, 2019 was $12,727.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Time restrictions	$	45,970
Purpose restrictions		14,783
	$	60,753

Net assets released from restriction consisted of the following:

Time restrictions	$	10,000
	$	10,000

7. 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, 2019 amounted to $13,889.

8. RELATED PARTY TRANSACTIONS

The Organization is a chapter of AVANCE, Inc. (AVANCE National). As a chapter, the Organization's bylaws must conform to the requirements of AVANCE National's bylaws. The Organization's payments to AVANCE National for membership as well as technical support fees and affiliation fees amounted to $36,654 for the year ended June 30, 2019.