

ANDERSON
SPECTOR
& Company, P.C.



CERTIFIED PUBLIC
ACCOUNTANTS

222 E. McKinney
Suite 100
Denton
Texas 76201

www.
AndersonSpector
.com

**Denton Assistance Center, Inc.
dba Serve Denton**

Financial Statements
For the Year Ended December 31, 2016
prepared for

Denton Assistance Center, Inc.
Financial Statements
For the Year Ended December 31, 2016

CONTENTS

Independent Auditor's Report	2-3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7-8
Notes to Financial Statements	9-13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Denton Assistance Center, Inc.

We have audited the accompanying financial statements of Denton Assistance Center, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, 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.

Auditors' 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 auditors' 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 Denton Assistance Center, Inc. as of December 31, 2016, 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.

A handwritten signature in cursive script that reads "Anderson, Spector & Co., P.C.".

ANDERSON, SPECTOR & COMPANY, P.C.

Denton, Texas
November 13, 2017

Denton Assistance Center, Inc.
Statement of Financial Position
December 31, 2016

ASSETS

Current Assets	
Cash	\$ 84,868
Contributions Receivable	6,730
Inventory	1,477
Prepaid Expenses	4,408
Promised Use of Facilities	<u>1,369,659</u>
Total Current Assets	1,467,142
Cash Restricted for Capital Projects	35,000
Property and Equipment	
Furniture, Fixtures & Equipment	156,389
Leasehold Improvements	<u>455,270</u>
	611,659
Less: Accumulated Depreciation	<u>(100,357)</u>
Net Property and Equipment	<u>511,302</u>
Total Assets	<u>\$ 2,013,444</u>

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts Payable	\$ 16,468
Accrued Payroll	2,616
Deferred Revenue	<u>17,900</u>
Total Current Liabilities	36,984
Net Assets	
Unrestricted	556,601
Temporarily Restricted	<u>1,419,859</u>
Total Net Assets	<u>1,976,460</u>
Total Liabilities & Net Assets	<u>\$ 2,013,444</u>

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

Denton Assistance Center, Inc.
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Pledges and Contributions	\$ 60,406	\$ 27,554	\$ 87,960
In-Kind Contributions	49,070	4,899	53,969
Contributed Facilities	-	65,250	65,250
Contributions and Net Revenue - Special Events	162,368	-	162,368
Program Rental Income	20,525	-	20,525
Other	2,818	-	2,818
Net Assets Released from Restrictions	389,592	(389,592)	-
Total Support and Revenues	684,779	(291,889)	392,890
Expenses			
Program Services			
Assistance to Non Profit Organizations	477,792	-	477,792
Total Program Services	477,792	-	477,792
Supporting Services			
General Administration	150,324	-	150,324
Fundraising	106,905	-	106,905
Total Supporting Services	257,229	-	257,229
Total Expenses	735,021	-	735,021
Change in Net Assets from Operations	(50,242)	(291,889)	(342,131)
Loss on Promised Use of Facility	-	(3,741,184)	(3,741,184)
Change in Net Assets	(50,242)	(4,033,073)	(4,083,315)
Net Assets, Beginning of Year	606,843	5,452,932	6,059,775
Net Assets, End of Year	\$ 556,601	\$ 1,419,859	\$ 1,976,460

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

Denton Assistance Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Total Amount</u>	<u>Program Services</u>	<u>Supporting Services</u>	
		<u>Assistance to Non Profits</u>	<u>General Administration</u>	<u>Fund Raising</u>
Advertising	\$ 3,570	\$ -	\$ -	\$ 3,570
Bad Debt	1,200	-	1,200	-
Bank & Merchant Fees	4,365	-	2,183	2,182
Computer Expenses	8,657	2,164	2,164	4,329
Depreciation	45,950	36,760	9,190	-
Donations and Grants	5,826	5,826	-	-
Insurance	5,746	4,597	1,149	-
Meeting Expenses	1,981	-	1,981	-
Membership & Dues	1,016	-	1,016	-
Miscellaneous	2,487	-	2,487	-
Payroll Taxes	17,519	8,759	4,380	4,380
Postage and Shipping	485	-	243	242
Printing and Publications	1,196	-	598	598
Professional Fees	20,356	-	20,356	-
Rent	380,988	304,790	38,099	38,099
Repairs and Maintenance	4,397	3,518	879	-
Salaries and Benefits	175,283	87,641	43,821	43,821
Supplies	30,703	7,676	15,351	7,676
Training	1,366	-	1,366	-
Travel	1,853	-	1,853	-
Utilities	20,077	16,061	2,008	2,008
Total Expenses	<u>\$ 735,021</u>	<u>\$ 477,792</u>	<u>\$ 150,324</u>	<u>\$ 106,905</u>

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

Denton Assistance Center, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2016

Cash Flows from Operating Activities	
Contributions and Revenues Received	\$ 287,696
Cash Paid to Suppliers and Employees	<u>(263,962)</u>
Net Cash Provided by Operating Activities	23,734
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(13,733)</u>
Net Cash Used by Investing Activities	<u>(13,733)</u>
Increase in Cash	10,001
Cash at Beginning of Year	<u>109,867</u>
Cash at End of Year	<u><u>\$ 119,868</u></u>
Supplemental Information:	
Noncash Investing Activities	
Contributed Assets	\$ 3,000

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

Denton Assistance Center, Inc.
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2016

Reconciliation of Decrease in Net Assets to Net Cash Provided by Operating Activities:

Decrease in Net Assets	\$	(4,083,315)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		45,950
Loss on Promised Use of Facility		3,741,184
Noncash Contributions		(68,250)
Noncash Rent Expense		376,000
Increase in Contributions Receivable		(3,875)
Decrease in Inventory		1,016
Increase in Prepaid Expenses		(3,345)
Increase in Accounts Payable		11,224
Decrease in Accrued Payroll		(10,755)
Increase in Deferred Revenue		17,900
		17,900
Net Cash Provided by Operating Activities	\$	23,734

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

Denton Assistance Center, Inc.
Notes to Financial Statements
December 31, 2016

NOTE 1 - NATURE OF ACTIVITIES

Denton Assistance Center, Inc. (“the Organization”) is a community-based nonprofit organization that exists to help other nonprofit organizations fulfill their missions and advance the common good of Denton County through co-location, collaboration, and communication. Denton Assistance Organization, Inc. operates using the name Serve Denton. The organization was incorporated as a Texas nonprofit corporation in 2001, but had no significant financial activity until 2011.

Serve Denton’s mission is to provide one central location that offers help to those in need. Serve Denton plans to provide office space to other not-for-profit organizations for rent of \$1 per year. This will allow services to be provided by multiple organizations at a central location. The Organization is supported primarily through donor contributions and corporate grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Cash and Cash Equivalents

The Organization defines cash and cash equivalents to be all highly liquid investments with an original maturity of three months or less. Cash and cash equivalents consist of checking and savings accounts.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk free interest rate. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Management provides for estimated uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance for uncollectible pledges based upon management’s judgment including such factors as prior collection history, type of contribution, past due amounts, and the nature of fund-raising activity. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible pledges and a credit to the applicable contribution receivable. Management considers all outstanding pledges to be fully collectible.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of promotional items and gift cards valued at the lower of average cost or market.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted revenues.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$3,570 for the year ended December 31, 2016.

Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

The Organization's deferred revenue amounts consist of amounts received before year end for the special event to be held in the Spring of 2017 and the revenue will be recognized when the conditions have been met.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2016

NOTE 3 - CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated service are recognized if the services received a) create or enhance long-lived assets, or b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services that do not meet these criteria are not recognized as revenue. For the year ended December 31, 2016, the value of contributed goods and services meeting the requirement for recognition in the financial statements is as follows:

Salaries and Benefits	\$	40,312
Equipment and Leasehold		3,000
Operations		<u>10,657</u>
	\$	<u>53,969</u>

Donated salaries and benefits are provided by Denton Bible Church which pays salary and benefits for the Executive Director of the Organization and is included in the above salaries and benefits. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

NOTE 4 - PROMISED USE OF FACILITIES

On October 24, 2013, the Organization negotiated two twenty year leases of real estate with Denton Bible Church substantially below fair rental value. Under the terms of the leases, the organization pays rent of \$1 per year for twenty years with the leases expiring in 2033. In consideration of the favorable lease terms, the organization has agreed to numerous provisions and covenants with the Denton Bible Church, which includes restrictions on sub-leases. Upon the signing of the lease, the Organization recognized the fair rental value in excess of cost as a temporarily restricted contribution, which will expire as the time restrictions are met by the Organization.

On January 16, 2017, the Organization signed a lease modification/termination agreement with the lessor which terminated the Organization's lease effective August 3, 2017. In exchange for the lease termination, the Organization will receive \$1,000,000 as well as the warranty deed for the Wheeler property valued at approximately \$580,800. The payment will be made in two installments with the final installment being paid upon the premises being vacated. Due to the termination of the lease, the Organization has recognized a loss on the Promised Use of Facilities during 2016. The remaining Promised Use of Facilities balance of \$1,369,659 at December 31, 2016 represents the amounts due for the lease termination payment, the Wheeler House deed and the remaining lease term for 2017.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2016

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporary restrictions on net assets at December 31, 2016 are related to the following:

Assistance and Events Center	\$ 1,419,759
Other	<u>100</u>
Temporarily Restricted Net Assets	\$ <u><u>1,419,859</u></u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost if purchased or if donated, at estimated fair market value at the date of gift. The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Depreciation is calculated on the straight-line method over the estimated useful lives of the respective assets. Improvements are depreciated over the life of the lease and office furniture and equipment are depreciated over 5-10 years. Gifts of long-lived assets without stipulations about how long the donated assets must be used shall be reported as unrestricted support. Total depreciation expense for 2016 was \$45,950.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Building Purchase

As discussed in Note 4 - Promised Use of Facilities, the Organization signed a lease termination agreement effective August 3, 2017. On August 29, 2017, the Organization purchased a new facility for \$2,800,000 which includes a 32,000 square foot building and 5 acres of land. The temporarily restricted funds which were to be used for certain restricted purposes at the Assistance and Events Center of \$50,101 will now be utilized at the new facility for the same purpose.

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors during the year ended December 31, 2016. Net assets released were as follows:

Program restrictions accomplished:	
Use of Facility	\$ 376,000
Wheeler House	4,041
Other	<u>9,551</u>
Net Assets Released From Restrictions	\$ <u><u>389,592</u></u>

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2016

NOTE 9 - SPECIAL EVENTS

The Organization conducted various special events during 2016, including the Celebration event.

Celebration Event:

Special Event Revenue	\$ 161,381
Cost of Event	<u>26,321</u>
Net Celebration Event Revenue	135,060

Other Special Events:

Special Event Revenue	45,314
Cost of Event	<u>18,006</u>
Net Other Special Events Revenue	<u>27,308</u>

Total Net Special Events Revenue \$ 162,368

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 13, 2017, the date which the financial statements were available to be issued.