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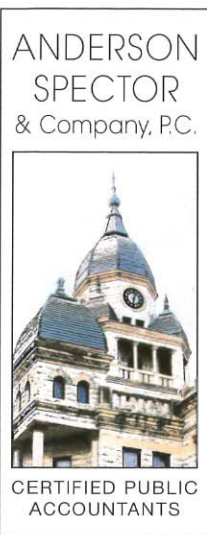
Denton Assistance Center, Inc.
dba Serve Denton

Financial Statements
For the Year Ended December 31, 2017
prepared for

Denton Assistance Center, Inc.
Financial Statements
For the Year Ended December 31, 2017

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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, 2017, 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, 2017, 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
August 31, 2018

Denton Assistance Center, Inc.
Statement of Financial Position
December 31, 2017

ASSETS

Current Assets	
Cash	\$ 283,998
Contributions Receivable	44,151
Inventory	1,446
Prepaid Expenses	62,353
Total Current Assets	391,948
Cash Restricted for Capital Projects	63,246
Property and Equipment	
Furniture, Fixtures & Equipment	148,424
Buildings and Improvements	455,270
Land	1,464,929
	2,068,623
Less: Accumulated Depreciation	(132,245)
Construction in Progress	2,000,116
Net Property and Equipment	3,936,494
Other Assets	25,000
Total Assets	\$ 4,416,688

LIABILITIES & NET ASSETS

Current Liabilities	
Accounts Payable	\$ 102,130
Accrued Payroll	7,218
Current Portion of Note Payable	26,195
Total Current Liabilities	135,543
Note Payable	2,648,805
Total Liabilities	2,784,348
Net Assets	
Unrestricted	1,539,767
Temporarily Restricted	92,573
Total Net Assets	1,632,340
Total Liabilities & Net Assets	\$ 4,416,688

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

Denton Assistance Center, Inc.
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Pledges and Contributions	\$ 92,707	\$ 65,264	\$ 157,971
In-Kind Contributions	18,566	-	18,566
Contributions and Net Revenue - Special Events	183,213	-	183,213
Program Rental Income	30,360	-	30,360
Other	2,072	-	2,072
Interest & Dividends	2,581	-	2,581
Net Assets Released from Restrictions	1,392,550	(1,392,550)	-
Total Support and Revenues	1,722,049	(1,327,286)	394,763
Expenses			
Program Services			
Assistance to Non Profit Organizations	445,655	-	445,655
Total Program Services	445,655	-	445,655
Supporting Services			
General Administration	122,783	-	122,783
Fundraising	170,445	-	170,445
Total Supporting Services	293,228	-	293,228
Total Expenses	738,883	-	738,883
Total Changes in Net Assets	983,166	(1,327,286)	(344,120)
Net Assets, Beginning of Year	556,601	1,419,859	1,976,460
Net Assets, End of Year	\$ 1,539,767	\$ 92,573	\$ 1,632,340

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, 2017

	<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	\$ 19,483	\$ 1,948	\$ 1,948	\$ 15,587	
Bad Debt	650	-	650	-	
Bank & Merchant Fees	3,938	-	1,969	1,969	
Computer Expenses	9,655	2,414	2,414	4,827	
Depreciation	47,979	43,181	2,399	2,399	
Donations and Grants	17,429	17,429	-	-	
Insurance	9,452	7,562	1,890	-	
Meeting Expenses	3,895	1,948	1,558	389	
Membership & Dues	1,088	-	1,088	-	
Miscellaneous	5,521	-	5,521	-	
Payroll Taxes	18,117	10,871	3,623	3,623	
Postage and Shipping	1,174	-	587	587	
Printing and Publications	1,242	-	621	621	
Professional Fees	111,950	-	25,581	86,369	
Rent	213,133	191,819	10,657	10,657	
Repairs and Maintenance	22,707	18,166	4,541	-	
Salaries and Benefits	207,137	124,283	41,427	41,427	
Supplies	20,233	10,117	10,116	-	
Training	1,079	-	1,079	-	
Travel	3,124	-	3,124	-	
Utilities	19,897	15,917	1,990	1,990	
Total Expenses	\$ 738,883	\$ 445,655	\$ 122,783	\$ 170,445	

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, 2017

Cash Flows from Operating Activities	
Contributions and Revenues Received	\$ 1,320,875
Cash Paid to Suppliers and Employees	<u>(467,625)</u>
Net Cash Provided by Operating Activities	853,250
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(3,300,874)</u>
Net Cash Used by Investing Activities	<u>(3,300,874)</u>
Cash Flows from Financing Activities	
Loan Proceeds	<u>2,675,000</u>
Net Cash Provided by Financing Activities	<u>2,675,000</u>
Increase in Cash	227,376
Cash at Beginning of Year	<u>119,868</u>
Cash at End of Year	<u><u>\$ 347,244</u></u>
Supplemental Information:	
Noncash Investing Activities	
Property Received in Satisfaction of Promised Use of Facility	\$ 188,388

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, 2017

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

Decrease in Net Assets	\$	(344,120)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities		
Depreciation		47,979
Noncash Donation		16,091
Noncash Rent		181,271
Lease Termination		1,000,000
Increase in Contributions Receivable		(37,421)
Decrease in Inventory		31
Increase in Prepaid Expenses		(57,945)
Increase in Other Assets		(25,000)
Increase in Accounts Payable		85,662
Increase in Accrued Payroll		4,602
Decrease in Deferred Revenue		(17,900)
		(17,900)
Net Cash Provided by Operating Activities	\$	853,250

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

Denton Assistance Center, Inc.
Notes to Financial Statements
December 31, 2017

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 Center, 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 below market rates. 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. At December 31, 2017, management considers all outstanding pledges to be fully collectible.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2017

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 \$19,483 for the year ended December 31, 2017.

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.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2017

NOTE 3 - CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services 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, 2017, the value of contributed goods and services meeting the requirement for recognition in the financial statements is as follows:

Salaries and Payroll Taxes	\$ 14,343
Operations	<u>4,223</u>
	<u>\$ 18,566</u>

Donated salaries and related payroll taxes are provided by Denton Bible Church which pays salary and related payroll taxes for the Executive Director of the Organization and is included in the above salaries and payroll taxes. 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 – FACILITY RENTAL

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 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.

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 received \$1,000,000 as well as the warranty deed for the Wheeler property valued at approximately \$580,800 during 2017.

NOTE 5 - RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets at December 31, 2017 are related to the following:

Serve Denton Center	\$ 82,933
Other	<u>9,640</u>
Temporarily Restricted Net Assets	<u>\$ 92,573</u>

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2017

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. Buildings and improvements are depreciated over 20-40 years and furniture, fixtures 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 2017 was \$47,979.

On August 29, 2017, the Organization purchased a new facility (Serve Denton Center) for \$2,800,000 which includes a 32,500 square foot building and 5 acres of land. As of December 31, 2017, the building was being renovated and was not placed in service and the building and costs incurred are included in construction in progress. Interest costs of \$44,583 were capitalized during 2017 in connection with the new facility construction.

NOTE 7 – NOTE PAYABLE

On August 29, 2017, the Organization entered into a loan agreement for \$2,675,000. The note is secured by the Serve Denton Center, carries an interest rate of 5%, with interest only payments through August 2018. Beginning in September 2018, principal and interest shall be payable in equal monthly installments of \$17,654 through August 2022.

Future maturities of the note payable are as follows:

2018	\$	26,195
2019		81,251
2020		85,408
2021		89,777
2022		<u>2,392,369</u>
	\$	<u>2,675,000</u>

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, 2017. Net assets released were as follows:

Program restrictions accomplished:	
Use of Facility/Lease Termination	\$ 1,369,659
Capital Purchases	10,000
Other	<u>12,891</u>
Net Assets Released From Restrictions	\$ <u>1,392,550</u>

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2017

NOTE 9 - SPECIAL EVENTS

The Organization conducted various special events during 2017, including the Celebration event.

Celebration Event:

Special Event Revenue	\$ 210,385
Cost of Event	<u>51,097</u>
Net Celebration Event Revenue	159,288

Other Special Events:

Special Event Revenue	36,376
Cost of Event	<u>12,451</u>
Net Other Special Events Revenue	<u>23,925</u>

Total Net Special Events Revenue \$ 183,213

NOTE 10 – CREDIT RISK FROM CASH IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances at several banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 each. As of December 31, 2017, the Organization's uninsured cash balance at one of those banks was \$36,434.

NOTE 11 – SUBSEQUENT EVENTS

Note Payable

On January 26, 2018, the Organization entered into a promissory note agreement with a principal amount of \$500,000, at 4.75%, adjusting every 3 years and maturing in 15 years, secured by a deed on the Wheeler House.

New Market Tax Credits

The Organization is attempting to obtain additional funding by utilizing New Market Tax Credits (NMTC). If the transaction is approved, the Organization will be required to be in compliance with various regulations and contractual provisions that apply to the NMTC transaction. In anticipation of the closing of the NMTC transaction, the Organization established a new nonprofit entity (Serve Denton Center, Inc.) during 2018. The board of this newly established entity will be comprised of 3 Serve Denton board members and 2 disinterested board members. In the fall of 2018, as part of the anticipated closing of the NMTC transaction, the Serve Denton Center real estate and related improvements will be transferred to the new entity. It is anticipated that Denton Assistance Center, Inc. will prepare consolidated financial statements to include this new entity with an additional note receivable, improvements and debt. In conjunction with the NMTC transaction, the Organization began a capital campaign at the end of 2017.

Denton Assistance Center, Inc.
Notes to Financial Statements (Continued)
December 31, 2017

NOTE 11 – SUBSEQUENT EVENTS (Continued)

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through August 31, 2018, the date which the financial statements were available to be issued.