Women In Need, Inc.

Independent Auditor’s Report and Consolidated Financial Statements

June 30, 2019 and 2018

BKD
CPAs & Advisors

Breaking the Cycle of Homelessness
for Women and their Children

Women In Need, Inc.

June 30, 2019 and 2018

Contents

BKD CPAs & Advisors

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Independent Auditor's Report

Board of Directors
Women In Need, Inc.
New York, New York

We have audited the accompanying consolidated financial statements of Women In Need, Inc., which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Women In Need, Inc., as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 2* to the consolidated financial statements, in 2019, Women in Need, Inc. adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

New York, New York
December 25, 2019

Breaking the Cycle of Homelessness
for Women and their Children

Women In Need, Inc.

Consolidated Statements of Financial Position

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 6,587,925	$ 9,576,721
Due from government agencies	10,018,916	7,700,666
Due from related parties - net	2,253,827	475,110
Contributions receivable - due within one year	1,126,380	1,200,115
Security deposits	221,643	158,862
Other assets	1,039,031	468,343
Loans receivable	1,640,000	590,000
Property and equipment - net	5,704,580	6,298,467
Total assets	$ 28,592,302	$ 26,468,284
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 8,290,566	$ 9,232,461
Accrued salaries and vacation payable	1,832,923	1,389,220
Advances from government agencies	361,579	764,295
Deferred rent payable	843,862	-
Security deposits	18,176	22,232
Loans payable	671,470	1,970,882
Mortgage notes payable	443,223	461,918
Total liabilities	12,461,799	13,841,008
Net Assets		
Without donor restrictions	15,336,991	11,520,020
With donor restrictions		
Purpose and time restricted	643,512	957,256
Perpetual in nature	150,000	150,000
Total net assets	16,130,503	12,627,276
Total liabilities and net assets	$ 28,592,302	$ 26,468,284

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Breaking the Cycle of Homelessness
for Women and their Children

Women In Need, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

	2019				2018			
	Without Donor Restrictions	With Donor Restrictions Purpose and Time	With Donor Restrictions Perpetual in Nature	Total	Without Donor Restrictions	With Donor Restrictions Purpose and Time	With Donor Restrictions Perpetual in Nature	Total
Revenues and Other Support								
Contributions								
General public	$ 1,111,338	$ 11,500	$ -	$ 1,122,838	$ 1,634,044	$ -	$ -	$ 1,634,044
Foundations - operating support	2,637,193	1,031,500	-	3,668,693	1,098,564	1,370,798	-	2,469,362
Donated services and goods	1,869,939	-	-	1,869,939	689,345	-	-	689,345
Special events revenue	3,278,977	-	-	3,278,977	2,343,478	-	-	2,343,478
Government fees and grants								
City of New York	78,893,153	-	-	78,893,153	74,217,693	-	-	74,217,693
Federal government	3,471,398	-	-	3,471,398	3,280,604	-	-	3,280,604
State of New York	1,391,399	-	-	1,391,399	1,408,920	-	-	1,408,920
Program services	2,782,818	-	-	2,782,818	135,439	-	-	135,439
Supportive housing client rent	714,842	-	-	714,842	771,756	-	-	771,756
Miscellaneous	310,913	-	-	310,913	487,147	-	-	487,147
Net assets released from restrictions	1,356,744	(1,356,744)	-	-	862,688	(862,688)	-	-
Total revenues and other support	97,818,714	(313,744)	-	97,504,970	86,929,678	508,110	-	87,437,788
Operating Expenses								
Program services								
Family shelters	73,072,098	-	-	73,072,098	68,198,384	-	-	68,198,384
Family supportive housing	8,096,030	-	-	8,096,030	6,158,250	-	-	6,158,250
Communications and other program services	3,263,276	-	-	3,263,276	3,243,267	-	-	3,243,267
Total program services	84,431,404	-	-	84,431,404	77,599,901	-	-	77,599,901
Supporting services								
Management and general (includes expenses reimbursed by governmental grants of $4,420,978 and $4,320,913 in 2019 and 2018, respectively)	8,651,248	-	-	8,651,248	5,534,425	-	-	5,534,425
Fundraising	1,628,632	-	-	1,628,632	1,375,769	-	-	1,375,769
Direct cost of special events	360,242	-	-	360,242	359,213	-	-	359,213
Total supporting services	10,640,122	-	-	10,640,122	7,269,407	-	-	7,269,407
Total operating expenses	95,071,526	-	-	95,071,526	84,869,308	-	-	84,869,308
Change in Net Assets Before Gain on Sale of a Building	2,747,188	(313,744)	-	2,433,444	2,060,370	508,110	-	2,568,480
Gain on Sale of Property	1,069,783	-	-	1,069,783	-	-	-	-
Change in Net Assets	3,816,971	(313,744)	-	3,503,227	2,060,370	508,110	-	2,568,480
Net Assets, Beginning of Year	11,520,020	957,256	150,000	12,627,276	9,459,650	449,146	150,000	10,058,796
Net Assets, End of Year	$ 15,336,991	$ 643,512	$ 150,000	$ 16,130,503	$ 11,520,020	$ 957,256	$ 150,000	$ 12,627,276

Breaking the Cycle of Homelessness for Women and their Children

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Consolidated Statements of Functional Expenses

Years Ended June 30, 2019 and 2018

	2019							
	Program Services				Supporting Services			
	Family Shelters	Family Supportive Housing	Communications and Other Program Services	Total	Management and General	Fundraising	Direct Cost of Special Events	Total
Salaries	$ 19,549,835	$ 2,189,689	$ 1,641,973	$ 23,381,497	$ 3,908,383	$ 904,242	$ -	$ 28,194,122
Benefits and payroll taxes	4,888,881	552,009	410,493	5,851,383	133,694	226,060	-	6,211,137
Total salaries, benefits and payroll taxes	24,438,716	2,741,698	2,052,466	29,232,880	4,042,077	1,130,302	-	34,405,259
Temporary help	4,263,561	433,158	29,532	4,726,251	137,682	-	-	4,863,933
Total salaries and related expenses	28,702,277	3,174,856	2,081,998	33,959,131	4,179,759	1,130,302	-	39,269,192
Occupancy	34,594,984	3,721,428	-	38,316,412	1,699,187	-	-	40,015,599
Supplies	1,835,157	128,562	233,294	2,197,013	(99,309)	34,616	2,069	2,134,389
Professional fees	245,728	209,019	673,326	1,128,073	132,436	306,937	-	1,567,446
Donated services	-	-	-	-	1,869,939	-	-	1,869,939
Insurance	1,150,436	67,140	1,350	1,218,926	71,448	621	-	1,290,995
Repairs and maintenance	4,267,997	252,208	1,915	4,522,120	100,626	-	-	4,622,746
Food	495,553	30	12,995	508,578	6,028	1,379	339	516,324
Staff/client expenses	247,359	26,147	141,892	415,398	397,010	51,264	-	863,672
Transportation	114,429	22,033	15,610	152,072	13,593	1,701	-	167,366
Catering costs	425	-	42,864	43,289	4,793	6,969	348,149	403,200
Other expenses	444	431,136	57,139	488,719	197,718	94,614	9,685	790,736
Bad debt expense	-	-	-	-	-	-	-	-
Depreciation and amortization	1,417,309	55,898	893	1,474,100	78,020	229	-	1,552,349
Interest	-	7,573	-	7,573	-	-	-	7,573
Total expenses	$ 73,072,098	$ 8,096,030	$ 3,263,276	$ 84,431,404	$ 8,651,248	$ 1,628,632	$ 360,242	$ 95,071,526

Breaking the Cycle of Homelessness for Women and their Children

Women In Need, Inc.

Consolidated Statements of Functional Expenses (Continued)

Years Ended June 30, 2019 and 2018

	2018							
	Program Services				Supporting Services			
	Family Shelters	Family Supportive Housing	Communications and Other Program Services	Total	Management and General	Fundraising	Direct Cost of Special Events	Total
Salaries	$ 17,650,701	$ 1,454,925	$ 1,562,596	$ 20,668,222	$ 2,451,773	$ 657,625	$ -	$ 23,777,620
Benefits and payroll taxes	4,426,321	373,078	393,413	5,192,812	236,496	163,256	-	5,592,564
Total salaries, benefits and payroll taxes	22,077,022	1,828,003	1,956,009	25,861,034	2,688,269	820,881	-	29,370,184
Temporary help	3,339,758	160,089	-	3,499,847	16,497	1,960	-	3,518,304
Total salaries and related expenses	25,416,780	1,988,092	1,956,009	29,360,881	2,704,766	822,841	-	32,888,488
Occupancy	31,839,361	3,503,439	-	35,342,800	812,251	290	-	36,155,341
Supplies	2,994,213	150,902	74,358	3,219,473	175,038	72,487	9,097	3,476,095
Professional fees	315,427	198,009	724,009	1,237,445	158,501	205,751	-	1,601,697
Donated services	-	-	-	-	689,345	-	-	689,345
Insurance	1,115,992	72,725	-	1,188,717	70,116	-	-	1,258,833
Repairs and maintenance	4,177,584	95,907	-	4,273,491	46,997	-	-	4,320,488
Food	474,123	5,104	1,479	480,706	1,186	134	-	482,026
Staff/client expenses	390,104	47,007	6,118	443,229	377,681	20,471	-	841,381
Transportation	111,636	19,971	3,218	134,825	10,940	4,402	-	150,167
Catering costs	1,990	-	4,543	6,533	21,153	4,173	340,506	372,365
Other expenses	270	9,378	334,744	344,392	246,847	29,307	9,610	630,156
Bad debt expense	214,932	-	138,789	353,721	-	203,352	-	557,073
Depreciation and amortization	1,145,972	58,796	-	1,204,768	219,604	12,561	-	1,436,933
Interest	-	8,920	-	8,920	-	-	-	8,920
Total expenses	$ 68,198,384	$ 6,158,250	$ 3,243,267	$ 77,599,901	$ 5,534,425	$ 1,375,769	$ 359,213	$ 84,869,308

Breaking the Cycle of Homelessness
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Women In Need, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	$ 3,503,227	$ 2,568,480
Items not requiring (providing) operating cash flows		
Depreciation and amortization	1,552,349	1,436,933
Gain on sale of property	(1,069,783)	-
Changes in		
Due from government agencies	(2,318,250)	(2,157,377)
Due from related parties	(1,778,717)	(475,110)
Contributions receivable	73,735	(95,540)
Security deposits	(62,781)	72,724
Other assets	(570,688)	174,271
Accounts payable and accrued expenses	(941,895)	4,417,495
Accrued salaries and vacation payable	443,703	197,319
Advances from government agencies	(402,716)	(630,988)
Due to related parties	-	(94,128)
Deferred rent payable	843,862	-
Security deposits	(4,056)	54
Net cash provided by (used in) operating activities	(732,010)	5,414,133
Investing Activities		
Purchases of property and equipment	(1,438,679)	(3,003,554)
Loan receivable from sale of property	(1,050,000)	-
Proceeds from sale of property	1,550,000	-
Net cash used in investing activities	(938,679)	(3,003,554)
Financing Activities		
Proceeds from loan	669,140	1,527,908
Repayment of loan	(1,968,552)	-
Repayment of mortgage notes	(18,695)	(17,358)
Net cash provided by (used in) financing activities	(1,318,107)	1,510,550
Net Increase (Decrease) in Cash and Cash Equivalents	(2,988,796)	3,921,129
Cash and Cash Equivalents, Beginning of Year	9,576,721	5,655,592
Cash and Cash Equivalents, End of Year	$ 6,587,925	$ 9,576,721
		-
Supplemental Cash Flows Information		
Cash paid for interest	$ 7,573	$ 8,920

Breaking the Cycle of Homelessness for Women and their Children

Women In Need, Inc.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 1: Organization and Summary of Significant Accounting Policies

(1) Nature of Organization

The accompanying audited consolidated financial statements of Women In Need, Inc. and its related enterprises (together, the Organization) reflect the consolidated financial position, changes in net assets, functional expenses, and cash flows for the following entities:

(a) Women In Need, Inc. (Win) provides housing, help and hope to New York City women and their families who are homeless and disadvantaged through comprehensive programs such as shelter, supportive permanent housing, job training, domestic violence services, alcohol and substance abuse treatment, and child care. Win offers the tools and guidance which allow families to return to their communities and live independently.

(b) Win Housing Development Fund Company, Inc. (Lehman) is an entity that is wholly controlled by Win and holds title to the Shearson Lehman Family residence building located at 2248 Webster Avenue, Bronx, NY.

(c) Win Decatur Housing Development Fund Company, Inc. (Decatur) is an entity that is wholly controlled by Win and holds title to the Decatur Street supportive housing residence located at 455 Decatur Street, Brooklyn, NY.

(d) Win 91st Street LLC was organized for the purpose of acting as the Master Lessee and/or the Administering Agent of certain real property to be known as the Affordable Condo Unit in the building located at 316 East 91st Street, New York, NY. Win is the sole member of Win 91st Street LLC.

(e) Win 118th Street Housing Development Fund Corporation was incorporated to develop a low-income housing project. Win is the sole member of Win 118th Street Housing Development Fund Corporation.

Win 118th Street GP, Inc. is .01 percent general partner of Win 118th Street L.P., a for-profit limited partnership. Win 118th Street GP, Inc. is controlled by Win 118th Street Housing Development Fund Corporation.

(f) Win Far Rockaway Housing Development Fund Corporation is an entity whose sole member is Win, and holds title to property located in Far Rockaway, Queens, NY that will be used to build a supportive housing building.

Win Far Rockaway Housing Development Fund Corporation has a nominal ownership in Rockaway South, L.P. a for-profit limited partnership. Rockaway South GP, LLC, a .005 percent owner of Rockaway South, LP, is 51 percent controlled by WIN Supportive Housing Corp., the sole member of which is Win Far Rockaway Housing Development Fund Corporation, and 49 percent controlled by Related South Rockaway, LLC.

(g) Win Glenmore Housing Development Fund Corporation was incorporated to develop a low-income housing project. Win is the sole member of Win Glenmore Housing Development Fund Corporation.

Win Glenmore Housing Development Fund Corporation is the sole shareholder of Win Glenmore Corporation, which is a 51 percent member of Glenmore Housing GP, LLC. Glenmore Housing GP, LLC is .01 percent general partner of Glenmore Housing Associates, LLC, a for-profit limited partnership. Glenmore Housing GP, LLC is controlled by Win Glenmore Housing Development Fund Corporation.

(h) Colgate Close Housing Development Fund Corporation will provide housing to low-income individuals. Win is the sole member of Colgate Close Housing Development Fund Corporation. Colgate Close Housing Development Fund Corporation is also a 50 percent owner of Colgate Close GP, LLC, a for-profit limited liability corporation. Colgate Close GP, LLC is .01 percent general partner of Colgate Close L.P.

Win, Lehman, Decatur and Colgate Close Housing Development Fund Corporation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state and local taxes under comparable laws. Win 118th Street Housing Development Fund Corporation, Win Far Rockaway Housing Development Fund Corporation, and Win Glenmore Housing Development Fund Corporation are exempt from federal income taxes under Section 501(c)(4) and from state and local taxes under comparable laws.

The Organization is supported primarily by governmental grants from the City of New York.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

All material inter-entity transactions and balances have been eliminated in consolidation.

(b) Functional Allocation of Expenses

The costs of providing the Organization’s programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited in reasonable ratios determined by management.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturity dates when acquired of three months or less and consist of money market accounts.

At June 30, 2019, the Organization's cash accounts exceeded federally insured limits by approximately $2,208,000.

(e) Due From Government Agencies

Accounts receivable from government fees and grants and other sources of income are recorded when services are rendered or when qualifying expenses are incurred.

(f) Allowance for Doubtful Accounts

The Organization determines whether an allowance for uncollectibles should be provided for contributions receivable and due from government agencies. Such estimates are based on management's assessment of the aged basis of the account, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

(g) Property and Equipment

Property and equipment with a cost of $1,000 and an estimated useful life of more than one year are capitalized either at their original cost or at their fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Buildings and building improvements are depreciated over 5 to 40 years, and furniture and fixtures and vehicles are depreciated over 4 to 5 years. Leasehold improvements are capitalized and amortized using the straight-line method over the remaining lease term, or the anticipated useful life of the improvement of 10 to 20 years, whichever is shorter.

(h) Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

(i) Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve and board-designated endowment.

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

(j) Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

The contributions receive include contributions with donor restrictions of $314,000 and $384,146 as of June 30, 2019 and 2018, respectively.

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When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

(k) Revenue Recognition

Revenue from government contracts and grants is recognized when costs are incurred or other services are performed and requisitions for reimbursement are submitted. Advances from governmental agencies represent unspent government grant monies.

Revenue from rental income is recognized based on the underlying leases. There are no future expected minimum lease receipts.

Included in administrative fees is $234,212 and $85,872 of management fees earned by Win for providing management and fiscal services to affiliated entities in 2019 and 2018, respectively. Fees charged were equal to 8 percent of the gross rent receipts of the affiliated entities.

Reimbursements for program expense and overhead applicable to various programs conducted under contract with governmental agencies are based on complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. No such fines or penalties were imposed on the Organization. The Organization is subject to audit, which may result in adjustments or disallowances. The amount of disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities. Management does not anticipate any material adjustments as a result of these audits.

(l) Operating Leases

Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

(m) Subsequent Events

Subsequent events have been evaluated through December 25, 2019, which is the date the consolidated financial statements were available to be issued.

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Breaking the Cycle of Homelessness
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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Note 2: Change in Accounting Principle

In 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities.* A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Statement of Functional Expenses

- Expenses are reported by both nature and function in one location.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

Certain reclassifications have been made to the 2018 financial statements for the adoption of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which were deemed to be immaterial. These reclassifications had no effect on total change in net assets.

Breaking the Cycle of Homelessness for Women and their Children

Women In Need, Inc.
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 3: Due From Government Agencies

Amounts due to the Organization, and representing a concentration from governmental agencies, to be received in support of client services and under the terms of agreements signed with various federal, state and city agencies, are as follows:

	June 30, 2019	June 30, 2018
Federal	$ 315,965	$ 837,439
New York State	557,510	119,122
New York City	9,301,216	6,899,880
	10,174,691	7,856,441
Allowance for doubtful accounts	(155,775)	(155,775)
	$ 10,018,916	$ 7,700,666

Note 4: Loans Receivable

On October 22, 2015, Win entered into a Declaration of Interest and Nominee Agreement with Win 118th Street L.P., and transferred a parcel of land located at 17-21 West 118th Street, New York, NY, Block 1717, Lot 22, which had a purchase price of $590,000, to Win 118th Street L.P., a New York limited partnership (the Borrower), in exchange for a non-recourse promissory note (secured by a mortgage and the property) with Women In Need, Inc. (the Lender) for the principal sum of up to $959,000 ($590,000 for the land and $369,000 for other future project costs including reserves). This land will be used for the development of thirty-five (35) residential rental units for persons of low-income. This project will be known as "Win 118th Street Residences." The remaining balance of the loan of $369,000 will be loaned to the Borrower on or before the conversion date of the project to occur subsequent to June 30, 2018. The loan matures 55 years from date of Substantial Completion as defined in the Amended and Restated Partnership Agreement of the Borrower. Interest accrues at an applicable federal rate (AFR) as defined by the Internal Revenue Code of 1986, as amended, which, as of October 22, 2015, was 2.58 percent to be compounded and due annually commencing October 22, 2015. As of June 30, 2019 and 2018, $590,000 of principal, and $65,828 and $42,376 of interest, respectively, was due from Win 118th Street L.P. Interest income earned for the years ended June 30, 2019 and 2018 was $16,510 and $16,089, respectively. The accrued interest receivable is included in other assets and the related interest income is included in miscellaneous revenue.

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On July 27, 2018, Win, Inc. the owner of Block 1717, Lot 23 located at West 118th Street, New York, NY sold this property to West 118 Acquisition, LLC for $1,550,000 of which $500,000 was received on July 27, 2018 and the balance of $1,050,000 was structured as a promissory loan with a per annum rate of 7 percent. The full payment of $1,050,000 was due on or before June 30, 2019, however, the balance was repaid in July 2019.

Note 5: Property and Equipment

Property and equipment consist of the following:

	June 30, 2019	June 30, 2018
Land	$ 915,000	$ 915,000
Buildings	1,313,453	1,313,453
Building improvements	773,468	773,468
Leasehold improvements	5,566,879	5,394,592
Furniture and fixtures	6,654,446	5,648,601
Vehicles	892,640	854,580
Construction in progress	222,487	480,217
	16,338,373	15,379,911
Less accumulated depreciation and amortization	(10,633,793)	(9,081,444)
	$ 5,704,580	$ 6,298,467

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Note 6: Mortgage Notes Payable

Mortgage notes payable consist of the following:

Provider	Annual Interest Rate	Terms	Maturity Dates	June 30, 2019	June 30, 2018
Federal HOME Grants Funds*	0.0%	15 years	October 2017	$ 165,000	$ 165,000
New York Housing Development Corp.	7.21%	26 years	July 2026	67,069	84,782
NYC Department of Housing Preservation and Development	1.0%	30 years	July 2030	211,154	212,136
				$ 443,223	$ 461,918

* The Federal HOME Grants Funds loan was expected to be forgiven on the original maturity date of July 2015, provided that Decatur continued to comply with the purpose specified in the loan agreement. Management sent correspondence to the lender requesting extinguishment of the debt. The lender has indicated that due to certain delays, the maturity date has been extended to October 2019. As of the date the financial statements were available to be issued, the Organization was in the process of having the debt extinguished.

The mortgages are secured by the underlying land and buildings. Combined payments of principal over the next five years and thereafter are as follows:

2020	$ 184,834
2021	8,529
2022	6,168
2023	8,423
2024	8,985
Thereafter	226,284
	$ 443,223

Note 7: Loans Payable

The Organization has a line of credit with TD Bank up to the amount of $2,000,000. Interest-only payments are made on the unpaid principal on the first of every month. The interest rate is calculated using LIBOR plus 1.50 percent. There have been no borrowings to date on the line. The Organization has granted a security interest, as defined, in certain assets. The line is due to expire February 28, 2020.

During 2019 and 2018, the Organization obtained short-term, interest-free bridge loans from the Fund for the City of New York totaling $669,140 and $1,527,908, respectively, to cover operating expenses, pending receipt of funds from the New York City Department of Homeless Services. The loan balance will be recouped from future payments of current receivables upon registration of contracts and amendments. The balance outstanding as of June 30, 2019 and 2018 was $671,470 and $1,970,882, respectively.

Note 8: Letter of Credit

In connection with a lease agreement (*Note 13*), in January 2019, the Organization entered into a letter of credit agreement in the amount of $344,948 with Bank of America, N.A. (BOA) to be used as a security deposit. Interest is charged at 0.2 percent and is collateralized by the Organization's account at BOA. The letter of credit has an initial expiration date of March 1, 2020 and will automatically renew itself for one-year terms until the final maturity date of March 1, 2030. Interest expense was $298 in 2019.

Note 9: Developer Fees

In 2019, Win began providing services to both Win Glenmore Housing Development Fund Corporation and Win 118th Street Housing Development Fund Corporation during the development of their projects. The services provided entitles them to a fee of 20 percent of the total development fee from Glenmore Housing Association, LLC and 100 percent of the developer fee from Win 118th Street LP. In 2019, Win recorded development fees of $1,855,000 from Glenmore Housing Association, LLC and $642,499 from Win 118th Street LP.

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Note 10: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Program expenditures*	$ 329,512	$ 573,110
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	314,000	384,146
Endowments		
Subject to NFP endowment spending policy and appropriation		
General use	150,000	150,000
	$ 793,512	$ 1,107,256

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Satisfaction or purpose restrictions		
Program expenditures*	$ 1,356,744	$ 862,688

* Provision of housing and social services.

Note 11: Donated Services and Goods

Donated goods are recognized at their fair values at the date of donations. Contributions of services are recognized when they are received if the services (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 donated. During fiscal years 2019 and 2018, the value of contributed legal services recognized as revenues and expenses in the accompanying consolidated financial statements was $1,869,939 and $689,345, respectively.

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Note 12: Retirement Plan

The Organization has a 403(b) tax-deferred annuity retirement plan, which covers all employees who meet specific eligibility requirements. The Organization can match up to 3 percent of employees' contributions after two years of employment. The Organization made a contribution of $227,297 in 2019 and $207,944 in 2018. Participants' voluntary contributions and the Organization's contributions are fully vested at all times.

Note 13: Concentrations

Approximately 81 percent in 2019 and 85 percent in 2018 of the Organization's revenues arise from contracts with the City of New York (primarily with the Department of Homeless Services) as well as 88 percent and 75 percent of due from government agencies for 2019 and 2018, respectively. Overall, 86 percent in 2019 and 91 percent in 2018 of the Organization's revenues come from federal, state and city contracts. Management believes that this concentration of revenues does not pose a significant risk to the Organization's continuing success.

Note 14: Commitments and Contingencies

(1) The Organization leases space at various sites throughout New York City under lease agreements expiring between 2020 and 2027. These leases can be terminated if the related government contracts are discontinued. The minimum annual rental payments are as follows:

Year Ending June 30,	
2020	$ 26,656,903
2021	27,344,709
2022	23,716,750
2023	20,180,803
2024	8,229,753
Thereafter	10,841,450
	$ 116,970,368

Rent expense for fiscal years 2019 and 2018 was $26,809,050 and $24,252,609, respectively.

(2) Beginning in May 2009, the Office of the Medicaid Inspector General (OMIG) initiated an audit of the Organization's Medicaid revenue for the years 2003 through 2007. In January 2016, the Organization received a Final Audit Report from OMIG with a settlement offer in the amount of $326,655. In April 2018, OMIG agreed to accept $230,705 as the final settlement amount which was paid by the Organization.

(3) The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

(4) The Organization is responsible for reporting to and is regulated by various third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and the New York State Department of Health (DOH). These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the Office of Inspector General (OIG) and the New York State Department of Health's Independent OMIG, and other agencies have the right to audit Win. These agencies have the right to audit fiscal as well as programmatic compliance, *i.e.*, clinical documentation and physician certifications, among other compliance requirements.

(5) In connection with 118 HDFC's purchase of property located at West 118th Street, New York, NY, from the City of New York (NYC), which was utilized by Win 118th Street LP to generate Low Income Housing Tax Credits (LIHTC) through the development of a 35-unit, multi-family apartments, an enforcement note was signed by both the HDFC & LP indicating that should the LIHTC project not be in compliance with its regulatory agreement, the HDFC and LP would be jointly liable for an enforcement loan in the amount of $600,000, payable to NYC. No funds were received in connection with this enforcement loan, and there is no amount due unless there is non-compliance. No amounts have been recorded in the financial statements for this loan.

Note 15: Endowment Funds

The Organization's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of a fund established by a donor to provide income to be used for any appropriate charitable purpose. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Win's donor-restricted endowment fund consist of one endowment fund to be held in perpetuity.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2019 and 2018, was:

	With Donor Restrictions	
	2019	2018
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 150,000	$ 150,000

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Change in endowment net assets for the years ended June 30, 2019 and 2018 were:

	With Donor Restrictions	
	2019	2018
Endowment net assets, beginning of year	$ 150,000	$ 150,000
Investment return, net	302	302
Appropriation of endowment assets for expenditures	(302)	(302)
Endowment net assets, end of year	$ 150,000	$ 150,000

Investment and Spending Policies

The primary investment objective for the endowment is to preserve and protect principal, while providing a predictable stream of funding to the Organization. The investment policy to achieve this objective is to invest in low-risk investments. Interest earned in relation to the endowment funds is recorded as donor-restricted income and released from restriction upon expenditure for the program for which the endowment fund was established. As per donor intent, Win can use 5 percent of the average market value (including all income, gains and losses) of the prior two years for any appropriate charitable purpose. The policy of the Organization is to report donor-restricted investment income appropriated in the year earned as net assets without restrictions.

Underwater Endowments

Win does not have any funds with deficiencies.

Note 16: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	2019	2018
Financial assets		
Cash and cash equivalents	$ 6,587,925	$ 9,576,721
Due from government agencies	10,018,916	7,700,666
Due from related parties - net	2,253,827	475,110
Contributions receivable - due within one year	1,126,380	1,200,115
Other assets	243,044	638,523
Loans receivable	1,050,000	-
Total financial assets	21,280,092	19,591,135
Donor-imposed restrictions		
Restricted funds	643,512	957,256
Endowments	150,000	150,000
Total donor-imposed restrictions	793,512	1,107,256
Financial assets available to meet cash needs for general expenditures within one year	$ 20,486,580	$ 18,483,879

To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $2,000,000, which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

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Note 17: Related-Party Transactions

As of June 30, 2019 and 2018, the following balances were included in due to related parties - net, on the consolidated statement of financial position:

	2019	2018
Win 118th Street L.P. - receivable	$ 403,293	$ 146,690
Win Far Rockaway HDFC - receivable	1,320	-
Win 91st Street LLC - payable	(11,374)	-
Due from Glenmore Housing Associates, LLC - receivable	1,860,588	328,420
	$ 2,253,827	$ 475,110

Note 18: Subsequent Event

Subsequent to the end of the year, on November 12, 2019, Win entered into a sale agreement for the Lehman property for $2,200,000. The sale is expected to be finalized in fiscal year 2021.

Note 19: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019 for nonpublic entities. The Organization intends to begin the process of evaluating the impact the amendment will have on the consolidated financial statements.

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FASB Releases Not-for-Profit Accounting Standard for Grants and Contributions

ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current GAAP. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for annual reporting periods beginning on or after December 15, 2018.

Accounting Standards Update – Statement of Cash Flows: Restricted Cash

ASU No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, clarifies the presentation and disclosure requirements of restricted cash. The ASU requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash in the statement of cash flows. The amendments apply to all entities with restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230, including not-for-profit entities. The ASU requires disclosure of information about the nature of restrictions on cash, cash equivalents and restricted cash balances. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted which includes adoption in an interim period. The Organization does not expect the amendment to have an effect on the consolidated financial statements currently but it could in future periods if the Organization has restricted cash balances.

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Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard was to be effective for the Organization annual periods beginning after December 15, 2019 and any interim periods within annual reporting periods that begin after December 15, 2020.

A board decision was reached by FASB at its November 15, 2019 meeting to delay the effective date of Topic 842 by one year (*i.e.*, fiscal year beginning after December 15, 2020). The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.