

Domestic Violence Center of Chester County and Subsidiary

Consolidated Financial Statements
Years Ended June 30, 2022



1835 Market Street, 3rd Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Domestic Violence Center of Chester County and Subsidiary
West Chester, Pennsylvania**

Opinion

We have audited the accompanying consolidated financial statements of Domestic Violence Center of Chester County and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows ("consolidated financial statements") for the year then ended, and the related notes to the consolidated financial statement.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Domestic Violence Center of Chester County and Subsidiary as of June 30, 2022, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Domestic Violence Center of Chester County and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statement

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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Domestic Violence Center of Chester County and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Consolidated Financial Statement

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Domestic Violence Center of Chester County and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Domestic Violence Center of Chester County and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BBD 2LP

Philadelphia, Pennsylvania
October 26, 2022

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and restricted cash	\$ 1,297,105
Accounts receivable	
Government grants	366,243
Prepaid expenses	<u>9,988</u>
Total current assets	<u>1,673,336</u>
OTHER ASSETS	
Property and equipment, net	3,475,942
Beneficial interest in assets held by community foundation	<u>184,085</u>
Total other assets	<u>3,660,027</u>
Total assets	<u>\$ 5,333,363</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of notes payable	\$ -
Accounts payable and accrued expenses	168,628
Advances	<u>99,800</u>
Total current liabilities	268,428
OTHER LIABILITIES	
Notes payable, net of current portion	<u>500,000</u>
Total liabilities	<u>768,428</u>
NET ASSETS	
Without donor restrictions	4,191,912
With donor restrictions	<u>373,023</u>
Total net assets	<u>4,564,935</u>
Total liabilities and net assets	<u>\$ 5,333,363</u>

See accompanying notes

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 475,920	\$ 245,880	\$ 721,800
Government grants	1,861,145	-	1,861,145
Special events, net of expenses of \$17,402	36,121	-	36,121
Client service income	4,355	-	4,355
Investment income	56	-	56
Rental income	205,949	-	205,949
Change in value of beneficial interest in assets held by community foundation	-	(30,149)	(30,149)
Net assets released from restrictions	<u>223,310</u>	<u>(223,310)</u>	<u>-</u>
Total revenue and support	<u>2,806,856</u>	<u>(7,579)</u>	<u>2,799,277</u>
EXPENSES			
Program services			
Adult counseling	393,138	-	393,138
Children's services	80,917	-	80,917
Housing	1,024,531	-	1,024,531
Legal services	688,677	-	688,677
Public education and training	357,326	-	357,326
Support services			
Management and general	195,922	-	195,922
Development	<u>146,362</u>	<u>-</u>	<u>146,362</u>
Total expenses	<u>2,886,873</u>	<u>-</u>	<u>2,886,873</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(80,017)	(7,579)	(87,596)
Endowment contribution	<u>-</u>	<u>50</u>	<u>50</u>
	<u>-</u>	<u>50</u>	<u>50</u>
CHANGE IN NET ASSETS	(80,017)	(7,529)	(87,546)
NET ASSETS			
Beginning of year	3,961,060	380,552	4,341,612
Change in reporting entity	<u>310,869</u>	<u>-</u>	<u>310,869</u>
End of year	<u>\$ 4,191,912</u>	<u>\$ 373,023</u>	<u>\$ 4,564,935</u>

See accompanying notes

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services					Support Services		Totals
	Adult Counseling	Children's Services	Housing	Legal Services	Public Education	Management and General	Development	
Personnel								
Salaries	\$ 256,549	\$ 56,052	\$ 381,338	\$ 483,390	\$ 233,504	\$ 80,301	\$ 95,959	\$ 1,587,093
Payroll taxes	22,806	5,082	33,398	42,956	20,705	7,455	8,531	140,933
Employee benefits	25,408	2,037	44,613	81,407	29,317	16,545	15,040	214,367
Total personnel expenses	<u>304,763</u>	<u>63,171</u>	<u>459,349</u>	<u>607,753</u>	<u>283,526</u>	<u>104,301</u>	<u>119,530</u>	<u>1,942,393</u>
Client assistance	37,990	-	66,754	5,974	-	1,608	-	112,326
Computer expense	8,676	2,712	22,197	13,611	11,313	4,086	4,141	66,736
Depreciation	8,944	3,044	194,739	10,618	5,865	15,917	2,202	241,329
Equipment maintenance and lease	748	220	1,635	1,110	812	311	416	5,252
Insurance	1,861	1,068	22,817	7,897	1,020	5,396	859	40,918
Interest	-	-	210	-	-	1,513	-	1,723
Office supplies and expenses	2,155	5,485	30,867	4,649	21,004	6,616	13,762	84,538
Postage	88	88	1,023	300	70	334	60	1,963
Printing and books	-	-	-	-	108	1,088	992	2,188
Professional fees	1,685	494	19,373	8,567	20,187	33,159	538	84,003
Rent	13,352	-	-	6,600	4,952	-	-	24,904
Shelter operations								
Facility operations	2,603	2,260	145,555	7,972	2,087	11,407	1,472	173,356
Utilities	5,464	1,681	52,032	6,157	2,909	2,081	776	71,100
Staff conferences and training	695	105	754	2,603	378	7,022	517	12,074
Telephone	4,114	589	7,226	2,442	3,095	933	1,097	19,496
Travel	-	-	-	2,424	-	150.00	-	2,574
Total non-personnel expenses	<u>88,375</u>	<u>17,746</u>	<u>565,182</u>	<u>80,924</u>	<u>73,800</u>	<u>91,621</u>	<u>26,832</u>	<u>944,480</u>
Total expenses	<u>\$ 393,138</u>	<u>\$ 80,917</u>	<u>\$ 1,024,531</u>	<u>\$ 688,677</u>	<u>\$ 357,326</u>	<u>\$ 195,922</u>	<u>\$ 146,362</u>	<u>\$ 2,886,873</u>

See accompanying notes

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

<i>Change in net assets</i>	\$ (87,546)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>	
Depreciation	241,329
Change in value in beneficial interest in assets held by community foundation	30,149
(Increase) decrease in	
Accounts receivable	188,518
Prepaid expenses	1,859
Increase (decrease) in	
Accounts payable and accrued expenses	(62,801)
Advances	<u>1,167</u>
Net cash provided by (used for) operating activities	<u>312,675</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(27,856)</u>
Net cash provided by (used for) investing activities	<u>(27,856)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of notes payable	(92,406)
Contributions restricted for endowment purposes	<u>50</u>
Net cash provided by (used for) financing activities	<u>(92,356)</u>

Net change in cash	192,463
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CASH

Beginning of year	<u>1,104,642</u>
End of year	<u><u>\$ 1,297,105</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	<u>\$ 1,723</u>
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See accompanying notes

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(1) NATURE OF OPERATIONS

The mission of the Domestic Violence Center of Chester County AND Subsidiary ("**DVCCC**" or the "**Organization**") is to reduce, remedy and prevent domestic violence in Chester County.

DVCCC is the only organization in Chester County that has a contract with the PA Department of Human Services and the PA Coalition Against Domestic Violence to provide services to victims and their dependent children that present their primary victimization as domestic violence which includes family and/or relationship violence such as intimate partner violence, dating violence, human trafficking and/or elderly family abuse. DVCCC provides equal program services and employment without regard to race, gender, color, creed, age, national origin, sexual identity, sexual orientation, disability, economic, social or marital status or political or religious belief. Services are provided at a main confidential location and at Outreach Offices in Kennett Square, Jennersville, Oxford, Coatesville, Phoenixville and the Chester County Justice Center.

The Domestic Violence Center of Chester County began as the YWCA Women's Resource Center ("**WRC**"), to serve as an information and referral service for Chester County women. Once this service became known, it started receiving a flood of calls from women in situations of violence. The directors of WRC, finding no organization in the area to which the victims could be referred, reorganized the organization as the Domestic Violence Center of Chester County in 1976 focusing on domestic violence intervention and prevention. Since we opened our doors, we have served more than 60,000 victims of domestic abuse, reaching over 4,000 individuals each year through our programs.

DVCCC has developed Phase IV Housing, a low-income housing rental project consisting of two buildings and thirteen units consisting of three bedroom townhomes, located in West Chester, Pennsylvania. The project was constructed and is owned by Domestic Violence Center Phase IV, L.P. (the "**Phase IV**"). The general partner of the partnership is Domestic Violence Center Phase IV, LLC (the "**Company**"), with a .01% ownership interest. DVCCC is the sole member of the Company. The limited partner is Garfield Commons LLC, with a 99.99% ownership interest. DVCCC is the sole member of Garfield Commons LLC. Accordingly, the activities of the Phase IV are included in these consolidated financial statements.

The Pennsylvania Housing Finance Agency ("**PHFA**") regulates financial and operational methods used. The townhouses are marketed solely to individuals who are survivors of domestic violence in the Chester County area. Phase IV has qualified for and been allocated low income housing credits pursuant to Internal Revenue Code Section 42 ("**Section 42**") which regulates the use of Phase IV as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. In addition, Phase IV has executed an indenture of restrictive covenants agreement which requires the utilization of Phase IV pursuant to Section 42 for a minimum of 30 years, even after the disposition of the Project.

DVCCC provides the following programs:

Adult Counseling

The adult counseling program is designed to empower victims and strengthen families affected by the trauma of domestic violence. Services are provided via 24-hour crisis hotline, individual and group trauma-informed counseling. Referrals to other service organizations are provided as needed.

Housing

The housing program is designed to meet basic needs. In addition to DVCCC Phase IV, DVCCC has three housing programs: Emergency Shelter/Safe House; Bridge Transitional Housing and Garfield Commons Apartments (4 one bedroom units). These programs are designed to give the clients a foundation so they can strengthen their ability to become safe and financially independent, with the goal of steady employment and permanent housing.

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Legal Services

The legal services program is designed to strengthen families. Services include legal options counseling, advice and representation in Protection from Abuse cases, custody, support, bankruptcy, immigration and other civil matters.

Children's Services

The children's services programs are designed to empower victims and strengthen families. The programs seeks to mediate the effects of domestic violence on children of survivors by providing age appropriate and bilingual safety plans; individual and group counseling, parenting skills and workshops, and school liaison services to assist children who have to leave or enroll in a school due to their situation of domestic violence.

Public Education and Training

This program is designed to promote social responsibility by developing a coordinated community response to domestic violence. DVCCC proactively seeks out opportunities to provide information on recognizing abusive relationships and the wide range of services available to victims. A strong focus of our education is dating violence awareness presentations to high schools and colleges.

Coaching Boys Into Men ("CBIM")

This evidence based program is designed to use the power of sports to promote an environment of respect, integrity, and non-violence to high school athletes. DVCCC trains local high school coaches on how to implement the Coaching Boys Into Men curriculum. The 12-week program fits into the sports season and provides each coach with a guide for addressing several important social issues through weekly conversations with their athletes. Topics covered include disrespectful behavior toward women and girls, technology and respect, understanding consent, relationship abuse, modeling respect and equality, among many more. The concept of CBIM is based on the fact that since athletes are in a unique position in their high schools as leaders who can influence a change in the culture of their school and even their community, the program can provide a framework for these young men to become positive role models.

Coaching Girls Beyond the Game ("CGBG")

This program designed and developed by PCADV, based on the original Coaching Boys Into Men curriculum and meant as it's companion program, fits into the sports season and provides the coaches of girls' sports teams/programs with a guide to hold weekly conversations with their athletes about important issues around addressing and preventing violence and disrespect in their relationships, friendships and communities. Topics covered include sports and equity, Title IX, boundaries and unhealthy relationships.

Lethality Assessment Program ("LAP")

This program is designed to help identify victims of domestic violence who are at the greatest risk of being killed, for the purpose of getting them out of harm's way, if necessary, and encouraging them to contact DVCCC while the police are on scene. This is an evidenced-based program in collaboration with the Chester County District Attorney and Chester County police departments. DVCCC has trained and partnered with 42 county police departments, two university security departments and the Chester County Sheriff's staff to implement the LAP program.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses when incurred.

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Principles of Consolidation

U.S. generally accepted accounting principles ("**GAAP**") require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control and (b) other kinds of control coupled with an economic interest. The accompanying financial statements include the accounts of DVCCC Phase IV L.P. All significant inter-organizational transactions have been eliminated in these consolidated financial statements.

Change in Reporting Entity

Garfield Commons LLC acquired 99.99% limited partnership interest in Phase IV. DVCCC is the sole member of Garfield Commons LLC as well as the sole member of Domestic Violence Center Phase IV LLC, which owns a .01% general partnership interest in Phase IV. DVCCC now has a controlling financial interest in Phase IV. The organization has included the activities of Phase IV in these consolidated financial statements. Beginning of year net assets increased by \$310,869 and Phase IV incurred a net loss of \$43,989 during the year ended June 30, 2022.

Basis of Presentation

DVCCC reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of DVCCC and/or the passage of time. When a restriction is satisfied, 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**". Contributions and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

This category also includes net assets that are subject to donor-imposed restrictions that neither expire by passage of time nor can be satisfied by actions of DVCCC.

Accounting Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements of Assets and Liabilities

Accounting principles generally accepted in the United States of America ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of DVCCC. Unobservable inputs reflect DVCCC's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that DVCCC has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect DVCCC's own assumptions.

Cash Equivalents and Restricted Cash

DVCCC considers the cash held in the tenant security deposits, reserve for replacements and the operating deficit reserve to be restricted cash. Restricted cash as of June 30, 2022 was \$45,629 and is included in cash on the consolidated statement of financial position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined there was no valuation allowance necessary at June 30, 2022. DVCCC does not charge interest on outstanding balances.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, DVCCC reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years.

DVCCC reviews and evaluates its property and equipment for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. If the carrying value exceeds the cash flows, then recorded amounts of the assets are reduced to their fair value.

Beneficial Interest in Assets Held by Community Foundation

The beneficial interest in assets held by community foundation is reported at the fair value of the assets maintained in the endowment funds (**See Note 4**).

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Government grants revenue is derived from cost-reimbursement contracts which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as advances in the statements of financial position. The Organization was awarded cost reimbursable grants of approximately \$3.6 million that have not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred.

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

Rental income is earned pursuant to lease agreements. The rents are accounted for as operating leases and revenues are recorded ratably over the term of the lease agreement. If advanced rent payments are received from tenants it would be included in accounts payable, accrued expenses and other in the statement of financial position.

Donated Services

DVCCC receives a significant amount of contributed time from volunteers and the Board of Directors, without compensation. The consolidated financial statements do not reflect the value of these contributed services since these services do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated, based on estimates of time and effort.

Concentration of Credit Risk

Financial instruments that potentially subject DVCCC to concentration of credit risk are cash and accounts receivable. DVCCC maintains its cash accounts at a single financial institution in Chester County. At times, these accounts may exceed federally-insured limits. DVCCC has not experienced any losses in these accounts. The composition of accounts receivable is described in the accompanying statements of financial position. Substantially all of the accounts receivable at June 30, 2022 are expected to be collected by June 30, 2023.

Income Tax Status

DVCCC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and no provision or liability for income taxes is required.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the consolidated financial statements. DVCCC believes that it had no uncertain tax positions as defined in GAAP.

(3) PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 consisted of the following:

Held for operations	
Land	\$ 70,000
Building	288,887
Building improvements	1,320,947
Furniture and equipment	556,794
	<u>2,236,628</u>
Less accumulated depreciation	<u>(1,653,333)</u>
	<u>583,295</u>
Held for lease	
Land and building	4,724,041
Less accumulated depreciation	<u>(1,831,394)</u>
	<u>2,892,647</u>
Total property and equipment	<u>\$ 3,475,942</u>

DOMESTIC VIOLENCE CENTER OF CHESTER COUNTY AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(4) BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

DVCCC has entered into an agreement with the Chester County Community Foundation (the "**Foundation**") to establish two endowment funds to support the operating, program and capital needs of DVCCC.

As is standard with community foundation agreements, DVCCC has irrevocably relinquished its right to the amounts transferred to the Foundation in exchange for future distributions of the endowment funds' earnings. However, the endowment funds and distributions from the endowment funds are subject to the Foundation's ultimate control and discretion.

The terms of the agreement allow for the Foundation to make distributions to DVCCC in an amount equal to 5% of the current fair value of the endowment fund. DVCCC did not receive any distributions from the Foundation in 2022.

(5) LINE OF CREDIT

DVCCC has a \$249,999 bank line of credit that expires May 2023. Advances under the credit line are payable on demand, bear interest at the Wall Street Journal's prime rate plus .25% with a floor rate of 4.00%, and are secured by a mortgage on DVCCC's real estate used for operations. There were no advances outstanding under the credit line at June 30, 2022.

(6) NOTES PAYABLE AND LOAN FORGIVENESS

Under the agreement with the mortgage loan lender, the Organization is subject to restrictions as to operating policies, tenant eligibility and occupancy, rental charges, operating expenditures and distributions to partners. The townhouse project is pledged as collateral for the mortgages. The mortgage note is nonrecourse debt secured by deed of trust on the related real estate.

The mortgage note is payable to the Department of Community Development of the County of Chester. The note is non-interest bearing and is payable in full December 2035. The balance on the note payable at June 30, 2022 is \$500,000.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions during the period ended June 30, 2022 consisted of contributions received that were restricted for the following purposes:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2022</u>
Purpose restrictions				
Legal services	\$ 10,000	\$ 10,000	\$ (20,000)	\$ -
Early care/children's services	26,573	-	(2,500)	24,073
Public education	36,815	22,000	(43,245)	15,570
Housing	<u>44,000</u>	<u>146,000</u>	<u>(97,000)</u>	<u>93,000</u>
	<u>117,388</u>	<u>178,000</u>	<u>(162,745)</u>	<u>132,643</u>
Time restrictions				
Operations	<u>48,470</u>	<u>67,880</u>	<u>(60,565)</u>	<u>55,785</u>
To be held in perpetuity				
Beneficial interest in assets held by community foundation	74,071	(10,424)	-	63,647
Endowment	<u>140,623</u>	<u>(19,675)</u>	<u>-</u>	<u>120,948</u>
	<u>214,694</u>	<u>(30,099)</u>	<u>-</u>	<u>184,595</u>
	<u>\$ 380,552</u>	<u>\$ 215,781</u>	<u>\$ (223,310)</u>	<u>\$ 373,023</u>

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Distributions from the community foundation are unrestricted. During 2016, DVCCC commenced an endowment campaign with a goal of raising \$1,000,000. The income from the endowment is unrestricted. DVCCC had not yet established investment and spending policies for its endowment assets; and therefore the contributions received were segregated in an interest-bearing savings account.

Endowment assets at June 30, 2022 consisted of the following:

Cash	\$ 510
Beneficial interest in assets held by community foundation	<u>120,438</u>
	<u>\$ 120,948</u>

(8) OPERATING LEASES

DVCCC leases five Pennsylvania satellite offices located in Phoenixville, Coatesville, Kennett Square, West Grove, and Oxford. The lease for the office in Phoenixville expires in August 2023. The lease for the office in Coatesville expires June 2025. The leases for the offices in Kennett Square and West Grove expired November 2019 and then continue on a month to month basis. The lease for the office in Oxford is on a month-to-month basis. Rent expense for the satellite offices was \$24,904 for 2022.

The minimum annual lease commitments under these leases is \$7,719 for 2023, \$7,342 for 2024 and \$7,415 for 2025.

(9) RETIREMENT PLAN

DVCCC maintains a 401(k) defined contribution plan for the benefit of full and part-time employees. DVCCC contributes 50% of the first 4% of eligible employee contributions. DVCCC's contributions to the plan was \$10,846 for 2022.

(10) ASSETS MEASURED AT FAIR VALUE

The following table presents information about DVCCC's assets that are measured at fair value and the valuation inputs used to value them:

<u>Description</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2022</u>				
Beneficial interest in assets held by community foundation	<u>\$ 184,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,085</u>
	<u>\$ 184,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,085</u>

The changes to level 3 assets for the years ended June 30, 2022 is as follows:

Balance at beginning of year	\$ 214,234
Change in value	<u>(30,149)</u>
Balance at end of year	<u>\$ 184,085</u>

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(11) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects DVCCC's financial assets as of June 30, 2022 and the amounts available within one year.

Cash	\$ 1,297,105
Government grants receivable	<u>366,243</u>
Total financial assets	1,663,348
Less amounts with donor restrictions	<u>(373,023)</u>
Financial assets available within one year	<u>\$ 1,290,325</u>

As part of DVCCC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. DVCCC invests cash in excess of its requirements in a money market savings account and has a line of credit available. See Note 5 about DVCCC's line of credit.

(12) CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Phase IV's major asset and operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Internal Revenue Service, PHFA and the U.S. Department of Housing and Urban Development. Such administrative directives, rules and regulations are subject to legislation and administrative changes. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 2022, the date on which the consolidated financial statements were available to be issued. The extent of the continued impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients and employees, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain. No other material subsequent events have occurred since June 30, 2022 that require recognition or disclosure in the consolidated financial statement.