



Financial Statements  
December 31, 2016 and 2015

# DaySpring Villa Women and Children's Shelter, Inc.

DaySpring Villa Women and Children's Shelter, Inc.

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December 31, 2016 and 2015

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## **Independent Auditor's Report**

The Board of Directors  
DaySpring Villa Women and Children's Shelter, Inc.  
Tulsa, Oklahoma

### **Report on Financial Statements**

We have audited the accompanying financial statements of DaySpring Villa Women and Children's Shelter, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 determining that the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**Basis for Qualified Opinion**

As discussed in Note 4, a building and land were contributed to DaySpring Villa Women and Children's Shelter, Inc. in January 2007 and recorded at the donor's purchase price. There was no appraisal of the building and land at the time of donation to determine the fair value that should have been recorded in the financial statements. We were unable to obtain sufficient appropriate audit evidence about the valuation of the building and land by other auditing procedures.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of DaySpring Villa Women and Children's Shelter, Inc. as of December 31, 2016 and 2015, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Basis of Accounting**

As discussed in Note 10 to the financial statements, DaySpring Villa Women and Children's Shelter, Inc. changed its basis of accounting to accounting principles generally accepted in the United States of America from the modified cash basis of accounting. Accordingly, certain amounts have been restated in the 2015 financial statements now presented and an adjustment has been made to net assets as of December 31, 2014 to reflect the change. Our opinion is not modified with respect to that matter.



Tulsa, Oklahoma  
February 1, 2018

DaySpring Villa Women and Children's Shelter, Inc.  
 Statements of Financial Position  
 December 31, 2016 and 2015

	2016	2015 (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 128,472	\$ 200,972
Temporary cash investments	89,812	41,906
Accounts receivable	5,277	4,815
Property and equipment, net	1,751,951	1,801,997
Investments	902,908	209,052
Endowment		
Investments	507,175	190,970
Beneficial interest in assets held by community foundation	11,190	10,368
Temporary cash investments	580,677	4,130
	<u>\$ 3,977,462</u>	<u>\$ 2,464,210</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ -	\$ 276
Accrued expenses and other liabilities	71,538	53,515
	<u>71,538</u>	<u>53,791</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	2,712,271	2,124,817
Board-designated	109,589	82,834
	<u>2,821,860</u>	<u>2,207,651</u>
Temporarily restricted	96,382	79,122
Permanently restricted	987,682	123,646
	<u>3,905,924</u>	<u>2,410,419</u>
	<u>\$ 3,977,462</u>	<u>\$ 2,464,210</u>

DaySpring Villa Women and Children's Shelter, Inc.  
 Statements of Activities  
 Years Ended December 31, 2016 and 2015

	2016				2015 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Support, and Gains</b>								
Contributions	\$ 1,327,040	\$ 96,348	\$ 864,036	\$ 2,287,424	\$ 800,861	\$ 113,798	\$ -	\$ 914,659
Net investment return	269,289	863	-	270,152	(6,763)	859	-	(5,904)
Interest	95	-	-	95	150	-	-	150
Gross special events revenue	109,939	-	-	109,939	129,409	-	-	129,409
Less cost of direct benefits to donors	(36,490)	-	-	(36,490)	(47,109)	-	-	(47,109)
Net special events revenue	73,449	-	-	73,449	82,300	-	-	82,300
Other	48,644	-	-	48,644	60,429	-	-	60,429
Net assets released from restrictions	79,951	(79,951)	-	-	469,103	(469,103)	-	-
Total revenue, support, and gains	<u>1,798,468</u>	<u>17,260</u>	<u>864,036</u>	<u>2,679,764</u>	<u>1,406,080</u>	<u>(354,446)</u>	<u>-</u>	<u>1,051,634</u>
<b>Expenses and Losses</b>								
Program services expense	788,810	-	-	788,810	798,285	-	-	798,285
Supporting services expense								
Fundraising and development	169,365	-	-	169,365	153,781	-	-	153,781
Management and general	226,084	-	-	226,084	158,532	-	-	158,532
Total supporting services expense	<u>395,449</u>	<u>-</u>	<u>-</u>	<u>395,449</u>	<u>312,313</u>	<u>-</u>	<u>-</u>	<u>312,313</u>
Total expenses and losses	<u>1,184,259</u>	<u>-</u>	<u>-</u>	<u>1,184,259</u>	<u>1,110,598</u>	<u>-</u>	<u>-</u>	<u>1,110,598</u>
Change in Net Assets	614,209	17,260	864,036	1,495,505	295,482	(354,446)	-	(58,964)
Net Assets, beginning of year	<u>2,207,651</u>	<u>79,122</u>	<u>123,646</u>	<u>2,410,419</u>	<u>1,912,169</u>	<u>433,568</u>	<u>123,646</u>	<u>2,469,383</u>
Net Assets, end of year	<u>\$ 2,821,860</u>	<u>\$ 96,382</u>	<u>\$ 987,682</u>	<u>\$ 3,905,924</u>	<u>\$ 2,207,651</u>	<u>\$ 79,122</u>	<u>\$ 123,646</u>	<u>\$ 2,410,419</u>

See Notes to Financial Statements

DaySpring Villa Women and Children's Shelter, Inc.

Statement of Functional Expenses

Year Ended December 31, 2016

	<u>Program Services</u>	<u>Fundraising and Development</u>	<u>Management and General</u>	<u>Total</u>
Personnel expenses	\$ 540,100	\$ 61,223	\$ 137,439	\$ 738,762
Ministry operations	75,255	-	-	75,255
Office operations	4,405	2,134	13,063	19,602
General expenses	4,303	1,249	50,515	56,067
Facility operations	62,899	4,679	25,067	92,645
Depreciation	101,848	-	-	101,848
Fundraising	-	136,570	-	136,570
	<u>788,810</u>	<u>205,855</u>	<u>226,084</u>	<u>1,220,749</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	<u>-</u>	<u>(36,490)</u>	<u>-</u>	<u>(36,490)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 788,810</u>	<u>\$ 169,365</u>	<u>\$ 226,084</u>	<u>\$ 1,184,259</u>

DaySpring Villa Women and Children's Shelter, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2015 (Restated)

	<u>Program Services</u>	<u>Fundraising and Development</u>	<u>Management and General</u>	<u>Total</u>
Personnel expenses	\$ 518,899	\$ 33,267	\$ 101,995	\$ 654,161
Ministry operations	78,254	-	-	78,254
Office operations	4,791	5,109	13,876	23,776
General expenses	26,282	757	24,392	51,431
Facility operations	73,080	-	18,269	91,349
Depreciation	96,979	-	-	96,979
Fundraising	-	161,757	-	161,757
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses by function	798,285	200,890	158,532	1,157,707
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	(47,109)	-	(47,109)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	<u>\$ 798,285</u>	<u>\$ 153,781</u>	<u>\$ 158,532</u>	<u>\$ 1,110,598</u>



DaySpring Villa Women and Children's Shelter, Inc.

Statements of Cash Flows

December 31, 2016 and 2015

	2016	2015 (Restated)
Operating Activities		
Change in net assets	\$ 1,495,505	\$ (58,964)
Adjustments to reconcile the change in net assets to cash from operating activities		
Depreciation	101,848	96,979
Realized and unrealized (gain) loss on investments	(270,152)	5,904
Changes in operating assets and liabilities		
Accounts receivable	(462)	7,112
Accounts payable	(276)	276
Accrued expenses and other liabilities	18,023	(1,580)
Net Cash from Operating Activities	1,344,486	49,727
Investing Activities		
Purchases of property and equipment	(51,802)	(433,239)
Purchases of investments	(1,317,278)	-
Proceeds from sale of investments	-	2,525
Net Cash used for Investing Activities	(1,369,080)	(430,714)
Net Change in Cash and Cash Equivalents and Temporary Cash Investments	(24,594)	(380,987)
Cash and Cash Equivalents and Temporary Cash Investments, Beginning of Year	242,878	623,865
Cash and Cash Equivalents and Temporary Cash Investments, End of Year	\$ 218,284	\$ 242,878

**Note 1 - Principal Activity and Significant Accounting Policies****Organization**

DaySpring Villa Women and Children's Shelter, Inc. (DSV) is a non-profit organization and one of only two certified shelters for battered and sexually assaulted women and their children in the Tulsa metropolitan area, and the only faith-based domestic violence shelter in Oklahoma. DSV is the first shelter to be certified by the Oklahoma Attorney General's office to address the special needs of victims of human sexual trafficking. DSV's mission is to help women and children in crisis and adult sexual trafficking victims regain self-confidence, independence, and self-sufficiency through spiritual guidance, social services, and goal-based programs. DSV provides food, shelter, clothing, transportation, and vital life tools for as many as 66 women and children at risk at a time. A privately-funded shelter, DSV depends upon financial gifts, volunteer services, and in-kind contributions.

In 2012, DSV established DaySpring Villa Women and Children's Shelter Endowment Trust (Trust) as an entity with a separate tax identification number for the purpose of investing contributions received for endowment. The assets of the Trust and related income are included in DSV's financial statements.

**Cash and Cash Equivalents and Temporary Cash Investments**

DSV considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Temporary cash investments includes money market funds and other highly liquid securities held for investment purposes.

**Promises to Give**

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions in the statements of activities. DSV determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. There were no promises to give at December 31, 2016 and 2015.

**Property and Equipment**

DSV records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

DSV reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2016 and 2015.

**Beneficial Interest in Assets Held by Community Foundation**

During 2007, management established an endowment fund (the Fund) with the Tulsa Community Foundation (TCF) and named DSV as beneficiary. Funds held with TCF are distributed annually to DSV, as determined by TCF. DSV may request distributions for specific needs from the Fund. However, DSV granted variance power to TCF which allows TCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of TCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by TCF for DSV's benefit, and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

**Investments**

DSV records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and board-designated endowment.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Directors.

DSV reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the 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 statements of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by DSV's actions. The restrictions stipulate that resources be maintained permanently but permit DSV to expend the income generated in accordance with the provisions of the agreements.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### **Donated Materials and Services**

Volunteers contribute significant amounts of time to DSV's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the years ended December 31, 2016 and 2015.

### **Advertising**

DSV expenses the costs of advertising as incurred. Advertising expense was approximately \$100,000 and \$115,000 for the years ended December 31, 2016 and 2015, respectively.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

### **Income Taxes**

DSV is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. DSV is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, DSV is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that DSV is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that DSV has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. DSV would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. DSV's Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2014.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Financial Instruments and Credit Risk**

DSV manages deposit concentration risk by placing cash, money market accounts, and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, DSV has not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**Subsequent Events**

Subsequent events have been evaluated through February 1, 2018, the date which the financial statements were available to be issued.

**Note 2 - Fair Value Measurements and Disclosures**

DSV reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that DSV can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

DaySpring Villa Women and Children's Shelter, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

A significant portion of our investment assets are classified within Level 1 because they are comprised of common stock, open-end mutual funds and corporate bonds with readily determinable fair values based on daily redemption values. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered level 2 investments as the fair value of the underlying investments is quoted in an active market but DSV has the ability to redeem this interest in the near term.

The following table sets forth by level, within the fair value hierarchy, DSV's assets recorded at fair value on a recurring basis as of December 31, 2016 and 2015:

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Common stock	\$ 1,239,360	\$ -	\$ -	\$ 1,239,360
Mutual funds				
Equity	59,206	-	-	59,206
Fixed income				
Corporate bonds	99,000	-	-	99,000
Beneficial interest in assets held by community foundation	-	23,707	-	23,707
	<u>\$ 1,397,566</u>	<u>\$ 23,707</u>	<u>\$ -</u>	<u>\$ 1,421,273</u>
	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments				
Equities				
Common stock	\$ 377,030	\$ -	\$ -	\$ 377,030
Mutual funds				
Equity	22,992	-	-	22,992
Beneficial interest in assets held by community foundation	-	10,368	-	10,368
	<u>\$ 400,022</u>	<u>\$ 10,368</u>	<u>\$ -</u>	<u>\$ 410,390</u>

**Note 3 - Investment Return**

Net investment return consists of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Operating investments		
Interest and dividends	\$ 42,654	\$ 12,147
Net realized and unrealized gain (loss)	<u>196,354</u>	<u>(16,075)</u>
	<u>239,008</u>	<u>(3,928)</u>
Endowment investments		
Interest and dividends	14,868	13,120
Net realized and unrealized gain (loss)	16,346	(15,026)
Less investment management and custodial fees	<u>(70)</u>	<u>(70)</u>
	<u>31,144</u>	<u>(1,976)</u>
	<u>\$ 270,152</u>	<u>\$ (5,904)</u>

**Note 4 - Property and Equipment**

In January 2007, the property on which DSV performs its operations was donated to DSV. The property was recorded at the purchase price of the donor of \$450,000. The fair value of the property was not determined at the date of the contribution. In the statements of financial position as of December 31, 2016 and 2015, \$5,000 is included in land and \$445,000 is included in building and improvements for this donated property.

Property and equipment consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 5,000	\$ 5,000
Building and improvements	2,092,355	2,090,055
Furniture and fixtures	45,227	41,697
Equipment	151,846	106,592
Vehicles	<u>151,768</u>	<u>151,768</u>
	2,446,196	2,395,112
Less accumulated depreciation	<u>(694,245)</u>	<u>(593,115)</u>
	<u>\$ 1,751,951</u>	<u>\$ 1,801,997</u>

**Note 5 - Endowments**

DSV has endowment funds held with the Baptist Foundation of Oklahoma (BFO) and with TCF (collectively the Endowment). Additionally, the Trust holds an endowment fund with a financial institution. These endowment funds are designed to encompass the goal of long-term growth and long-term stability for DSV. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The funds held with BFO, and under the Trust are classified as permanently restricted, as the principal funds are not available to be drawn down at any time. The Board can elect to have funds distributed from the earnings on principal. From time to time, donors will designate that their contribution be deposited into the accounts with either TCF or BFO, instead of DSV's operating fund. If contributions are designated for endowment, the funds are deposited into the fund established by the Trust.

The Board of Directors has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2016 and 2015, there were no such donor stipulations. As a result of this interpretation, DSV classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. DSV considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization



DaySpring Villa Women and Children's Shelter, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

As of December 31, 2016 and 2015, we had the following endowment net asset composition by type of fund:

2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General endowment - BFO	\$ -	\$ 1,732	\$ 21,643	\$ 23,375
General endowment - Trust	98,105	-	966,039	1,064,144
General endowment - TCF	-	11,523	-	11,523
	<u>\$ 98,105</u>	<u>\$ 13,255</u>	<u>\$ 987,682</u>	<u>\$ 1,099,042</u>

  

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
General endowment - BFO	\$ -	\$ 2,420	\$ 21,642	\$ 24,062
General endowment - Trust	68,720	-	102,004	170,724
General endowment - TCF	-	10,682	-	10,682
	<u>\$ 68,720</u>	<u>\$ 13,102</u>	<u>\$ 123,646</u>	<u>\$ 205,468</u>

*Investment and Spending Policies*

DSV has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

DSV uses an endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the Endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. During 2016 and 2015, the spending rate maximum was 4.5%. In establishing this policy, DSV considered the long-term expected return on the Endowment, and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

DaySpring Villa Women and Children's Shelter, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Changes in Endowment net assets for the years ended December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2016</u>				
Endowment, beginning of year	\$ 68,720	\$ 13,102	\$ 123,646	\$ 205,468
Net investment return	29,385	1,759	-	31,144
Contributions	-	194	864,036	864,230
Other	-	(1,800)	-	(1,800)
	<u>\$ 98,105</u>	<u>\$ 13,255</u>	<u>\$ 987,682</u>	<u>\$ 1,099,042</u>
<u>2015</u>				
Endowment, beginning of year	\$ 70,586	\$ 13,212	\$ 123,646	\$ 207,444
Net investment return	(1,866)	(110)	-	(1,976)
	<u>\$ 68,720</u>	<u>\$ 13,102</u>	<u>\$ 123,646</u>	<u>\$ 205,468</u>

**Note 6 - Restricted Net Assets**

Temporarily restricted net assets at December 31, 2016 and 2015, consist of:

	<u>2016</u>	<u>2015</u>
Equipment and furniture	\$ 23,542	\$ 26,622
Grounds	23,270	2,808
Unspent appreciation of Endowment funds which must be appropriated for expenditure before use	13,985	13,102
Property rehabilitation	10,705	10,968
Refurbishing	6,946	6,416
Vision project	6,177	6,177
Counseling services	5,025	-
Children's education	2,682	2,032
Sex trafficking building	1,584	8,352
Guest move-out	1,395	1,095
Children	500	450
Christmas	439	968
Guest dental	132	132
	<u>\$ 96,382</u>	<u>\$ 79,122</u>

Net assets were released from restriction as follows during the years ended December 31:

	<u>2016</u>	<u>2015</u>
Satisfaction of purpose restriction	\$ 78,881	\$ 468,134
Distributions from endowment funds	<u>1,070</u>	<u>969</u>
	<u>\$ 79,951</u>	<u>\$ 469,103</u>

#### **Note 7 - Employee Benefits**

DSV funds a tax sheltered 403(b) annuity plan for its full-time employees. DSV contributes approximately 15% of employee's earnings to the plan. All payments to the annuity plan by DSV are fully vested. DSV's contributions to the plan for the years ended December 31, 2016 and 2015 were approximately \$12,000 and \$14,000, respectively.

#### **Note 8 - Concentrations**

DSV receives a substantial amount of its support from local agencies. A significant reduction in the level of this support could have a significant effect on DSV's program and operations.

#### **Note 9 - Related Party Transactions**

DSV receives, at times, donations from members of the Board of Directors or their affiliates. Contributions received from these related parties were approximately \$119,000 and \$110,000 in the years ended December 31, 2016 and 2015, respectively. Additionally, at December 31, 2016, DSV held an investment with a fair value of \$99,000 in corporate bonds with a company affiliated with a member of the Board of Directors.

#### **Note 10 - Change in Basis of Accounting**

During the year ended December 31, 2016, DSV changed its basis of accounting to accounting principles generally accepted in the United States of America from the modified cash basis of accounting. Accordingly, certain amounts have been restated in the 2015 financial statements now presented and an adjustment has been made to net assets as of December 31, 2014 to reflect the change.

DaySpring Villa Women and Children's Shelter, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

The following is a summary of the effects of the restatement in DSV's December 31, 2015 statement of financial position:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of December 31, 2015			
Accounts receivable	\$ -	\$ 4,815	\$ 4,815
Total assets	2,459,395	4,815	2,464,210
Accrued expenses	346	53,169	53,515
Total liabilities	622	53,169	53,791
Net assets			
Unrestricted undesignated	2,173,171	(48,354)	2,124,817
Total unrestricted net assets	2,256,005	(48,354)	2,207,651
Total net assets	2,458,773	(48,354)	2,410,419
Total liabilities and net assets	2,459,395	4,815	2,464,210

The following is a summary of the effects of the restatement in DSV's statement of activities for the year ended December 31, 2015:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Year ended December 31, 2015			
Unrestricted			
Revenue, Support, and Gains			
Contributions	\$ 807,973	\$ (7,112)	\$ 800,861
Total revenue, support, and gains	1,413,192	(7,112)	1,406,080
Expenses			
Program services	799,512	(1,227)	798,285
Fundraising and development	153,860	(79)	153,781
Management and general	158,774	(242)	158,532
Total supporting services expense	312,634	(321)	312,313
Total expenses	1,112,146	(1,548)	1,110,598
Change in unrestricted net assets	301,046	(5,564)	295,482
Change in net assets	(53,400)	(5,564)	(58,964)
Unrestricted net assets, beginning of year	1,954,959	(42,790)	1,912,169
Net assets, beginning of year	2,512,173	(42,790)	2,469,383
Unrestricted net assets, end of year	2,256,005	(48,354)	2,207,651
Net assets, end of year	2,458,773	(48,354)	2,410,419

DaySpring Villa Women and Children's Shelter, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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The following is a summary of the effects of the restatement in DSV's statement of functional expenses for the year ended December 31, 2015:

	As Previously Reported	Adjustment	As Restated
Year ended December 31, 2015			
Program Services			
Personnel expenses	\$ 520,126	\$ (1,227)	\$ 518,899
Total expenses	799,512	(1,227)	798,285
Fundraising and development			
Personnel expenses	33,346	(79)	33,267
Total expenses	200,969	(79)	200,890
Management and general			
Personnel expenses	102,237	(242)	101,995
Total expenses	158,774	(242)	158,532
Total personnel expenses	655,709	(1,548)	654,161
Total expenses by function	1,159,255	(1,548)	1,157,707
Total expenses included in the expense section on the statement of activities	1,112,146	(1,548)	1,110,598

The statement of cash flows was not presented in the previously issued 2015 financial statements as it was not required under the modified cash basis of accounting.