

Bay Area Turning Point, Inc.

Report of Independent Auditor and Financial Statements with
Supplemental Information and Federal Compliance with
Uniform Guidance.

December 31, 2018 and 2017



BAY AREA TURNING POINT, INC.

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December 31, 2018 and 2017

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Report of Independent Auditor

To the Board of Directors of
Bay Area Turning Point, Inc.
Webster, TX

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Area Turning Point, Inc. (the “Organization”), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay Area Turning Point, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements to Federal Awards (Uniform Guidance)* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of the Bay Area Turning Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 26, 2019
Houston, Texas

BAY AREA TURNING POINT, INC.Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 134,266	\$ 422,152
Investments	345,920	341,113
Accounts receivable, net	376,033	307,036
Prepaid expenses and other assets	23,997	55,669
Property and equipment, net	<u>1,593,851</u>	<u>1,646,758</u>
 Total assets	 <u>\$ 2,474,067</u>	 <u>\$ 2,772,728</u>
 Liabilities and Net Assets		
Accounts payable	\$ 8,462	\$ 18,786
Accrued expenses	<u>50,648</u>	<u>133,423</u>
Total liabilities	<u>59,110</u>	<u>152,209</u>
 Net Assets		
Without donor restrictions:		
Designated by board	467,363	611,750
Undesignated	<u>1,947,594</u>	<u>2,008,769</u>
Total without donor restrictions	2,414,957	2,620,519
With donor restrictions	-	-
Total net assets	<u>2,414,957</u>	<u>2,620,519</u>
 Total liabilities and net assets	 <u>\$ 2,474,067</u>	 <u>\$ 2,772,728</u>

See accompanying notes to financial statements and report of independent auditor.

BAY AREA TURNING POINT, INC.
 Statements of Activities
 Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Grant income	\$ 2,276,482	\$ -	\$ 2,276,482	\$ 2,287,394	\$ -	\$ 2,287,394
Contributions	330,866	-	330,866	397,391	-	397,391
Resale shop	162,649	-	162,649	211,935	-	211,935
Contributions-in-kind	262,202	-	262,202	257,199	-	257,199
Fees	12,163	-	12,163	16,743	-	16,743
Investment income	3,302	-	3,302	19,948	-	19,948
Total Revenues and Support	<u>3,047,664</u>	<u>-</u>	<u>3,047,664</u>	<u>3,190,610</u>	<u>-</u>	<u>3,190,610</u>
Expenses						
Program Expenses						
Shelter services	1,070,540	-	1,070,540	1,184,096	-	1,184,096
Advocacy and education - family violence	698,907	-	698,907	716,773	-	716,773
Advocacy and education - sexual assault	461,893	-	461,893	475,018	-	475,018
Self-reliance program	297,772	-	297,772	426,107	-	426,107
Total Program Expenses	<u>2,529,112</u>	<u>-</u>	<u>2,529,112</u>	<u>2,801,994</u>	<u>-</u>	<u>2,801,994</u>
Support Expenses						
Resale shop	216,613	-	216,613	183,667	-	183,667
Management and general	403,765	-	403,765	266,072	-	266,072
Fundraising	103,736	-	103,736	88,668	-	88,668
Total Support Expenses	<u>724,114</u>	<u>-</u>	<u>724,114</u>	<u>538,407</u>	<u>-</u>	<u>538,407</u>
Total Expenses	<u>3,253,226</u>	<u>-</u>	<u>3,253,226</u>	<u>3,340,401</u>	<u>-</u>	<u>3,340,401</u>
Change in Net Assets	(205,562)	-	(205,562)	(149,791)	-	(149,791)
Net assets, beginning of year	2,620,519	-	2,620,519	2,770,310	-	2,770,310
Net assets, end of year	<u>\$ 2,414,957</u>	<u>\$ -</u>	<u>\$ 2,414,957</u>	<u>\$ 2,620,519</u>	<u>\$ -</u>	<u>\$ 2,620,519</u>

See accompanying notes to financial statements and report of independent auditor.

BAY AREA TURNING POINT, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Program Expenses</u>					<u>Support Expenses</u>				
	<u>Shelter Services</u>	<u>Advocacy and Education - Family Violence</u>	<u>Advocacy and Education - Sexual Assault</u>	<u>Self-Reliance Program</u>	<u>Total Program Expenses</u>	<u>Resale Shop</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Expenses</u>	<u>Total</u>
Personnel	\$ 677,651	\$ 560,202	\$ 377,082	\$ 107,121	\$ 1,722,056	\$ 93,406	\$ 360,130	\$ 82,956	\$ 536,492	\$ 2,258,548
Food and supplies	26,246	4,327	2,260	1,438	34,271	3,266	2,572	579	6,417	40,688
Depreciation and amortization	53,427	14,340	7,430	2,529	77,726	1,402	3,778	275	5,455	83,181
Professional fees	26,395	22,310	13,871	8,218	70,794	4,320	9,739	9,642	23,701	94,495
Rental costs	4,719	42,643	37,562	-	84,924	81,983	-	407	82,390	167,314
Insurance	15,080	6,497	2,325	628	24,530	845	1,280	29	2,154	26,684
Maintenance and repairs	37,823	2,079	972	482	41,356	8,806	462	242	9,510	50,866
Assistance to individuals	40	-	-	166,774	166,814	-	-	-	-	166,814
In-kind donations used	205,694	22,876	1,925	1,400	231,895	10,148	20,158	-	30,306	262,201
Other operating expenses	23,465	23,633	18,466	9,182	74,746	12,437	5,646	9,606	27,689	102,435
	<u>\$ 1,070,540</u>	<u>\$ 698,907</u>	<u>\$ 461,893</u>	<u>\$ 297,772</u>	<u>\$ 2,529,112</u>	<u>\$ 216,613</u>	<u>\$ 403,765</u>	<u>\$ 103,736</u>	<u>\$ 724,114</u>	<u>\$ 3,253,226</u>

See accompanying notes to financial statements and report of independent auditor.

BAY AREA TURNING POINT, INC.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Expenses					Support Expenses				
	Shelter Services	Advocacy and Education - Family Violence	Advocacy and Education - Sexual Assault	Self-Reliance Program	Total Program Expenses	Resale Shop	Management and General	Fundraising	Total Support Expenses	Total
Personnel	\$ 817,929	\$ 547,798	\$ 392,698	\$ 196,435	\$ 1,954,860	\$ 85,660	\$ 235,609	\$ 72,205	\$ 393,474	\$ 2,348,334
Food and supplies	31,054	3,085	4,638	2,677	41,454	2,006	2,345	1,162	5,513	46,967
Depreciation and amortization	57,327	16,170	8,743	2,745	84,985	1,964	3,882	160	6,006	90,991
Professional fees	15,245	14,138	9,749	6,331	45,463	1,769	9,892	6,860	18,521	63,984
Rental costs	4,866	39,992	38,337	945	84,140	76,937	984	434	78,355	162,495
Insurance	13,264	6,033	2,880	781	22,958	760	1,023	260	2,043	25,001
Maintenance and repairs	22,614	2,641	859	437	26,551	1,537	432	227	2,196	28,747
Assistance to individuals	114	10	75	203,664	203,863	-	-	-	-	203,863
In-kind donations used	188,345	61,213	-	-	249,558	697	6,939	-	7,636	257,194
Other operating expenses	33,338	25,693	17,039	12,092	88,162	12,337	4,966	7,360	24,663	112,825
	<u>\$ 1,184,096</u>	<u>\$ 716,773</u>	<u>\$ 475,018</u>	<u>\$ 426,107</u>	<u>\$ 2,801,994</u>	<u>\$ 183,667</u>	<u>\$ 266,072</u>	<u>\$ 88,668</u>	<u>\$ 538,407</u>	<u>\$ 3,340,401</u>

See accompanying notes to financial statements and report of independent auditor.

BAY AREA TURNING POINT, INC.
 Statements of Cash Flows
 Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (205,562)	\$ (149,791)
Adjustments to reconcile change in net assets to net cash (used in) provided by operations:		
Depreciation and amortization	83,181	90,991
Unrealized loss (gain) on investments	9,223	(15,735)
(Increase) decrease in operating assets:		
Accounts receivable, grants	(68,997)	80,795
Prepaid expenses and other	31,672	1,707
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(10,324)	29,105
Other accrued liabilities	(82,775)	-
Net cash (used in) provided by operating activities	(243,582)	37,072
Cash flows from investing activities:		
Purchase of property and equipment	(30,274)	(17,562)
Purchase of investments	(14,030)	(17,830)
Net cash used in investing activities	(44,304)	(35,392)
Cash flows from financing activities:	-	-
Net change in cash and cash equivalents	(287,886)	1,680
Cash and cash equivalents at beginning of year	422,152	420,472
Cash and cash equivalents at end of year	\$ 134,266	\$ 422,152
Supplemental Disclosure:		
Cash paid for interest	\$ -	\$ -

See accompanying notes to financial statements and report of independent auditor.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Organization – Bay Area Turning Point, Inc. (the “Organization” or “BATP”) is a Texas non-profit corporation chartered in 1991. BATP’s primary mission is to provide crisis intervention, recovery groups, advocacy, and shelter to adults and children who are victims of family violence and/or sexual violence. BATP’s geographical target communities include, but are not limited to, Southeast Harris County, Northern Galveston County, Northern Brazoria County, and all of Chambers County. BATP is supported primarily through donor contributions and grants.

BATP is exempt from federal income tax under the Internal Revenue Code Section 501 (c) (3) for income related to its exempt purpose. BATP is classified by the Internal Revenue Service as an organization other than a private organization.

Program Services - Shelter Services - The Shelter Program offers emergency shelter to target populations of adults, children, male and female, survivors of domestic and/or sexual violence, dating violence, stalking, child abuse, and elder abuse. Shelter services are also extended to their family and friends impacted by the victimization. The Basic Needs Shelter Program is essential to victims of both domestic and sexual violence who are seeking safe refuge from a violent situation. Abuse can include but is not limited to the following types: physical abuse, emotional abuse, spiritual oppression, sexual violence, financial abuse and intimidation.

Advocacy and Education - Family Violence - The advocacy and education program for family violence provides advocacy, education and prevention services regarding family violence to those directly and indirectly impacted through educating and awareness and assisting with their basic needs, crisis intervention and recovery services. This is done by attending various community resource fairs/exhibits, social club/group meetings and distributing/posting our literature at churches, schools, shopping centers, hospitals, social media streams and police departments to name a few. BATP also uses outreach and education as a strategy for reaching the target population or those who may come into contact with our target population.

Advocacy and Education - Sexual Assault - The advocacy and education program for sexual assault provides advocacy, education and prevention services regarding sexual violence to those directly and indirectly impacted through educating and awareness and assisting with their basic needs, crisis intervention and recovery services. This is done by attending various community resource fairs/exhibits, social club/group meetings and distributing/posting our literature at churches, schools, shopping centers, hospitals, social media streams and police departments to name a few. BATP also uses outreach and education as a strategy for reaching the target population or those who may come into contact with our target population.

Self-Reliance Program - Bay Area Turning Point’s (BATP) Self Reliance Program (SRP) provides supportive services beyond basic needs to adult and child survivors of domestic violence and/or sexual assault. Domestic violence is an epidemic, affecting individuals in every community. Domestic violence can include but is not limited to physical abuse, emotional abuse, technological abuse, financial abuse, stalking, human trafficking and intimidation. Sexual assault is any sexual act or attempt to obtain a sexual act by violence or coercion, unwanted sexual comments or advances, acts to traffic a person or acts directed against a person's sexuality, regardless of the relationship to the victim. Domestic and sexual violence show no preference to age, economic status, race, religion, nationality, sexual orientation, or educational background.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - BATP's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, BATP distinguishes between two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the Board of Directors of BATP.

Net Assets with Donor Restrictions - Net assets representing resources currently available for use, but expendable only for those operating purposes specified by the donor. There were no net assets with donor restrictions as of December 31, 2018 and 2017.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates for the Organization include the depreciable life of property and equipment, the fair value of investments, the fair value of donated materials or services, and the allocation of expenses by function. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents consist of cash held in bank deposit accounts and short-term, highly liquid investments with purchased maturities of 90 days or less.

Investments - Investments consist of certificates of deposit with maturities of six months to one year and mutual funds. Certificates of deposit are reported at their carrying amounts plus accrued interest, which approximate fair value, based upon their short-term maturities. Mutual funds are reported at fair value with gains and losses based upon quoted market prices. Investment income, including unrealized gains and losses, is included as a change to unrestricted net assets unless otherwise specified by donor restrictions.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable is stated at cost, less an allowance for doubtful accounts, when management determines that the receivables exceed net realizable value. Accounts receivable at December 31, 2018 and 2017 consist primarily of amounts due on grants from state and federal agencies. Grants included in accounts receivable are individually analyzed for purposes of determining collectability at year end and an allowance was not deemed necessary as of December 31, 2018 and 2017.

Compensated Absences - Employees are allowed to carry-over one-half of the current year vacation accrual to the following year. Sick leave is accrued and carries over year to year but is not payable in cash to the employee. Therefore, unused vacation time is accrued as an expense in the financial statements based on amounts accumulated within the past year. Unused sick time is not recorded as an expense until such time it is used.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - The Organization capitalizes all property and equipment valued at greater than \$1,000 with a useful life of more than one year. Purchased property and equipment is recorded at cost while contributed property is recorded at fair value at the date of contribution. Property and equipment are depreciated using the straight-line method over the useful lives of the assets which range from two to forty years. Absent donor stipulations, donated property and equipment is recorded as unrestricted support when placed in service.

Expenditures for maintenance and repairs of fixed assets are charged to operations as incurred. Additions, improvements and major renewals are capitalized. The cost of assets retired or sold, together with the related accumulated depreciation, is removed from the accounts, and any profit or loss on disposition is credited or charged to earnings.

Impairment of Long-lived Assets - GAAP requires an entity to review long-lived tangible and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate. The Organization considers historical performance and future estimated results in its evaluation of impairment. No impairment has been recorded for the years ended December 31, 2018 and 2017.

Contributions - Contributions received (including unconditional promises to give) are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received which are part of B ATP's ongoing major or central activities are recognized as revenue, while contributions which are peripheral, or incidental are recognized as gains. Conditional promises to give (grants) are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

B ATP reports contributions as restricted support if the support is 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, net assets with donor restrictions are reclassified to net assets without donor restrictions net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, B ATP reports the support as net assets without restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions in the reporting period in which the support is recognized.

Contributions In-Kind - Donated assets or contributed services are recorded at their estimated fair values at the date of receipt or occurrence. The value of contributed services meeting the requirements for recognition are based upon the comparative cost of acquiring such services. In addition, many individuals volunteer their time and perform a variety of tasks that assist B ATP, but these services do not meet the criteria for recognition as contributed services and have not been recorded in the accompanying financial statements.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses - The costs of providing various programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs benefited and supporting services based on estimates provided by management. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each relevant function or program. The significant expenses that are allocated on the basis of time and effort include salaries, payroll taxes and benefits, depreciation and amortization, and occupancy costs.

With the adoption of Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, management has allocated 100% of financial and accounting personnel salaries, payroll taxes and benefits to the general and administrative function, which has been applied retrospectively. As a result, the functional expense allocations for the year ended December 31, 2017 were reclassified to conform to the current year's presentation. Prior to the adoption of ASU 2016-14, management allocated these costs based on Uniform Grant Management Standards. In addition to this, the Organization hired a new Chief Executive Officer in 2018 whose time was primarily allocated to supporting activities resulting in an increase to the general and administrative function when compared to the year ended December 31, 2017.

Income Taxes - B ATP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. B ATP is also exempt from Texas state franchise tax. Accordingly, there is no provision or liability for federal or state income taxes in the accompanying financial statements. GAAP requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management of B ATP believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Organization is subject to examination for its prior three years of information returns but has not received any such notice from the Internal Revenue Service.

Concentration of Credit Risk - Financial instruments which potentially subject B ATP to concentrations of credit risk consist principally of cash and cash equivalents, short term investments and grants receivable. At December 31, 2018 and 2017, the Company had no cash deposits in excess of the FDIC insurance limit. The Company has not experienced any losses on such accounts, nor does it anticipate any losses. For grants receivable, B ATP performs ongoing credit evaluations of the donor's financial condition. Grants receivable are typically due from state and federal governmental agencies, and the risk of loss is considered remote.

Recently Issued Accounting Principles - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, *Revenue Recognition* (Topic 606). This ASU provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and the timing of revenue recognition. The new standard, as initially released, would be effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and early adoption would not be permitted. In July 2015, the FASB deferred the effective date of the new revenue standard by one year resulting in the new revenue standard being effective for fiscal years and interim periods beginning after December 15, 2018 and allowing entities to adopt one year earlier if they so elect. The new standard allows for two alternative implementation methods: the use of either (1) full retrospective application to each prior reporting period presented or (2) modified retrospective application in which the cumulative effect of initially applying the revenue standard is recognized as an adjustment to the opening balance of retained earnings in the period of adoption. The Organization is currently assessing the impact of this new standard on its future financial statements.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For private companies, the ASU is effective for years beginning after December 15, 2019. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2018 but is currently assessing the impact of the new standard on its financial reporting.

Other recently issued ASU's were assessed and determined to be either not applicable or are expected to have minimal impact on its financial position and results of operations.

Management's Review - BATP's management has evaluated and disclosed subsequent events through June 26, 2019, the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY

BATP has of financial assets available within one year of the balance sheet date for general expenditure as follows:

Cash and cash equivalents	\$	134,266
Short term investments		345,920
Accounts receivable		376,033
	\$	<u>856,219</u>

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Receivable balances consisting of grants receivable are subject to implied time restrictions but are expected to be collected within one year. Total net assets without donor restrictions as of December 31, 2018 were approximately \$2.4 million, of which \$467,363 has been designated by the Board of Directors as a reserve should BATP require additional cash flow. These designated funds are available should a downturn in the future or other unforeseen economic conditions impact the Organization in a negative way. Additionally, BATP had grant funds available to be drawn after December 31, 2018 of approximately \$1,931,000.

NOTE 4 - INVESTMENTS

Investments consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 202,868	\$ 213,449
Mutual funds	143,052	127,664
Total investments	\$ <u>345,920</u>	\$ <u>341,113</u>

Investment return includes earnings on cash and cash equivalents and short-term investments and consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 12,525	\$ 4,213
Unrealized (loss) gain on investments	(9,223)	15,735
Total Investment income	\$ <u>3,302</u>	\$ <u>19,948</u>

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with GAAP, fair value is defined 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 measure date (exit price). GAAP characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 - Pricing inputs are other-than-quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The investments are valued using Level 1 and 2 inputs, as follows:

Mutual funds: Valued at the daily closing price as reported by the fund.

Certificates of deposit: Valued at cost plus accrued interest, which approximates market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Other financial instruments that are not valued on a recurring basis are cash, receivables and payables. Management believes the carrying amounts of these financial instruments approximate their fair values, based upon their short-term nature.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

The following table presents BATP's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 202,868	\$ -	\$ 202,868
Mutual funds:				
Equity funds	71,805	-	-	71,805
Fixed income funds	40,050	-	-	45,050
Real estate funds	6,718	-	-	6,718
Other funds	<u>24,479</u>	<u>-</u>	<u>-</u>	<u>24,479</u>
Total mutual funds	<u>143,052</u>	<u>-</u>	<u>-</u>	<u>143,052</u>
Total at fair value	<u>\$ 143,052</u>	<u>\$ 202,868</u>	<u>\$ -</u>	<u>\$ 345,920</u>

The following table presents BATP's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 213,449	\$ -	\$ 213,449
Mutual funds:				
Equity funds	58,957	-	-	58,957
Fixed income funds	37,158	-	-	37,158
Real estate funds	6,231	-	-	6,231
Other funds	<u>25,318</u>	<u>-</u>	<u>-</u>	<u>25,318</u>
Total mutual funds	<u>127,664</u>	<u>-</u>	<u>-</u>	<u>127,664</u>
Total at fair value	<u>\$ 127,664</u>	<u>\$ 213,449</u>	<u>\$ -</u>	<u>\$ 341,113</u>

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

Description	2018	2017
Building – Shelter	\$ 1,673,436	\$ 1,673,436
Building - Crisis intervention center	538,942	529,380
Land	125,393	125,393
Vehicles	55,757	55,757
Furniture and fixtures	97,401	91,278
Other fixed assets	45,028	45,028
Office and other equipment	344,437	350,586
Computer equipment	36,780	33,644
Total property and equipment	2,917,174	2,904,502
Less: accumulated depreciation	(1,323,323)	(1,257,744)
Total property and equipment, net	\$ 1,593,851	\$ 1,646,758

Depreciation expense was \$83,181 and \$90,991 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 - GRANT AWARDS

Grants received are generally renewable on an annual basis and BATP is dependent on these grants for continued activity. For the years ended December 31, 2018 and 2017, all grants are included in net assets without donor restrictions revenues. The grants are received on a reimbursement of cost basis. As of December 31, 2018, and 2017, BATP had incurred \$376,033 and \$307,036, respectively, in expenses under these programs that had not been reimbursed and are recorded as accounts receivable in the accompanying financial statements.

NOTE 8 - CONTRIBUTIONS-IN-KIND

Bay Area Turning Point, Inc. operates a resale shop, primarily to assist in supporting agency operations. The resale shop also provides clothing to sheltered adults and children and provides for “house set-up” for exiting shelter families. Items donated are not recorded in the financial statements until converted to cash because there is not a reasonable basis to determine fair value.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 8 - CONTRIBUTIONS-IN-KIND (CONTINUED)

Other in-kind contributions are recorded at fair value. For the years ended December 31, 2018 and 2017, in-kind contributions recorded to revenue included:

Description	2018	2017
Assistance to individuals	\$ 97,594	\$ 84,917
Supplies, equipment and other	102,853	105,751
Food	<u>61,754</u>	<u>66,531</u>
Total contributions-in-kind	<u>\$ 262,201</u>	<u>\$ 257,199</u>

In addition, BATP receives contributed services for time spent volunteering at the resale shop and other volunteer hours which do not meet the criteria for recognition as contributed services in the financial statements. Estimated volunteer hours were 10,227 and 16,736 for the years ended 2018 and 2017, respectively.

NOTE 9 - COMMITMENTS

Leases - BATP has a lease agreement for space to operate its resale shop, requiring monthly payments of \$6,261. This lease was extended in December 2015 and expires in August 2021.

BATP entered into a lease in February 2015 for a wellness center to support the Adult and Education Family Violence and Sexual Assault programs. The lease was amended in December 2016 to lease additional space. The amended lease terms include monthly payments of \$1,800. This lease was extended in September 2018 and expires in September 2020.

BATP also entered into a lease agreement for office space in October 2016, requiring monthly payments of \$4,181. The lease expires in September 2019.

Minimum future rentals for these non-cancellable leases as of December 31, 2018 are as follows:

Year Ending December 31,	
2019	\$ 135,142
2020	94,458
2021	<u>53,244</u>
Total	<u>\$ 282,844</u>

Rent expense was \$152,237 and \$147,181 for the years ended December 31, 2018 and 2017, respectively.

BAY AREA TURNING POINT, INC.

Notes to the Financial Statements

December 31, 2018 and 2017

(Continued)

NOTE 10 - CONCENTRATIONS

BATP received a substantial portion of its support from three grantors, as listed below:

	% of Revenue 2018	% of Revenue 2017	% of Accounts Receivable 2018	% of Accounts Receivable 2017
Texas Health and Human Services Commission	15%	13%	11%	13%
U.S. Department of Housing and Urban Development	14%	17%	22%	32%
U.S. Department of Justice	29%	24%	51%	39%

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICIONS DESIGNATED BY THE BOARD OF DIRECTORS

BATP's Board of Directors has elected to place the following limitations on unrestricted assets as of December 31, 2018 and 2017:

Description	2018	2017
Designated for emergency contingency fund	<u>\$ 467,363</u>	<u>\$ 611,750</u>

NOTE 12 - PENSION PLAN

BATP sponsors a 401(k) retirement plan for all employees with one year or more of service. BATP makes contributions equal to 100% of the employee's elective contributions, not to exceed 6% of a participant's compensation. Total pension plan expense was \$35,656 and \$38,182 for the years ended December 31, 2018 and 2017, respectively.



**REPORT OF INDEPENDENT AUDITOR ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors of:
Bay Area Turning Point, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bay Area Turning Point, Inc. (the “Organization”), a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 26, 2019
Houston, Texas



**REPORT OF INDEPENDENT AUDITOR ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH *UNIFORM GUIDANCE***

To the Board of Directors of:
Bay Area Turning Point

Report on Compliance for Each Major Program

We have audited the compliance of Bay Area Turning Point, Inc. (the “Organization”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization’s major federal programs for the year ended December 31, 2018. The Organization’s major federal programs are identified on the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Organization’s major federal programs. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization has complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.



Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

June 26, 2019
Houston, Texas

Bay Area Turning Point, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>CFDA</u>	<u>Grant/Contract Award Number</u>	<u>Amounts Paid to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development - CDBG - Entitlement Grants Cluster				
Pass-through programs from:				
Texas Department of Housing and Community Affairs and City of Houston Housing & Community Development Department				
Emergency Solutions Grant - Program	14.231	42187000055	\$ -	\$ 417,038
Total U.S. Department of Housing & Urban Development			-	417,038
U.S. Department of Justice				
Pass-through programs from:				
Governor's Office - State of Texas				
Victims of Crime Acts (VOCA) - Victim Assistance Services	16.575	1353017; 1353018	-	874,079
Total U.S. Department of Justice			-	874,079
U.S. Department of Health & Human Services				
Pass-through programs from:				
Texas Health and Human Services Commission				
Family Violence and Preventative Services	93.671	529-15-0032-00047B; 529-15-0032-00047D	-	98,834
Temporary Assistance for Needy Families (TANF)	93.558	529-16-0015-00002	-	56,237
Social Services Block Grant	93.667	529-15-0032-00047B; 529-15-0032-00047D	-	164,435
Texas Office of Attorney General				
Sexual Assault Prevention and Crisis Services Program and Other Victim Assistance Grant	93.991	1878487; 1985985; 1775741; 1774280; 1883891; 1883487	-	123,959
Total Department of Health & Human Services			-	443,465
Federal Emergency Management Assistance				
Pass-through programs from:				
United Way of Greater Houston				
Stewart B. McKinney Homeless Assistance Act-Emergency Food and Shelter National Board Program Phase 32	97.024	LRO #782800-069	-	23,750
Total Federal Emergency Management Assistance			-	23,750
U.S. Department of Agriculture				
Pass-through programs from:				
Texas Department of Agriculture - Food and Nutritional Division				
Child and Adult Care Food Program	10.558	01914	-	9,248
Total U.S. Department of Agriculture			-	9,248
TOTAL EXPENDITURES			\$ -	\$ 1,767,580

See accompanying notes to the schedule of expenditures of federal awards.

BAY AREA TURNING POINT, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of all federal grant programs administered by Bay Area Turning Point, Inc. (BATP). Bay BATP’s organization is defined in Note 1 of Bay Area Turning Point’s basic financial statements.

(b) Basis of Presentation

The Schedule presents total federal awards expended for each individual program in accordance with the Uniform Guidance.

(c) Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accrual basis of accounting, which is defined in Note 2 of BATP’s basic financial statements.

(2) Subrecipients

No federal awards were provided to subrecipients for the year ended December 31, 2018.

(3) Non-cash assistance

No federal awards were expended in the form of non-cash assistance for the year ended December 31, 2018.

(4) Insurance

There was \$22,930 of insurance costs expended through federal awards during the year ended December 31, 2018.

(5) Outstanding Loans

There were no loans outstanding in relation to federal awards as of December 31, 2018.

(6) Relationship to Federal Financial Reports

The amounts reported in the financial statements agree with the amounts reported in the accompanying Schedule of Expenditures of Federal Awards, which is prepared on the basis explained in Note 2 of the financial statements.

Total federal awards per schedule of expenditures	\$ 1,767,580
Plus non-federal awards	<u>508,902</u>
Total grant revenue per statement of activities	<u>\$ 2,276,482</u>

BAY AREA TURNING POINT, INC.
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

(7) Indirect Cost Rate

BATP elected to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance, section 414.

(8) Subsequent Events

BATP's management has evaluated and disclosed subsequent events through June 26, 2019, the date the financial statements were available to be issued.

BAY AREA TURNING POINT, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

A Financial Statements

Type of auditor's report issued: **Unmodified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None reported**

Noncompliance material to financial statements noted? **No**

B. Federal Awards

Internal control over compliance:

- Material weakness(es) identified? **No**
- Significant deficiency(ies) identified that are not considered to be material weaknesses? **None reported**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Subpart A 200.5 of the Uniform Guidance? **No**

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.575	U.S. Department of Justice – Victims of Crime Acts (VOCA) – Crime Victim Assistance

Dollar threshold used to distinguish programs: **\$750,000**

Auditee qualified as low-risk auditee: **Yes**

Section II - Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV– Summary Schedule of Prior Audit Findings

None reported