

BAY AREA TURNING POINT, INC.

ANNUAL FINANCIAL REPORT

As of and for the Years Ended December 31, 2019 and 2018

And Reports of Independent Auditor

BAY AREA TURNING POINT, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

Statements of Financial Position.....3
Statements of Activities.....4
Statements of Functional Expenses 5-6
Statements of Cash Flows7
Notes to the Financial Statements 8-17

COMPLIANCE SECTION

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* 18-19
Report of Independent Auditor on Compliance for Each Major Federal Program
and on Internal Control Over Compliance in Accordance with the Uniform
Guidance..... 20-21
Schedule of Expenditures of Federal Awards.....22
Notes to Schedule of Expenditures of Federal Awards 23-24
Schedule of Findings and Questioned Costs.....25

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bay Area Turning Point, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Organization as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Organization's operations have been negatively impacted by the COVID-19 pandemic in 2020. The financial impact to the financial statements cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter

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 September 29, 2020, on our consideration of the Organization'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.

Prior Period Financial Statements

The financial statements of the Organization as of, and for the year ended, December 31, 2018, were audited by other auditors whose report dated June 26, 2019, expressed an unmodified opinion on those statements.

A handwritten signature in blue ink, appearing to read "Cheryl Zerkant LLP".

Austin, Texas
September 29, 2020

BAY AREA TURNING POINT, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 188,740	\$ 134,266
Investments	371,225	345,920
Accounts receivable, net	376,128	376,033
Prepaid expenses and other assets	24,947	23,997
Property and equipment, net	<u>1,541,025</u>	<u>1,593,851</u>
Total Assets	<u>\$ 2,502,065</u>	<u>\$ 2,474,067</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 12,740	\$ 8,462
Accrued expenses	<u>77,414</u>	<u>50,648</u>
Total Liabilities	<u>90,154</u>	<u>59,110</u>
Net Assets:		
Without Donor Restrictions:		
Designated by board	382,916	467,363
Undesignated	<u>1,945,345</u>	<u>1,947,594</u>
Total Without Donor Restrictions	<u>2,328,261</u>	<u>2,414,957</u>
With Donor Restrictions	<u>83,650</u>	<u>-</u>
Total Net Assets	<u>2,411,911</u>	<u>2,414,957</u>
Total Liabilities and Net Assets	<u>\$ 2,502,065</u>	<u>\$ 2,474,067</u>

BAY AREA TURNING POINT, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grant income	\$ 2,289,574	\$ -	\$ 2,289,574	\$ 2,276,482	\$ -	\$ 2,276,482
Contributions	318,884	83,650	402,534	330,866	-	330,866
Resale shop	103,650	-	103,650	162,649	-	162,649
Contributions-in-kind	422,988	-	422,988	262,202	-	262,202
Fees	6,461	-	6,461	12,163	-	12,163
Other Income	7,609	-	7,609	-	-	-
Investment income	36,340	-	36,340	3,302	-	3,302
Total Revenues and Support	<u>3,185,506</u>	<u>83,650</u>	<u>3,269,156</u>	<u>3,047,664</u>	<u>-</u>	<u>3,047,664</u>
Expenses:						
Program Expenses:						
Shelter services	1,074,781	-	1,074,781	1,070,540	-	1,070,540
Advocacy and education - family violence	818,727	-	818,727	698,907	-	698,907
Advocacy and education - sexual assault	471,504	-	471,504	461,893	-	461,893
Self-reliance program	290,942	-	290,942	297,772	-	297,772
Total Program Expenses	<u>2,655,954</u>	<u>-</u>	<u>2,655,954</u>	<u>2,529,112</u>	<u>-</u>	<u>2,529,112</u>
Support Expenses:						
Resale shop	139,115	-	139,115	216,613	-	216,613
Management and general	334,449	-	334,449	403,765	-	403,765
Fundraising	142,685	-	142,685	103,736	-	103,736
Total Support Expenses	<u>616,249</u>	<u>-</u>	<u>616,249</u>	<u>724,114</u>	<u>-</u>	<u>724,114</u>
Total Expenses	<u>3,272,203</u>	<u>-</u>	<u>3,272,203</u>	<u>3,253,226</u>	<u>-</u>	<u>3,253,226</u>
Change in net assets	(86,697)	83,650	(3,047)	(205,562)	-	(205,562)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 2,328,260</u>	<u>\$ 83,650</u>	<u>\$ 2,411,910</u>	<u>\$ 2,414,957</u>	<u>\$ -</u>	<u>\$ 2,414,957</u>

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

BAY AREA TURNING POINT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	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	\$ 668,339	\$ 544,841	\$ 367,269	\$ 102,736	\$ 1,683,185	\$ 44,039	\$ 280,307	\$ 117,860	\$ 442,206	\$ 2,125,391
Food and supplies	24,224	5,156	3,754	1,307	34,441	712	2,641	1,444	4,797	39,238
Depreciation and amortization	56,498	13,036	6,610	2,211	78,355	1,563	3,836	114	5,513	83,868
Professional fees	26,859	23,245	14,153	9,174	73,431	3,274	9,197	11,274	23,745	97,176
Rental costs	11,280	48,148	36,314	-	95,742	55,452	6,970	2,059	64,481	160,223
Insurance	17,180	6,642	3,237	1,879	28,938	2,081	2,074	120	4,275	33,213
Maintenance and repairs	27,689	4,715	1,043	359	33,806	768	359	218	1,345	35,151
Assistance to individuals	1,876	-	-	154,133	156,009	-	7,136	-	7,136	163,145
In-kind donations used	203,506	149,396	23,522	9,163	385,587	23,464	13,939	-	37,403	422,990
Other operating expenses	37,330	23,548	15,602	9,980	86,460	7,762	7,990	9,596	25,348	111,808
	<u>\$ 1,074,781</u>	<u>\$ 818,727</u>	<u>\$ 471,504</u>	<u>\$ 290,942</u>	<u>\$ 2,655,954</u>	<u>\$ 139,115</u>	<u>\$ 334,449</u>	<u>\$ 142,685</u>	<u>\$ 616,249</u>	<u>\$ 3,272,203</u>

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

BAY AREA TURNING POINT, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	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	\$ 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>

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

BAY AREA TURNING POINT, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,047)	\$ (205,562)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation and amortization	83,868	83,181
(Appreciation) depreciation on investments	(26,320)	9,223
(Increase) decrease in operating assets:		
Accounts receivable	(95)	(68,997)
Prepaid expenses and other	(950)	31,672
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	4,278	(10,324)
Other accrued liabilities	26,766	(82,775)
Net cash flows from operating activities	<u>84,500</u>	<u>(243,582)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(31,043)	(30,274)
Proceeds from sale of investments	2,879	-
Purchase of investments	(1,864)	(14,030)
Net cash flows from investing activities	<u>(30,028)</u>	<u>(44,304)</u>
Net change in cash and cash equivalents	54,472	(287,886)
Cash and cash equivalents, beginning of year	134,266	422,152
Cash and cash equivalents, end of year	<u>\$ 188,738</u>	<u>\$ 134,266</u>
Supplemental Disclosure:		
In-kind contributions	<u>\$ 422,988</u>	<u>\$ 262,202</u>

BAY AREA TURNING POINT, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 (“IRC”) 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 – BATP’s 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, 2019 AND 2018

Note 2—Summary of significant accounting policies

Basis of Presentation – B ATP’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 (“U.S. GAAP”). For financial statement purposes, B ATP 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 B ATP.

Net Assets With Donor Restrictions – Net assets representing resources currently available for use, but expendable only for those operating purposes specified by the donor. Net assets with donor restrictions were \$83,650 at December 31, 2019. There were no net assets with donor restrictions as of December 31, 2018.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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 functional expenses. 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 three months 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, 2019 and 2018 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, 2019 and 2018.

Compensated Absences – Employees are allowed to carry-over one-half of the current year personal time off (“PTO”) accrual to the following year. Therefore, unused PTO is accrued as an expense in the financial statements based on amounts accumulated within the past year.

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.

BAY AREA TURNING POINT, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

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 – U.S. 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, 2019 and 2018.

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.

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 personnel, depreciation and amortization, and rental costs.

Income Taxes – B ATP is exempt from federal income taxes under Section 501(c)(3) of the IRC. 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. U.S. 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.

BAY AREA TURNING POINT, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Concentration of Credit Risk – Financial instruments which potentially subject BATH to concentrations of credit risk consist principally of cash and cash equivalents, short term investments and grants receivable. At December 31, 2019 and 2018, the Organization had no cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses on such accounts, nor does it anticipate any losses. For grants receivable, BATH performs ongoing credit evaluations of the donor's financial condition. Grants receivable are typically due from state and federal governmental agencies, therefore, the risk of loss is considered remote.

Recently Issued Accounting Principles – In May 2014, 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 core principle of this ASU is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On June 3, 2020, FASB issued guidance (ASU 2020-05) that defers the effective date of the revenue standard (ASC 606) for entities that have not yet issued financial statements adopting the standard. For private companies, the ASU is now effective for annual periods beginning after December 15, 2019. Early adoption is still permitted. The deferral of this standard is intended to provide relief for private companies that have had their implementation efforts delayed by the COVID-19 pandemic. The Organization adopted this ASU on January 1, 2019 using the full retrospective method and the implementation of this ASU did not have a significant impact on the Organization's financial statements or disclosures.

In February 2016, 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, 2021. Early adoption is permitted. The Organization has elected not to early adopt this ASU as of December 31, 2019, but is currently assessing the impact of the new standard on its financial reporting.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. BATH elected to early adopt this ASU in 2019. The adoption of this standard did not have a significant impact on BATH's financial statements or disclosures.

Other recently issued ASUs 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 – BATH's management has evaluated subsequent events through September 29, 2020, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 3—Liquidity

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

Cash and cash equivalents	\$ 188,740
Short term investments	321,225
Accounts receivable	376,128
	<u>\$ 886,093</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 are expected to be collected within one year. Total net assets without donor restrictions as of December 31, 2019 and 2018 were approximately \$2.3 million and \$2.4 million, of which \$382,916 and \$467,363, respectively, has been designated by the Board of Directors as a reserve should BATP require additional cash flow. These designated funds are available should the Organization realize any unforeseen economic conditions that impact the Organization in a negative way. Additionally, BATP had grant funds available to be drawn after December 31, 2019 and 2018 of approximately \$2,098,260 and \$1,931,000, respectively.

In response to the COVID-19 pandemic in 2020, BATP applied for and received a loan under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) and received four additional governmental grants which will assist in funding operations during the following twelve months. After having implemented safety precautions for employees and clients, the Organization conducted the business of fulfilling its mission with minor disruption.

Note 4—Investments

Investments consist of the following at December 31, 2019 and 2018:

	2019	2018
Certificates of deposit	\$ 205,298	\$ 202,868
Mutual funds	165,927	143,052
Total investments	<u>\$ 371,225</u>	<u>\$ 345,920</u>

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

	2019	2018
Interest and dividends	\$ 10,020	\$ 12,525
Appreciation in fair value of investments	26,320	(9,223)
Total Investment income	<u>\$ 36,340</u>	<u>\$ 3,302</u>

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 5—Fair value of financial instruments

In accordance with U.S. 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). U.S. 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.

The following table presents BATP's fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 205,298	\$ -	\$ 205,298
Mutual funds	165,927	-	-	165,927
Total at fair value	<u>\$ 165,927</u>	<u>\$ 205,298</u>	<u>\$ -</u>	<u>\$ 371,225</u>

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 5—Fair value of financial instruments (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	143,052	-	-	143,052
Total at fair value	<u>\$ 143,052</u>	<u>\$ 202,868</u>	<u>\$ -</u>	<u>\$ 345,920</u>

Note 6—Property and equipment

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building	\$ 2,212,378	\$ 2,212,378
Land	125,393	125,393
Computer and other office equipment	504,120	482,002
Furniture and fixtures	97,401	97,401
Total property and equipment	2,939,292	2,917,174
Less accumulated depreciation	<u>(1,398,267)</u>	<u>(1,323,323)</u>
Total property and equipment, net	<u>\$ 1,541,025</u>	<u>\$ 1,593,851</u>

Depreciation expense was \$83,869 and \$83,181 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, all grants are included in revenues without donor restrictions and are classified as conditional contributions under U.S. GAAP. The grants are received on a reimbursement of cost basis. As of December 31, 2019 and 2018, BATP had incurred \$376,128 and \$376,033, respectively, in expenses under these programs that had not been reimbursed and are recorded as accounts receivable in the accompanying financial statements.

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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. Effective in September 2019, the resale shop closed to the public. Prior to closing, items donated were not recorded in the financial statements until converted to cash because there was not a reasonable basis to determine fair value. After the shop closed, donated items and unsold items on hand were reported as in-kind donations at their estimated fair value.

Other in-kind contributions are recorded at fair value. For the years ended December 31, 2019 and 2018, in-kind contributions recorded to revenue included:

	2019	2018
Assistance to individuals	\$ 302,187	\$ 97,594
Supplies, equipment and other	63,889	102,853
Food	56,912	61,754
Total contributions-in-kind	<u>\$ 422,988</u>	<u>\$ 262,202</u>

In addition, B ATP 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 930 and 10,300 for the years ended 2019 and 2018, respectively.

Note 9—Commitments

Leases – B ATP has a lease agreement for space to operate its resale shop, requiring monthly payments of \$5,030. This lease was extended in December 2015 and expires in August 2021. Upon closing of the resale shop, B ATP converted the space to a donation center and clothing closet.

B ATP 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. B ATP Management is currently working with building management to amend and extend the lease.

B ATP also entered into a lease agreement for office space in October 2016, requiring monthly payments of \$4,181. The lease expires in September 2019 and was not renewed.

Minimum future rentals for these noncancelable leases as of December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	
2020	\$ 77,364
2021	<u>41,848</u>
	<u>\$ 119,212</u>

Rent expense was \$146,241 and \$152,237 for the years ended December 31, 2019 and 2018, respectively.

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10—Concentrations

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

	Percentage of Revenue		Percentage of Accounts Receivable	
	2019	2018	2019	2018
Texas Health and Human Services Commission	16%	15%	11%	11%
U.S. Department of Housing and Urban Development	13%	14%	38%	22%
U.S. Department of Justice	26%	29%	23%	51%

Note 11—Net assets without donor restrictions 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, 2019 and 2018:

	2019	2018
Designated for emergency contingency fund	\$ 382,916	\$ 467,363

Note 12—Net assets with donor restrictions

The Organization records contributions in accordance with donor-imposed restrictions as restricted for purpose or time. Restricted net assets were \$83,650 and \$-0- at December 31, 2019 and 2018, respectively, and relate to donated property as well as funds restricted to maintain the property. There were no net assets released from restriction during the years ended December 31, 2019 or 2018.

Note 13—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 4% of a participant's compensation. Total retirement plan expense was \$36,563 and \$35,656 for the years ended December 31, 2019 and 2018, respectively.

Note 14—Subsequent events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus as a global pandemic which continues to spread throughout the United States. As a result of the outbreak, an economic downturn has had a significant impact on local and global economies. While the Organization expects this matter to negatively impact operations, the related financial impact did not affect the Organization's performance in 2019 and its impact on 2020 financial performance cannot be reasonably estimated at this time.

BAY AREA TURNING POINT, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 14—Subsequent events (continued)

In response to COVID-19, management has obtained additional funding from a financial institution totaling \$403,800 through the SBA's PPP to reduce the negative effects on cash flows expected to occur. B ATP may apply for and receive forgiveness of the \$403,800 received through the PPP based on B ATP using the funds for qualifying purposes.

COMPLIANCE SECTION

**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
Bay Area Turning Point, Inc.
Webster, Texas

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 statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2020.

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.

A handwritten signature in blue ink that reads "Cheryl Zerkant LLP". The signature is written in a cursive, flowing style.

Austin, Texas
September 29, 2020

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
Bay Area Turning Point
Webster, Texas

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, 2019. 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 Awards* (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, 2019.

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.

A handwritten signature in blue ink, appearing to read "Cheng Zoukang LLP".

Austin, Texas
September 29, 2020

BAY AREA TURNING POINT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

<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; 42197000044; TX0538D6E001800	\$ -	\$ 418,129
Total U.S. Department of Housing & Urban Development			-	418,129
U.S. Department of Justice				
Pass-through programs from:				
Governor's Office - State of Texas:				
Crime Victims Assistance (VOCA)	16.575	1353018	-	843,145
Total U.S. Department of Justice			-	843,145
U.S. Department of Health & Human Services				
Pass-through programs from:				
Texas Health and Human Services Commission:				
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	529-15-0032-00047; HHS000380000002	-	102,505
Temporary Assistance for Needy Families (TANF)	93.558	529-15-0032-00047; HHS000380000002	-	230,924
Social Services Block Grant	93.667	529-15-0032-00047; HHS000380000002	-	22,311
Texas Office of Attorney General:				
Preventative Health and Health Services Block Grant	93.991	1985985; 1883891; 1883487; 2096204; 1993344; 1992953	-	131,664
Total Department of Health & Human Services			-	487,404
Federal Emergency Management Assistance				
Pass-through programs from:				
United Way of Greater Houston:				
Emergency Food and Shelter National Board Program	97.024	LRO #782800-069	-	10,000
Total Federal Emergency Management Assistance			-	10,000
Total Expenditures			\$ -	\$ 1,758,678

BAY AREA TURNING POINT, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Note 1—Summary of significant accounting policies

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” or the “Organization”). The Organization is defined in Note 1 of BATP’s basic financial statements.

Basis of Presentation – The Schedule presents total federal awards expended for each individual program in accordance with *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). Federal award program titles are presented as entitled in the Catalog of Federal Domestic Assistance (CFDA). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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.

Note 2—Subrecipients

No federal awards were provided to sub recipients for the year ended December 31, 2019.

Note 3—Noncash assistance

No federal awards were expended in the form of noncash assistance for the year ended December 31, 2019.

Note 4—Insurance

There was \$19,676 of insurance costs expended through federal awards during the year ended December 31, 2019.

Note 5—Outstanding loans

There were no loans outstanding in relation to federal awards as of December 31, 2019.

Note 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	\$ 1,758,678
Plus non-federal awards	530,896
Total grant revenue per statement of activities	<u><u>\$ 2,289,574</u></u>

Note 7—Indirect cost rate

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

BAY AREA TURNING POINT, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Note 8—Subsequent events

BATP's management has evaluated and disclosed subsequent events through September 29, 2020, 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, 2019

Section I—Summary of Auditor’s Results

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

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 2 CFR 200.516(a)? 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 – (VOCA) – Crime Victims 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.