

# Women's Prison Association and Home



Financial Statements  
(Together with Independent Auditors' Report)  
Years Ended September 30, 2017 and 2016

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**WOMEN'S PRISON ASSOCIATION AND HOME**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Women's Prison Association and Home

We have audited the accompanying financial statements of Women's Prison Association and Home ("WPA") which comprise the statements of financial position as of September 30, 2017 and 2016, 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 WPA'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 Women's Prison Association and Home as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Marks Paneth LLP*

New York, NY  
March 28, 2018

**WOMEN'S PRISON ASSOCIATION AND HOME  
STATEMENTS OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 9)	\$ 36,211	\$ 107,483
Investments (Notes 2E, 2M, 3 and 9)	231,136	174,927
Contract and grant receivables, net (Note 2D)	1,469,153	1,288,910
Pledge and other receivable (Note 2D)	304,393	1,571
Prepaid expenses and other assets	120,979	67,166
Property and equipment, net (Notes 2F and 4)	666,696	483,143
<b>TOTAL ASSETS</b>	<b>\$ 2,828,568</b>	<b>\$ 2,123,200</b>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 827,476	\$ 725,846
Contract advances and deferred revenue (Notes 2G and 5)	1,258,451	958,285
<b>TOTAL LIABILITIES</b>	<b>2,085,927</b>	<b>1,684,131</b>
 <b>COMMITMENTS AND CONTINGENCIES</b> (Note 10)		
 <b>NET ASSETS / (DEFICIT)</b> (Note 2H):		
Unrestricted (Notes 9 and 11):		
Invested in property and equipment	666,696	483,143
Operating	(4,909,218)	(4,837,471)
Total unrestricted	(4,242,522)	(4,354,328)
Temporarily restricted (Notes 8 and 9)	4,515,087	4,323,321
Permanently restricted (Note 9)	470,076	470,076
<b>TOTAL NET ASSETS</b>	<b>742,641</b>	<b>439,069</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 2,828,568</b>	 <b>\$ 2,123,200</b>

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

**WOMEN'S PRISON ASSOCIATION AND HOME  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016</u>
<b>PUBLIC SUPPORT AND REVENUE:</b>								
Public Support:								
Contributions and grants (Notes 2I, 2J and 2K)	\$ 644,584	\$ 536,000	\$ -	\$ 1,180,584	\$ 503,801	\$ 101,520	\$ -	\$ 605,321
Government grants	5,825,475	-	-	5,825,475	5,330,528	-	-	5,330,528
Special events, net of direct expenses \$21,317 in 2017 and \$44,140 in 2016 (Note 2N)	23,022	-	-	23,022	7,494	-	-	7,494
Interest and dividend income	1,332	5,562	-	6,894	42	3,460	-	3,502
Unrealized gain (loss) on investments (Note 9)	8,472	(1,639)	-	6,833	(3,987)	1,810	-	(2,177)
Realized gain (loss) on sale of investments (Note 9)	1,321	6,088	-	7,409	10,102	(2,122)	-	7,980
Miscellaneous	99,412	-	-	99,412	249,152	-	-	249,152
Net assets released from restrictions satisfaction of program restrictions (Note 8)	419,279	(419,279)	-	-	466,031	(466,031)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>7,022,897</u>	<u>126,732</u>	<u>-</u>	<u>7,149,629</u>	<u>6,563,163</u>	<u>(361,363)</u>	<u>-</u>	<u>6,201,800</u>
<b>EXPENSES: (Note 2L)</b>								
Program Services:								
Direct client services	5,216,972	-	-	5,216,972	4,776,833	-	-	4,776,833
Public outreach and education	157,332	-	-	157,332	415,480	-	-	415,480
Total program services	<u>5,374,304</u>	<u>-</u>	<u>-</u>	<u>5,374,304</u>	<u>5,192,313</u>	<u>-</u>	<u>-</u>	<u>5,192,313</u>
Supporting Services:								
Management and general	1,145,605	-	-	1,145,605	1,021,122	-	-	1,021,122
Fundraising	391,182	-	-	391,182	417,383	-	-	417,383
Total supporting services	<u>1,536,787</u>	<u>-</u>	<u>-</u>	<u>1,536,787</u>	<u>1,438,505</u>	<u>-</u>	<u>-</u>	<u>1,438,505</u>
<b>TOTAL EXPENSES</b>	<u>6,911,091</u>	<u>-</u>	<u>-</u>	<u>6,911,091</u>	<u>6,630,818</u>	<u>-</u>	<u>-</u>	<u>6,630,818</u>
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES</b>	111,806	126,732	-	238,538	(67,655)	(361,363)	-	(429,018)
<b>NON-OPERATING ACTIVITIES:</b>								
Pre-construction grant (Note 8)	-	65,034	-	65,034	-	3,875,477	-	3,875,477
<b>TOTAL NON-OPERATING ACTIVITIES</b>	<u>-</u>	<u>65,034</u>	<u>-</u>	<u>65,034</u>	<u>-</u>	<u>3,875,477</u>	<u>-</u>	<u>3,875,477</u>
<b>CHANGE IN NET ASSETS (Note 11)</b>	111,806	191,766	-	303,572	(67,655)	3,514,114	-	3,446,459
<b>Net (deficit) / assets - beginning of year</b>	<u>(4,354,328)</u>	<u>4,323,321</u>	<u>470,076</u>	<u>439,069</u>	<u>(4,286,673)</u>	<u>809,207</u>	<u>470,076</u>	<u>(3,007,390)</u>
<b>NET (DEFICIT) / ASSETS - END OF YEAR</b>	<u>\$ (4,242,522)</u>	<u>\$ 4,515,087</u>	<u>\$ 470,076</u>	<u>\$ 742,641</u>	<u>\$ (4,354,328)</u>	<u>\$ 4,323,321</u>	<u>\$ 470,076</u>	<u>\$ 439,069</u>

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

**WOMEN'S PRISON ASSOCIATION AND HOME  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2016)**

	Program Services			Supporting Services			Total 2017	Total 2016
	Direct Client Services	Public Outreach and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 3,074,133	\$ 124,973	\$ 3,199,106	\$ 464,555	\$ 273,968	\$ 738,523	\$ 3,937,629	\$ 3,886,907
Payroll taxes and employee benefits	991,680	19,941	1,011,621	88,292	50,095	138,387	1,150,008	1,138,644
<b>Total Salaries and Related Costs</b>	<b>4,065,813</b>	<b>144,914</b>	<b>4,210,727</b>	<b>552,847</b>	<b>324,063</b>	<b>876,910</b>	<b>5,087,637</b>	<b>5,025,551</b>
Rent (Note 10)	188,176	-	188,176	-	-	-	188,176	164,750
Program supplies	145,217	-	145,217	-	-	-	145,217	185,785
Program service consultants	2,647	-	2,647	-	-	-	2,647	40,722
Information and technology	175,480	3,948	179,428	8,159	10,571	18,730	198,158	231,687
Utilities	134,959	1,473	136,432	9,713	4,751	14,464	150,896	157,336
Repairs and maintenance	136,453	2,154	138,607	9,610	2,840	12,450	151,057	126,295
Equipment lease / rental	15,578	189	15,767	2,665	868	3,533	19,300	21,888
Office supplies	8,638	116	8,754	4	4	8	8,762	35,949
Postage and delivery	275	2	277	621	2,568	3,189	3,466	7,911
Printing and copying	4,110	17	4,127	919	4,043	4,962	9,089	19,952
Insurance	151,561	3,325	154,886	8,304	8,210	16,514	171,400	198,505
Professional fees	11,172	-	11,172	301,539	11,062	312,601	323,773	152,245
Client activities and assistance	61,219	-	61,219	-	-	-	61,219	63,182
Staff travel	29,802	60	29,862	7,272	1,089	8,361	38,223	39,379
Training, conferences and meetings	4,583	80	4,663	-	315	315	4,978	9,762
Recruitment and advertising	991	-	991	-	-	-	991	10,340
Interest expense	-	-	-	8,407	-	8,407	8,407	19,188
Bank charges	4,145	37	4,182	9,939	1,898	11,837	16,019	18,671
Payroll processing fees	31,843	150	31,993	60,991	2,807	63,798	95,791	19,526
Annual dinner expense	-	-	-	-	-	-	-	17,473
Bad debts	-	-	-	131,406	-	131,406	131,406	-
Miscellaneous expense	4,145	37	4,182	25,722	10,500	36,222	40,404	22,142
Depreciation and amortization	40,165	830	40,995	7,487	5,593	13,080	54,075	42,579
<b>TOTAL EXPENSES</b>	<b>\$ 5,216,972</b>	<b>\$ 157,332</b>	<b>\$ 5,374,304</b>	<b>\$ 1,145,605</b>	<b>\$ 391,182</b>	<b>\$ 1,536,787</b>	<b>\$ 6,911,091</b>	<b>\$ 6,630,818</b>

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

**WOMEN'S PRISON ASSOCIATION AND HOME  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Services			Supporting Services			Total 2016
	Direct Client Services	Public Outreach and Education	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,734,681	\$ 279,616	\$ 3,014,297	\$ 630,020	\$ 242,590	\$ 872,610	\$ 3,886,907
Payroll taxes and employee benefits	801,107	81,912	883,019	184,560	71,065	255,625	1,138,644
<b>Total Salaries and Related Costs</b>	<b>3,535,788</b>	<b>361,528</b>	<b>3,897,316</b>	<b>814,580</b>	<b>313,655</b>	<b>1,128,235</b>	<b>5,025,551</b>
Rent (Note 10)	163,634	-	163,634	1,051	65	1,116	164,750
Program supplies	185,785	-	185,785	-	-	-	185,785
Program service consultants	40,722	-	40,722	-	-	-	40,722
Information and technology	169,707	34,909	204,616	21,802	5,269	27,071	231,687
Utilities	143,410	4,177	147,587	6,507	3,242	9,749	157,336
Repairs and maintenance	111,016	1,485	112,501	9,892	3,902	13,794	126,295
Equipment lease / rental	13,736	4,584	18,320	1,784	1,784	3,568	21,888
Office supplies	21,114	1,136	22,250	5,388	8,311	13,699	35,949
Postage and delivery	522	56	578	335	6,998	7,333	7,911
Printing and copying	8,193	212	8,405	2,677	8,870	11,547	19,952
Insurance	169,640	4,362	174,002	16,498	8,005	24,503	198,505
Professional fees	56,572	1,191	57,763	92,325	2,157	94,482	152,245
Client activities and assistance	63,182	-	63,182	-	-	-	63,182
Staff travel	23,085	27	23,112	282	15,985	16,267	39,379
Training, conferences and meetings	4,838	152	4,990	140	4,632	4,772	9,762
Recruitment and advertising	6,707	392	7,099	440	2,801	3,241	10,340
Interest expense	-	-	-	19,188	-	19,188	19,188
Bank charges	5,247	75	5,322	9,147	4,202	13,349	18,671
Payroll processing fees	13,698	331	14,029	4,907	590	5,497	19,526
Annual dinner expense	-	-	-	-	17,473	17,473	17,473
Miscellaneous expense	10,781	172	10,953	6,277	4,912	11,189	22,142
Depreciation and amortization	29,456	691	30,147	7,902	4,530	12,432	42,579
<b>TOTAL EXPENSES</b>	<b>\$ 4,776,833</b>	<b>\$ 415,480</b>	<b>\$ 5,192,313</b>	<b>\$ 1,021,122</b>	<b>\$ 417,383</b>	<b>\$ 1,438,505</b>	<b>\$ 6,630,818</b>

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



**WOMEN'S PRISON ASSOCIATION AND HOME  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 303,572	\$ 3,446,459
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	54,075	42,579
Bad debts	131,406	-
Realized gain on sale of investments	(7,409)	(7,980)
Unrealized (gain) loss on investments	(6,833)	2,177
Pre-construction grant	-	(3,875,477)
Subtotal	474,811	(392,242)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contract and grant receivables	(311,649)	(531,950)
Pledge and other receivable	(302,822)	40,117
Prepaid expenses and other assets	(53,813)	57,438
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	101,630	239,843
Contract advances and deferred revenue	300,166	530,900
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>208,323</b>	<b>(55,894)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment acquisitions	(237,628)	(28,924)
Proceeds from sale of investments	40,149	122,842
Purchase of marketable investments	(82,116)	(117,779)
<b>Net Cash Used in Investing Activities</b>	<b>(279,595)</b>	<b>(23,861)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Pre-construction grant received	-	3,875,477
Repayments of note payable	-	(3,774,667)
<b>Net Cash Provided by Financing Activities</b>	<b>-</b>	<b>100,810</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(71,272)</b>	<b>21,055</b>
Cash and cash equivalents-beginning of year	107,483	86,428
<b>CASH AND CASH EQUIVALENTS—END OF YEAR</b>	<b>\$ 36,211</b>	<b>\$ 107,483</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the year for interest	<b>\$ 8,407</b>	<b>\$ 19,188</b>

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

**WOMEN'S PRISON ASSOCIATION AND HOME  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Women's Prison Association and Home ("WPA") is organized under the Not-For-Profit Corporation Law of the State of New York. WPA has been granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The purpose of WPA is to create opportunities for women prisoners, ex-prisoners and their families to change their lives by providing programs through which women acquire life skills needed to end involvement in the criminal justice system and to make positive, healthy choices for themselves and their families. WPA has been in existence for over 150 years and maintains a tradition of public information and advocacy designed to ameliorate jail and prison conditions for women. WPA also works to increase public awareness of and support for effective, community-based responses to crime.

On October 9, 2012, Hopper Home LLC ("Hopper LLC") was incorporated as a wholly owned affiliate of WPA. On December 3, 2015, WPA transferred ownership of the premises located at 110 Second Avenue, New York to Hopper LLC when the mortgage on the property was paid off. WPA entered into a master lease agreement with Hopper LLC that provides for the legal use of the premises by WPA, subject to the required regulatory approvals. Transfer of the property made it possible for WPA to begin collecting rent from government funders on programs operated at the site. The immediate impact was that WPA began including rent charges in the monthly billing to the Department of Homeless Services. For the years ended September 30, 2017 and 2016, rent income amounted to approximately \$181,000. The accompanying financial statements include the accounts of WPA and Hopper LLC. In preparation of the financial statements, all material inter-entity accounts and transactions have been eliminated.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. **Basis of presentation** – Women's Prison Association and Home's financial statements have been prepared on the accrual basis of accounting. WPA adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. **Use of estimates** - The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- C. **Cash and cash equivalents** - Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when acquired. WPA places its temporary cash investments with high credit financial institutions.
- D. **Pledge, contract and grant receivables** - Principal support for the programs operated by WPA is derived directly from various New York State governmental sources and indirectly from Federal governmental sources. WPA recognizes revenue from these sources when the contractual obligations are met. Revenues from government agencies are subject to audit by the agencies. No provision for any disallowance is reflected in the accompanying financial statements, since management does not anticipate any material adjustments.
- Grants receivable are recognized to the extent of support earned in excess of advances and payments received. Contributions and pledges are recognized when the donor makes an unconditional promise to give.
- WPA determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis of WPA's funding sources, current economic conditions, and historical information. As of September 30, 2017 and 2016, WPA determined that an allowance was not necessary for contract and grant receivables, and pledge receivable.
- E. **Investments** - Investments are stated at fair value. Investment income and gains and losses are recorded as unrestricted revenue unless specifically restricted by the donor.
- F. **Property and equipment** - Property and equipment are recorded at cost. Depreciation is computed by the straight-line method based on the estimated useful lives of the related assets. WPA capitalizes all individual items with a cost of \$500 or more and a useful life of greater than one year. Leasehold improvements amortization expense is calculated by using the lesser of the useful life of the asset or the life of the lease.

**WOMEN'S PRISON ASSOCIATION AND HOME  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- G. **Contract advances and deferred revenue** - Support from governmental contracts and grants received prior to providing services are deferred and recognized over the periods to which the services relate. WPA receives cash in advance of special events that are to be held after the date of the statement of financial position. It is WPA's policy to record the contribution portion of the events as revenue when received and the exchange portion as deferred revenue until earned.
- H. **Net assets** - WPA maintains its net assets under the following three classes:
- Unrestricted – represents resources available for support of WPA's operations over which the Board of Directors (the "Board") has discretionary control.
  - Temporarily restricted – represents assets that are subject to donor-imposed stipulations. In addition, earnings on endowment assets are classified as temporarily restricted until appropriated for operations by the Board. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
  - Permanently restricted – represents net assets that are subject to donor-imposed stipulations, restricted to investment in perpetuity and the income from which is expendable for donor intended purposes, subject to annual appropriation by the Board.
- I. **Contributions** - Contributions, including cash and in-kind contributions, are recorded as revenue in the period in which they are received. WPA classifies cash receipts from the sale of donated stocks or other financial assets as operating cash flows consistent with cash donations received if upon receipt were directed without any imposed limitations for sale and were converted nearly immediately into cash. If, however, the donor restricted the use of the donated stocks or other financial assets to a long-term purpose, then those cash receipts shall be classified as financing activities.
- J. **Contributed services** - WPA pays for most services which require specific expertise. However, many individuals volunteer their time to assist WPA with various board committee assignments, fundraising efforts and direct and indirect services that benefit clients. No amounts have been recognized for these services in the accompanying statements of activities because the criteria for recognition of such volunteer efforts have not been satisfied.
- K. **Donated assets** - Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.
- L. **Functional allocation of expenses** - The cost of providing the various programs and other activities has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited.
- M. **Fair value measurement** - Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.
- N. **Direct costs** - The direct costs of special events include expenses for the benefit of the donor. For example, meals and facilities rental are considered direct costs of special events.
- O. **Deferred rent** - WPA leases real property under an operating lease. If material, WPA records adjustments to rent expense to reflect its straight-lining policy. Straight-lining of rent gives rise to timing differences that are reflected as deferred rent in the accompanying statements of financial position.

**WOMEN'S PRISON ASSOCIATION AND HOME  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

P. **Reclassifications** - Certain line items in the September 30, 2016 financial statements have been reclassified to conform to the September 30, 2017 presentation.

**NOTE 3 – INVESTMENTS AND FAIR VALUE OF MEASUREMENTS**

Investments consist of financial assets carried at fair value as of September 30, 2017 and 2016 and are classified as level 1 in the table below as follows:

	<u>2017</u>	<u>2016</u>
Common stock	\$ 24,989	\$ 174,927
Mutual Funds	<u>156,125</u>	<u>-</u>
Total	<u>\$ 231,136</u>	<u>\$ 174,927</u>

Investments are subject to market volatility that could change their carrying value in the near term.

Investment fees for the years ended September 30, 2017 and 2016 amounted to \$1,321 and \$2,712, respectively.

During 2017 and 2016, WPA received contributions of marketable equity securities that had a fair value of \$10,911 and \$35,168, respectively.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted price (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

WPA's policy is to recognize transfers in and transfers out of fair value levels as of the beginning of the period in which the transfer takes place. For the years ended September 30, 2017 and 2016, there were no transfers between fair value levels.

In determining fair value, WPA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Equity securities and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

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**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Land	\$ 9,000	\$ 9,000	
Building and improvements	1,523,210	1,346,697	30 years
Equipment, furniture and fixtures	<u>139,708</u>	<u>78,593</u>	5 years
	1,671,918	1,434,290	
Less: accumulated depreciation and amortization	<u>1,005,222</u>	<u>951,147</u>	
Total	<u>\$ 666,696</u>	<u>\$ 483,143</u>	

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 amounted to \$54,075 and \$42,579, respectively.

**NOTE 5 – CONTRACT ADVANCES**

This amount consists of advances from government agencies under grant agreements for which WPA has not yet met the grant conditions or provided the services. The contract advances will be recognized as they are earned through expenditures or provision of services in accordance with the agreements. As of September 30, 2017 and 2016, the balance of the contract advances amounted to \$1,221,936 and \$958,285, respectively.

**NOTE 6 – RELATED-PARTY TRANSACTIONS**

WPA and Huntington House Housing Development Fund Corporation ("HDFC"), a separate nonprofit corporation, are related through common board members. The board members of HDFC are appointed by the New York City Homeless Housing Assistance Corporation.

WPA utilizes the facilities of HDFC to operate its transitional housing program. Any excess cash available from the operation of the program is required to be used to reduce HDFC's mortgage, which has a balance of approximately \$2,160,000 at September 30, 2017 and 2016. As of September 30, 2017 and 2016, the program has not generated excess cash.

**NOTE 7 – PENSION PLANS**

WPA terminated its profit-sharing plan at the end of September 2016, and notified all participants of the plan termination. Individuals were contacted by the plan administrator to make arrangements for transfer of funds to other eligible plans.

WPA maintains a noncontributory retirement savings plan that allows employees to designate pre-tax income for this purpose.

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**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

In December 2015, Hopper LLC received a pre-construction award in the amount of \$3,875,000 from New York State Homeless Housing and Assistance Corporation (“HHAP”) to fund activities related to homeless project located at 110 Second Avenue, New York (the “second avenue property”) including repayment of an existing mortgage on the second avenue property. In accordance with the pre-construction award agreement, Hopper LLC acquired and holds title to the second avenue property. Upon transfer of the title to the second avenue property, Hopper LLC entered into a lease with WPA for 25 years. Additionally the pre-construction award also stated that WPA is responsible for all administrative activities of HHAP funds and complying with all terms and conditions of the agreement. The pre-construction award has two underlying mortgage note agreements with HHAP secured by the second avenue property and all contents thereof. The note bears no interest and is not required to be repaid so long as the housing remains available for the homeless project for a period of 25 years. The pre-construction award was recorded as a temporarily restricted grant at the time of receipt and it is included in the temporarily restricted net assets in accompanying statements of financial position. If Hopper LLC and WPA are in default under the terms of the terms and the conditions of the pre-construction award agreement with HHAP, the entire award shall become due and payable on demand.

Temporarily restricted net assets of \$419,279 and \$466,031 were released from donor restrictions during the years ended September 30, 2017 and 2016, respectively, by incurring expenses satisfying the restricted purpose of providing programs.

Temporarily restricted net assets as of September 30, 2017 and 2016, respectively, consisted of the following:

	<u>2017</u>	<u>2016</u>
NYS Homeless Housing and Assistance Program	\$ 3,875,477	\$ 3,875,477
NYS HAAP - Pre-Construction Award	91,762	26,727
Client Emergency Services	111,917	336,493
Food Pantry	4,896	-
Access Health NYC Initiative	2,400	-
Mentoring Women's Leadership	10,000	-
Sara Powell Huntington House Program	15,000	1,000
Emergency Assistance	10,000	-
Time restricted for future years	300,000	-
Unappropriated Endowment Earnings	<u>93,635</u>	<u>83,624</u>
	<u>\$ 4,515,087</u>	<u>\$ 4,323,321</u>

**NOTE 9 – ENDOWMENT NET ASSETS**

WPA recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) on September 17, 2010. NYPMIFA replaced the prior law which was the Uniform Management of Institutional Funds Act (“UMIFA”). In addition, NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated.

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. WPA’s Board has interpreted NYPMIFA as allowing WPA to appropriate for expenditure or accumulate so much of an endowment fund as WPA determines to be prudent for the uses, benefits, purposes and duration for which the endowment was established, subject to the intent of the donor as expressed in the gift instrument.

During the year ended September 30, 2014, WPA borrowed \$227,713 of permanently restricted endowment funds for operating activities. This amount will be repaid as soon as cash is available.

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**NOTE 9 – ENDOWMENT NET ASSETS (Continued)**

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. These deficiencies resulted from the unfavorable market fluctuations that occurred in the economy as a whole that affected the donor-restricted endowment fund, where the fair market value of the donor-restricted endowment fund was below the amount that is required to be retained permanently by \$56,016 and \$66,027 as of September 30, 2017 and 2016, respectively.

WPA's endowment investment policy is to invest assets into investment instruments approved by the Finance Committee of the Board of Directors with the allocation of funds based upon specified target percentages (or range of target percentages) for each type of investment instrument. The overall investment objective is to maximize the total return from income (dividends and interest) and the appreciation of investments. Any earnings on the endowment funds are spent in the year they are earned, subject to appropriation by the Board.

Interest and dividends from donor restricted endowment funds are temporarily restricted for specific purposes, and are presented as temporarily restricted investment activity and released from restrictions in the statement of activities.

Changes in endowment net assets for the year ended September 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:				
Interest and dividends	\$ -	\$ 5,562	\$ -	\$ 5,562
Realized and unrealized gain	-	4,449	-	4,449
Change in endowment net assets	-	10,011	-	10,011
Endowment net assets, beginning of year	<u>(377,364)</u>	<u>83,624</u>	<u>470,076</u>	<u>176,336</u>
Endowment net assets, end of year	<u>\$ (377,364)</u>	<u>\$ 93,635</u>	<u>\$ 470,076</u>	<u>\$ 186,347</u>

Changes in endowment net assets for the year ended September 30, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment activity:				
Interest and dividends	\$ -	\$ 3,460	\$ -	\$ 3,460
Realized and unrealized losses	-	(312)	-	(312)
Change in endowment net assets	-	3,148	-	3,148
Endowment net assets, beginning of year	<u>(377,364)</u>	<u>80,476</u>	<u>470,076</u>	<u>173,188</u>
Endowment net assets, end of year	<u>\$ (377,364)</u>	<u>\$ 83,624</u>	<u>\$ 470,076</u>	<u>\$ 176,336</u>

Endowment net assets as of September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Investments	\$ 176,204	\$ 139,377
Cash and cash equivalents	<u>10,143</u>	<u>36,959</u>
	186,347	176,336
Borrowings from permanently restricted		
Net assets for operations	<u>227,713</u>	<u>227,713</u>
	<u>\$ 414,060</u>	<u>\$ 404,049</u>

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

- A. WPA is committed under non-cancelable operating agreements through 2021 for occupancy of its premises. Future minimum payments for non-cancelable operating leases for years ended after September 30, 2017, are as follows:

2018	\$	169,283
2019		173,348
2020		139,983
2021		<u>75,380</u>
	\$	<u>557,994</u>

Rent expense for the years ended September 30, 2017 and 2016, amounted to \$188,176 and \$164,750, respectively.

- B. Pursuant to WPA's contractual relationships with certain governmental funding sources, these governmental agencies have the right to examine the books and records of WPA involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.
- C. WPA follows Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

**NOTE 11 – CHANGE IN NET ASSETS**

WPA's change in net assets for the years ended September 30, 2017 and 2016 amounted to approximately \$304,000 and \$3,446,000, respectively. The accumulated deficit from operations amounted to approximately \$4,909,000 and \$4,837,000 as of September 30, 2017 and 2016, respectively.

Measures taken to prevent future operating deficits are described below:

Increased Revenue

Government Contracts

WPA competed successfully for funding under the New York City Mayor's Office of Criminal Justice Services under its Jails to Jobs initiative, with an annual award of \$400,000 (including subcontracts with the Doe Fund and College and Community Fellowship), beginning January 1, 2018. WPA also received notification of \$100,000 to fund WPA's JusticeHome expansion as part of the Women's Criminal Justice Project, a multi-agency project that diverts women from Rikers into housing and community services. Further, we have had discussions with the City Department of Homeless Services about adding the cost of rent to our operating contract for the Sarah Powell Huntington House (SPHH) and anticipate an increase in the contract by at least \$250,000, likely to begin July 1, 2018. WPA received final approval of the lease (between the Huntington House Housing Development Fund Corporation and WPA) by the NYS Attorney General in November 2017, and our request for rent will be forwarded to the NYC Office of Management and Budget following negotiation and approval by the Department of Homeless Services. We expect the rent to be approved and our contract amount increased to reflect the rent as of July 1, 2018.

Private Fundraising

WPA continues to apply an annual strategic fundraising plan that incorporates several key categories: foundation grants; corporate partnerships; major donors; events; and direct mail appeals. The agency's junior board, the Emerging Philanthropists (EPs), has more than 30 members, and they have continued to build on their success. In fiscal year 2016, the EPs elected to increase their individual fundraising commitment and in FY17, the EPs are focused on raising awareness of the agency and relevant issues.



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**NOTE 11 – CHANGE IN NET ASSETS (Continued)**

In addition, WPA's development strategy integrates marketing, communications, and social media in order to attract individual donors at many entry points. WPA celebrated its 170th anniversary in 2015, with a multi-media marketing and fundraising campaign that highlighted WPA's history of leadership in the field of women and criminal justice. WPA continues to build brand awareness and presence and has continued to implement its marketing strategy in FY2016 and FY2017. WPA held its third annual golf outing at the start of fiscal year 2018; the event was a fund-raising success and a final date is being confirmed for the fourth annual outing. Marketing will begin as soon as the date is confirmed.

WPA recognizes that limited access to cash has contributed significantly to the agency's ability to promptly pay and claim for costs that are reimbursable by government contracts. Past efforts to secure a modest line of credit have been unsuccessful because of the deficit. Now that the financial statements reflect elimination of the deficit, and we have greater capacity to generate reports and provide information, we will seek approval for a line of credit.

**Monetize Real Estate Assets**

**Sell Huntington House**

In an effort to resolve the agency deficit, WPA/Huntington House Housing Development Fund Corporation entered into a contract in 2013 to sell the property at 347 East 10th Street to Glacier Global Partners for \$19,000,000. A down payment of \$4,000,000 was deposited and closing the sale is contingent upon acquiring approval from the City of New York Department of Housing and Preservation Development, the State Homeless Housing Assistance Corporation, and the State Attorney General. The contract with Glacier was renewed and expires on April 17, 2018. The contract may be canceled by Glacier at any time, and WPA may cancel the contract if receipt of government funding requires termination of the contract.

Upon receipt of the HHAP award (see Note 8), WPA paid the Hopper Home mortgage and will not face a crisis if the City or State fails to approve the sale.

In fact, because WPA has been thus far unable to obtain required approval for the sale of Huntington House, WPA applied in FY2017 for funds (from the City Department of Homeless Services, the Manhattan Borough President's Office and the Dormitory Authority of the State of New York) to make repairs and upgrades to the building. We received some of the requested funds, but not nearly the amount we need. In November 2017, the New York State Attorney General approved a lease between the Huntington House Housing Development Fund Corporation and WPA, and we are in the early stages of negotiation with the NYC Department of Homeless Services to add money to our operating contract to pay rent for WPA's use of the building. Additional funding would help to cover building repairs and maintenance, replacement of furniture and other needs. We expect to finalize negotiations for some additional funding in the Winter/Spring of 2018, with rent added to the contract period beginning July 1, 2018.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the statement of financial position date through March 28, 2018, the date the financial statements were available to be issued. With the exception of the items disclosed in Note 11, no events have occurred subsequent to the statement of financial position date through March 28, 2018 that would require adjustment to or disclosure in the financial statements.