

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)**

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Presbyterian Night Shelter of Tarrant County and Subsidiaries  
Fort Worth, Texas

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries (Shelter), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Uniform Grant Management Standards* of the State of Texas Single Audit Circular. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Presbyterian Night Shelter of Tarrant County and Subsidiaries as of December 31, 2018, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Uniform Grant Management Standards of the State of Texas Single Audit Circular*, respectively, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated 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 consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards* and the *Uniform Grant Management Standards*, we have also issued our report dated September 30, 2019, on our consideration of the Shelter'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 solely 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 the effectiveness of The Presbyterian Night Shelter of Tarrant County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Uniform Grant Management Standards* in considering the Shelter's internal control over financial reporting and compliance.

Board of Directors  
The Presbyterian Night Shelter of Tarrant County and Subsidiaries

**Report on Summarized Comparative Information**

We have previously audited the Shelter's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which is has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
September 30, 2019

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,394,425	\$ 1,877,165
Government Grants Receivable	383,998	297,857
Other Receivables	4,806	10,576
Prepaid Insurance and Other Assets	118,067	90,031
Promises to Give - Long-Term Purposes	2,302,679	3,643,831
Property and Equipment, Net	26,382,433	26,981,205
Long-Term Investments	11,868,253	12,869,194
	<b>\$ 42,454,661</b>	<b>\$ 45,769,859</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 317,798	\$ 166,762
Accrued Liabilities	319,129	238,700
Deferred Tenant Improvements	1,322,635	1,552,438
Deferred Revenue	43,900	49,754
Notes Payable	1,330,000	1,300,000
Total Liabilities	3,333,462	3,307,654
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	12,876,622	13,185,257
Board Designated Endowment	9,866,464	10,622,933
	22,743,086	23,808,190
With Donor Restrictions		
Purpose Restrictions	2,626,319	4,485,500
True Worth Place	13,751,794	14,168,515
	16,378,113	18,654,015
	<b>39,121,199</b>	<b>42,462,205</b>
	<b>\$ 42,454,661</b>	<b>\$ 45,769,859</b>

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018	2017
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,472,849	\$ 732,240	\$ 2,205,089	\$ 7,430,180
In-Kind Contributions	-	-	-	14,594,836
Government Grants	2,573,312	-	2,573,312	2,544,895
Other Grants	133,695	-	133,695	142,239
Program Fees	1,116,286	-	1,116,286	425,982
Rental Income	514,864	-	514,864	446,021
Investment Income, Net of Fees of \$50,970	204,517	-	204,517	150,161
Special Events, Net of Expenses of \$104,167	203,229	-	203,229	208,516
Net Realized and Unrealized Gain (Loss)				
on Investments	(1,132,129)	-	(1,132,129)	1,352,246
Miscellaneous Income	41,777	-	41,777	95,715
Oil and Gas Revenue	6,781	-	6,781	8,089
Gain (Loss) on Disposal of Assets	-	-	-	(10,281)
Net Assets Released From Restrictions:				
Net Assets Released From Restrictions, Depreciation	416,721	(416,721)	-	-
Satisfaction of Program Restrictions	2,591,421.00	(2,591,421)	-	-
Total Support and Revenue	<u>8,143,323</u>	<u>(2,275,902)</u>	<u>5,867,421</u>	<u>27,388,599</u>
<b>EXPENSES</b>				
Program	7,907,980	-	7,907,980	6,526,262
General and Administrative	715,286	-	715,286	603,656
Fundraising	585,161	-	585,161	593,851
Total Functional Expenses	<u>9,208,427</u>	<u>-</u>	<u>9,208,427</u>	<u>7,723,769</u>
<b>CHANGE IN NET ASSETS</b>	(1,065,104)	(2,275,902)	(3,341,006)	19,664,830
Net Assets - Beginning of Year	<u>23,808,190</u>	<u>18,654,015</u>	<u>42,462,205</u>	<u>22,797,375</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 22,743,086</u>	<u>\$ 16,378,113</u>	<u>\$ 39,121,199</u>	<u>\$ 42,462,205</u>

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTION EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	Night Shelter	True Worth Place	Social Enterprise Program	Total Programs	General and Administrative	Fund Raising	Total 2018	Total 2017
Salaries	\$ 2,539,971	\$ 543,542	\$ 439,036	\$ 3,522,549	\$ 383,316	\$ 278,898	\$ 4,184,763	\$ 3,449,172
Contract Labor	87,373	142,704	120,016	350,093	456	-	350,549	196,413
Payroll Taxes and Employee Benefits	491,081	103,455	76,275	670,811	72,295	46,512	789,618	683,578
Total Salaries and Related Expenses	3,118,425	789,701	635,327	4,543,453	456,067	325,410	5,324,930	4,329,163
Specific Assistance - Client Housing	879,063	30,963	-	910,026	-	-	910,026	763,833
Specific Assistance - Direct Services	24,744	8,440	-	33,184	-	-	33,184	12,542
Professional Fees	1,954	-	5,280	7,234	54,860	173,426	235,520	175,460
Office Expenses	10,844	5,940	7,995	24,779	28,726	28,050	81,555	62,733
Information Technology	53,064	6,283	1,123	60,470	25,746	18,495	104,711	83,013
Occupancy	653,199	265,990	68,012	987,201	39,607	7,717	1,034,525	918,511
Conferences, Meetings, and Travel	27,208	2,509	1,531	31,248	4,926	2,577	38,751	32,617
Interest	-	-	-	-	-	-	-	51
Depreciation	631,798	381,499	-	1,013,297	47,519	21,194	1,082,010	1,033,881
Insurance	67,642	43,885	1,181	112,708	20,722	-	133,430	115,436
Meals and Kitchen	119,381	4,616	11,265	135,262	-	-	135,262	122,183
Equipment Repairs and Maintenance	9,123	2,423	-	11,546	18,425	-	29,971	27,048
Training	3,997	348	1,606	5,951	11,322	272	17,545	16,040
Bad Debt Expense	-	-	-	-	-	-	-	2,705
Special Events	-	-	-	-	40	104,127	104,167	110,191
All Other	10,062	1,716	19,843	31,621	7,366	8,020	47,007	28,552
	2,492,079	754,612	117,836	3,364,527	259,259	363,878	3,987,664	3,504,796
Total	5,610,504	1,544,313	753,163	7,907,980	715,326	689,288	9,312,594	7,833,959
Less Expenses netted with revenue on the statement of activities	-	-	-	-	(40)	(104,127)	(104,167)	(110,191)
Total Expenses	\$ 5,610,504	\$ 1,544,313	\$ 753,163	\$ 7,907,980	\$ 715,286	\$ 585,161	\$ 9,208,427	\$ 7,723,768

See accompanying Notes to Financial Statements.



**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (3,341,006)	\$ 19,664,830
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,082,010	1,033,881
Loss on Disposal of Asset	-	10,281
Noncash Contribution of Investment Securities	(6,862)	(53,705)
Donated Securities Held at Year End	-	51,624
Noncash Gifts of Land, Property, and Equipment	-	(14,585,236)
Net Realized and Unrealized Loss (Gain) on Investments	1,132,129	(1,352,246)
(Increase) Decrease in Operating Assets:		
Government Grants Receivable	(86,141)	(128,633)
Other Receivables	5,770	12,501
Prepaid Insurance and Other Assets	(28,036)	(7,236)
Promises to Give	1,341,152	(3,266,090)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	151,036	(47,567)
Accrued Liabilities	80,429	84,935
Deferred Tenant Improvements	(229,803)	1,552,438.00
Deferred Revenue	(5,854)	(47,596)
Net Cash Provided by Operating Activities	94,824	2,922,181
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale and Maturity of Long-Term Investments	2,093,753	3,483,164
Purchase of Long-Term Investments	(2,218,080)	(6,023,640)
Additions of Designated Funds Used for Long-Term Purposes		236,191
Proceeds from Insurance for Hail Damage	21,192	-
Purchase of Property and Equipment	(504,429)	(1,314,102)
Net Cash Used by Investing Activities	(607,564)	(3,618,387)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Federal Home Loan Bank Forgiveable Grant	-	500,000
Proceeds from CDBG Forgiveable Grant	30,000	300,000
Net Cash Provided by Financing Activities	30,000	800,000
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(482,740)	103,794
Cash and Cash Equivalents - Beginning of Year	1,877,165	1,773,371
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,394,425	\$ 1,877,165
<b>SUPPLEMENTAL NONCASH INFORMATION</b>		
Interest Paid	\$ -	\$ 51

See accompanying Notes to Financial Statements.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

As the county's largest provider of services to Tarrant County's homeless, Presbyterian Night Shelter of Tarrant County (the Shelter) provides shelter and meals for homeless men, women, and children in Tarrant County, Texas. Guests are provided with access to counseling services to assist them in obtaining permanent housing, employment, financial assistance, and help with substance abuse. Through the Clean Slate Program, guests who want to work are provided with gainful employment and job skill development. The Shelter is supported primarily through individual donor contributions, government grants, private foundations, and area churches.

Lighthouse for the Homeless d.b.a. True Worth Place, the only free area day shelter, is operated by Presbyterian Night Shelter. True Worth Place offers safe and clean day shelter and critical services to its guests including restroom and showers, laundry facilities, mailing address, telephones, computers and temporary storage. As a central resource center for people experiencing homelessness, True Worth Place links guests with local service providers, providing access to health care, employment, education, mental health and substance abuse treatment, benefits, and critical documents including ID's, Social Security cards and birth certificates.

Presbyterian Night Shelter Security, LLC was formed in 2018 in order to allow the Shelter to manage its own security services. Formerly, outside security providers had been hired to provide these services.

Presbyterian Night Shelter Endowment Foundation was formed in 2018 to separately maintain and manage the Shelter's endowment fund. As of December 31, 2018, no assets had yet been transferred to the Foundation.

This summary of significant accounting policies of the Shelter is presented to assist in understanding the Shelter's consolidated financial statements. The consolidated financial statements and notes are representations of the Shelter's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the consolidated financial statements.

**Consolidated Financial Statements**

The accompanying consolidated financial statements include the accounts of Presbyterian Night Shelter of Tarrant County (Shelter), Lighthouse for the Homeless d.b.a. True Worth Place (TWP), Presbyterian Night Shelter Security, LLC (Security), and Presbyterian Night Shelter Endowment Foundation (Foundation) since they are under common control. Significant intercompany transactions and balances have been eliminated in the consolidation.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation**

The Shelter presents the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as Net Assets Released from Restrictions.

**Use of Estimates**

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Shelter considers only cash in banks and on hand as cash and cash equivalents. These cash equivalents are financial instruments that potentially subject the Shelter to concentrations of credit risk. The Shelter places its cash with financial institutions and periodically maintains deposits in amounts that exceed FDIC insurance coverage. Management believes the risk of incurring material losses related to this credit risk is remote.

**Grants and Accounts Receivable**

The Shelter's receivables consist principally of program service fees from governmental agencies. The Shelter utilizes the allowance method for recognition of bad debts. Based on management's assessment of the credit history of grantors, no allowance for doubtful accounts was deemed necessary as of December 31, 2018 and 2017. Bad debt expense was \$- and \$2,705 respectively, for the years ended December 31, 2018 and 2017.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions Received and Contributions Made**

Contributions are recognized when unconditional commitments are received and recorded as with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

**Property and Equipment**

Expenditures for property and equipment in excess of \$5,000 and having a useful life of one year or more are capitalized and recorded on the Shelter's books at cost. Donations of significant property and equipment are recorded as support at their estimated fair value. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Shelter reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Shelter reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Estimated lives by assets class are as follows:

Buildings and Improvements	10-35 years
Machinery and Equipment	3-10 years
Vehicles	10 years
Furniture and Fixtures	5-10 years

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts. Resulting gains or losses are included in income.

Depreciation of buildings and equipment is computed on the straight-line basis over their estimated useful lives. The estimated useful lives range from three to thirty five years. Depreciation expense for 2018 and 2017 amounted to \$1,082,010 and \$1,033,881, respectively, and is shown on the accompanying consolidated statement of functional expenses.

**Impairment of Long-Lived Assets**

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Shelter is organized as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. This section exempts the Shelter from taxes on income. Accordingly, no provision for income taxes has been made in the consolidated financial statements. The Internal Revenue Service (IRS) has previously classified the Shelter as a public charity. Taxes are paid on net income earned from sources unrelated to the exempt purposes. There was no net income from unrelated business for the years ended December 31, 2018 and 2017.

The Shelter, TWP, and Foundation file as tax-exempt organizations. The tax returns are subject to review and examination by federal and state authorities. The Presbyterian Night Shelter Security, LLC is a taxable entity and its net income is subject to income tax. Its tax returns are subject to review and examination by federal and state authorities.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Shelter to concentrations of credit risk consist primarily of receivables from program services and amounts deposited in banks in excess of the Federal Deposit Insurance Corporation's insured limit.

The Shelter currently invests primarily in U.S. Government obligations, corporate stock and bonds, open and closed-end mutual funds and investment partnerships. Management believes diversity within the portfolio avoids significant concentration of credit risk with respect to these investments.

**Investments and Fair Value Measurements**

The Shelter follows FASB ASC (Financial Accounting Standards Board Accounting Standards Codification) No. 958-320. Under this section, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

FASB ASC No. 820-10, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Shelter uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. The three levels of fair value hierarchy defined by FASB ASC No. 820-10 are as follows:

*Level 1:* Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Fair Value Measurements (continued)**

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Shelter's needs.

**In-Kind Contributions and Donated Services**

No amounts have been reflected in the consolidated financial statements for donated services since these services do not meet the requirements for recording under U.S. GAAP. However, a number of volunteers donate significant amounts of their time to the Shelter. In-kind gifts of materials, supplies and goods and gifts of real estate are also valued at their fair market value on the date of the donation.

**Functional Allocation of Expenses**

The costs of providing program, fund-raising and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

**Comparative Data**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Shelter's consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

**Recent Accounting Guidance**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these combined financial statements accordingly. The ASU has been applied retrospectively to all periods presented, with the exception of liquidity presented in Note 13.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 DONATION OF TRUE WORTH PLACE**

In-kind contributions recorded during the year ended December 31, 2017 primarily consists of a building called True Worth Place donated by a local foundation to the subsidiary of which the Organization is sole member. The value assigned to the building is based on the estimated FMV on the date of donation. The total value of the building at the date of gift is estimated at \$14,585,236.

The property transferred is subject to an initial deed restriction by Tarrant County Hospital District d/b/a JPS Health Network (JPS) which was carried over to the Shelter. These deed restrictions include the following:

- Construction of a central resource facility (True Worth Place) and related improvements and facilities on the property to serve the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County.
- A lease for the JPS clinic at TWP within two years after all necessary governmental permits and approvals are issued for the construction and operation of TWP.
- TWP must be used solely for the following:
  - o Provide a central resource facility
  - o Serve the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County
  - o House service agencies as necessary to provide for the health and welfare needs of the homeless, indigent and medically underserved in Tarrant County, including, but not limited to, the JPS Clinic.

As long as TWP continues to serve the homeless and lease its facilities to JPS as defined above, the land will not revert back to JPS. Due to the nature of the deed restriction, the property is considered to have donor restrictions.

As a condition to the assumption of deed and operations on True Worth Place, the Organization also received a five year \$7.2 million operational pledge to support True Worth Place from the local foundation. Such receivable is to be net of certain rental proceeds received on the building and is reflected net of discount and such estimated rental proceeds in the Note 3 – Promises to Give.

**NOTE 3 PROMISES TO GIVE**

The Shelter recognizes unconditional promises to give as support in the period the promise to give is made and reports them as contributions in the consolidated statement of activities. Promises to give at December 31, 2018 are expected to be received as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 1,425,092
2020	486,050
2021	497,878
Gross Pledges	2,409,020
Less: Present Value Discount	<u>(106,341)</u>
Net Pledges	<u>\$ 2,302,679</u>

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	2018	2017
Land	\$ 532,731	\$ 532,731
Building and Improvements	29,467,632	29,350,364
Machinery and Equipment	1,446,052	1,322,527
Vehicles	322,639	153,296
Furniture and Fixtures	1,172,302	1,099,201
Total Cost	32,941,356	32,458,119
Less Accumulated Depreciation	(6,558,923)	(5,476,914)
Property and Equipment, Net	\$ 26,382,433	\$ 26,981,205

**NOTE 5 LONG-TERM INVESTMENTS**

Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statement of activities. Long-term investments consist of the following as of December 31:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Money Market Fund	\$ 778,486	\$ 780,102	\$ 1,139,600	\$ 1,139,600
Equities	7,955,301	5,808,921	8,008,103	4,907,124
Fixed Income	1,802,589	1,886,456	2,014,926	3,723,209
Community Trust Funds	1,331,877	1,389,888	1,706,565.00	1,573,821
Totals	\$ 11,868,253	\$ 9,865,367	\$ 12,869,194	\$ 11,343,754

**NOTE 6 ENDOWMENT**

The by-laws of the Shelter provide for the establishment of the Presbyterian Night Shelter Endowment Fund (the Endowment Fund) whereby gifts and bequests designated by the board for endowment are deposited to the Endowment Fund as well as undesignated gifts and bequests in the amount of \$1,000 or more. The net income of the Endowment Fund is available for use by the Shelter for operating purposes upon an approving vote by the board of directors.

As of December 31, 2018, the Shelter's endowment fund consisted of equities, fixed income and money market funds. These funds are designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

At the beginning of each fiscal year, upon recommendation by the Finance Committee and approval by the board, an amount not to exceed 4.5% of the five-year moving average of the market value of the investments, shall be available for the Shelter's operations. Excess amounts may be withdrawn for operations only upon the affirmative vote of 75% of the number of directors serving.



**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 ENDOWMENT (CONTINUED)**

**Composition and Activity of Endowment Funds**

Endowment net assets are composed solely of board designated amounts at December 31, 2018 and 2017. The changes in the endowment net assets by net asset classification for the years ended December 31 are as follows:

	<b>Without Donor Restrictions (Designated)</b>	<b>Total</b>
	<hr/>	<hr/>
<b>Endowment net assets, December 31, 2016</b>	\$ 8,974,391	\$ 8,974,391
Investment income, net of expenses (including realized and unrealized gains and losses)	1,347,609	1,347,609
Contributions	300,933	300,933
Appropriation of endowment assets for expenditure	-	-
	<hr/>	<hr/>
<b>Endowment net assets, December 31, 2017</b>	10,622,933	10,622,933
Investment income, net of expenses (including realized and unrealized gains and losses)	(791,490)	(791,490)
Contributions	175,424	175,424
Appropriation of endowment assets for expenditure	(140,403)	(140,403)
	<hr/>	<hr/>
<b>Endowment net assets, December 31, 2018</b>	<u>\$ 9,866,464</u>	<u>\$ 9,866,464</u>

**Return Objectives and Risk Parameters**

The Endowment Fund's minimum real rate of return goal of the investment portfolio, adjusted for inflation, is CPI plus 3% net of expenses. It is also expected that the investment portfolio's return will compare favorably with portfolios of similar objectives and asset allocation and selected weighted marker indices. The preferred index is 70% S&P 500 Equity Index and 30% Lehman Aggregate.

The equity portion of the portfolio should range between a minimum of 30% and a maximum of 70% at market value. The fixed income portion should range between these parameters. Deviation from these ranges is subject to approval by the Finance Committee.

**Strategies Employed for Achieving Objectives**

The Endowment Fund utilizes the assistance of Luther King Capital Management and J.P.Morgan to manage and monitor investments and investment objectives, subject to governance review and approval.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of December 31:

<u>Purpose Restrictions</u>	<u>2018</u>	<u>2017</u>
Awesome Outings	\$ 2,462	\$ 2,462
Social Enterprise	59,579	-
Women and Children	143,015	238,302
Client Services	3,712	3,757
Safe Haven	1,070	51,213
Patriot House Renovations	-	50,000
Time Restricted Pledges	2,409,020	3,855,582
True Worth - Running Club	481	-
True Worth - Critical Documents	6	382
True Worth Operations	6,974	283,802
 <u>Restricted in Perpetuity</u>		
Land and Buildings Restricted to True Worth Place operations	<u>13,751,794</u>	<u>14,168,515</u>
 Total Restricted Funds	 <u><u>\$ 16,378,113</u></u>	 <u><u>\$ 18,654,015</u></u>

**NOTE 8 FAIR VALUE MEASUREMENT OF INVESTMENTS**

Investments as of December 31 are summarized below by their level in fair value hierarchy:

	<u>2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 778,486	\$ -	\$ -	\$ 778,486
Equity Securities	7,955,301	-	-	7,955,301
Fixed Income Securities	-	1,802,589	-	1,802,589
Community Trust Funds	-	-	1,331,877	1,331,877
Total Investments	<u><u>\$ 8,733,787</u></u>	<u><u>\$ 1,802,589</u></u>	<u><u>\$ 1,331,877</u></u>	<u><u>\$ 11,868,253</u></u>
	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 1,139,600	\$ -	\$ -	\$ 1,139,600
Equity Securities	8,008,103	-	-	8,008,103
Fixed Income Securities	-	2,014,926	-	2,014,926
Community Trust Funds	-	-	1,706,565	1,706,565
Total Investments	<u><u>\$ 9,147,703</u></u>	<u><u>\$ 2,014,926</u></u>	<u><u>\$ 1,706,565</u></u>	<u><u>\$ 12,869,194</u></u>

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 FAIR VALUE MEASUREMENT OF INVESTMENTS (CONTINUED)**

The activity in Level 3 investments during the years ended December 31 is as follows:

	2018	2017
Beginning Balance	\$ 1,706,565	\$ -
Transfers In	-	1,724,931
Realized and Unrealized Gains (Loss)	(168,693)	131,156
Investment Income, Net	43,021	36,893
Miscellaneous Income	28	25
Sales of Investments (Distributions)	(229,800)	(172,352)
Investment and Administrative Fees	(19,244)	(14,088)
Ending Balance	<u>\$ 1,331,877</u>	<u>\$ 1,706,565</u>

**NOTE 9 LINE OF CREDIT AND NOTES PAYABLE**

The Shelter maintains an open-ended line of credit with a bank which has a borrowing limit of \$3,000,000 and bears interest at a rate of LIBOR plus 1.90%. The line of credit matures on May 31, 2019. Borrowings on the balance up to \$250,000 may be done at management's discretion, while borrowings exceeding \$250,000 and up to \$750,000 must be approved by the Finance Committee. Any borrowings which cause the balance to exceed \$750,000 must have full board approval. The line of credit is secured by certain investments held in the Shelter's board-designated endowment with fair values of \$11,868,253 and \$12,869,194, respectively, as of December 31, 2018 and 2017. There was no outstanding balance on the line of credit as of December 31, 2018 and 2017.

During 2017, the Shelter was awarded a contingent grant by the Federal Home Loan Bank in the form of a forgivable loan of \$500,000 to assist with the renovation of the Women's Center/Lowden-Schutts Rehab. The forgiveness of the loan is contingent on the following provisions: 1) the project remains in the Shelter's position for 15 years beginning October 30, 2017 (the retention period), 2) in the event of a sale, the contingent grant must be repaid, 3) the rental units of the project must be occupied by individuals with income at or below certain income levels during the retention period. This loan has been recorded in notes payable in the consolidated statement of financial position.

During 2016, the Shelter was awarded a contingent grant by the Federal Home Loan Bank in the form of a forgivable loan of \$500,000 to assist with construction of a women & children's shelter. The forgiveness of the loan is contingent on the following provisions: 1) the project remains in the Shelter's position for 15 years beginning June 6, 2016 (the retention period), 2) in the event of a sale, the contingent grant must be repaid, 3) the rental units of the project must be occupied by individuals with income at or below certain income levels during the retention period. This loan has been recorded in notes payable in the consolidated statement of financial position.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 LINE OF CREDIT AND NOTES PAYABLE (CONTINUED)**

During 2017, the Shelter was awarded a conditional grant in the form of a forgivable loan of \$300,000 to assist with the renovation of the Lowdon Schutts Building. During 2018, an amendment was made to add \$30,000 of funds for the repair of the HVAC system in the Main Shelter building. The forgiveness of the loan is contingent of the following provisions to take place over a performance period of 5 years beginning on March 10, 2017: 1) The Lowdon Schutts Building located on the property that was rehabilitated must benefit homeless persons during the period of performance, 2) the Shelter must meet the CDBG requirements as outlined in the grant agreement during the performance period, 3) the Shelter must comply with the terms of the contract, the loan documents, and CDBG regulations.

**NOTE 10 EMPLOYEE BENEFIT PLAN**

The Shelter sponsors a 401(k) plan for all qualified employees. At its discretion, the Shelter may match a portion of employee contributions, up to the maximum amounts set by the IRS. Employer contributions to the plan amounted to \$20,092 and \$17,196 during the years ended December 31, 2018 and 2017, respectively.

**NOTE 11 ECONOMIC DEPENDENCY AND CONCENTRATIONS**

The Shelter receives a substantial amount of its support from federal and state government grants and contracts. These grants and contracts require fulfillment of certain conditions as set forth in the grant documents and contracts. Failure to fulfill the conditions could result in the return of funds to grantors or nonrenewal of contract.

Donors with total gifts exceeding 10% of the value of total contributions during the year are considered concentrated donors to the Shelter. There were no donors with total gifts exceeding 10% of the value of total contributions as of December 31, 2018. There was one donor that comprised 49% of total contribution revenue as of December 31, 2017.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 LEASES AND DEFERRED TENANT IMPROVEMENTS**

True Worth leases a portion of its building to the Tarrant County Hospital District d.b.a JPS Health Network for a 10 year term. The following is a schedule by year of future minimum rentals under the lease at December 31, 2018:

2019	\$	177,459
2020		183,632
2021		189,804
2022		195,977
2023		202,149
Thereafter		699,036
	<u>\$</u>	<u>1,648,057</u>

This agreement includes a tenant improvement reimbursement amount of \$1,724,931 that JPS paid in advance to True Worth. The conditions of the True Worth agreements stipulated that the money be held in a fund with North Texas Community Foundation (NTCF) to be paid out on a regular basis over the term of the lease. The balance held with NTCF at December 31, 2018 and 2017 amounted to \$1,331,877 and \$1,706,565, respectively. The balance in deferred revenue at December 31, 2018 and 2017 was \$1,322,636 and \$1,552,438.

**NOTE 13 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprise the following at December 31, 2018:

Cash and Cash Equivalents	\$	1,394,425
Government Grants Receivable		383,998
Other Receivables		4,806
Long-Term Investments		11,868,253
Less: Amounts with Donor Restrictions		(2,626,319)
Less: Board Designated Investments Amounts		(9,866,464)
Add: Estimated Distributions from Endowment		461,000
Total	<u>\$</u>	<u>1,619,699</u>

The Shelter regularly monitors the availability of resources required to meet its operating needs while also striving to maximize the investment of its available funds.

The endowment funds consist of funds designated by the board as endowments. The Shelter's board-designated endowment is subject to an annual spending rate of 4.5% in 2018 as described in Note 6. Although the Shelter does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 13 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Shelter receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions as well as support without donor restrictions. In addition, the Shelter also receives a significant amount of funding from federal and state grants primarily funded as cost reimbursement grants. Support without donor restrictions, distributions from endowment, government grants, rental income, and program revenue are used to fund operations. In addition to financial assets available to meet general expenditures over the next 12 months, the Shelter operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Shelter's cash and shows positive cash generated by operations for the years ended 2018 and 2017.

**NOTE 14 FUNCTIONALIZED EXPENSE ALLOCATION METHODOLOGY**

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, security, supplies, and campus wide expenses which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**NOTE 15 SUBSEQUENT EVENTS**

In March of 2019, the Shelter signed an agreement with a contractor for renovation of the Men's Shelter in the amount of \$209,000.

Management has evaluated subsequent events through September 30, 2019 , the date on which the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT 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* AND THE *UNIFORM GRANT MANAGEMENT STANDARDS OF THE STATE OF TEXAS SINGLE AUDIT CIRCULAR***

Board of Directors  
The Presbyterian Night Shelter of Tarrant County and Subsidiaries  
Fort Worth, 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, and the *Uniform Grant Management Standards* of the *State of Texas Single Audit Circular*, the consolidated financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries (the Shelter), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated 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 30, 2019 .

**Internal Control over Financial Reporting**

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

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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Shelter's consolidated financial statements are free of 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 consolidated 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* or the *Uniform Grant Management 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* and the *Uniform Grant Management Standards* in considering the Shelter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



### **CliftonLarsonAllen LLP**

Forth Worth, Texas  
September 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE UNIFORM GRANT  
MANAGEMENT STANDARDS OF THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Directors  
The Presbyterian Night Shelter of Tarrant County and Subsidiaries  
Fort Worth, Texas

**Report on Compliance for Each Major Program**

We have audited The Presbyterian Night Shelter of Tarrant County and Subsidiaries (the Shelter) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Uniform Grant Management Standards of the State of Texas Single Audit Circular* that could have a direct and material effect on each of the Shelter's major federal and state programs for the year ended December 31, 2018. The Shelter's major federal and state programs are identified in 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 and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Shelter's major federal and state 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 Regulators Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)*, and the *Uniform Grant Management Standards of the State of Texas Single Audit Circular*. 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 a major federal or state program occurred. A compliance audit includes examining, on a test basis, evidence about the Shelter'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 each major federal and state program. However, our audit does not provide a legal determination of the Shelter's compliance with those requirements.

### **Opinion on Each Major Federal and State Program**

In our opinion, The Presbyterian Night Shelter of Tarrant County and Subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2018.

### **Report on Internal Control Over Compliance**

Management of the Shelter 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 Shelter's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *Uniform Grant Management Standards* of the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness on the Shelter'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 or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 or state 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 or state 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 the 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 the 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 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 and *Uniform Grant Management Standards* of the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Forth Worth, Texas  
September 30, 2019

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS ON FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance for major programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 or the State of Texas Single Audit Circular? \_\_\_\_\_ yes  X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.235	Supportive Housing Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**Section II – Findings Relating to the Financial Statement Audit Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards* and 2 CFR Section 200.516**

Our audit did not disclose any matters required to be reported in accordance with the above standards.

**Section III – Findings and Questioned Costs - Major Federal Programs**

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**Section IV – Prior Year Findings**

There were no findings in the prior year that were required to be reported.

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018**

Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Entity Number	Federal Expenditures
<b>U.S. Department of Homeland Security</b>			
Pass-through Programs from:			
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024	-	\$ 55,000
<b>Total U.S. Department of Homeland Security</b>			<u>55,000</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through Programs from:			
<b>City of Fort Worth</b>			
Emergency Shelter Grants Program	14.231	51628 49956 51663 49976	33,261 101,662 29,219 64,813
Community Development Block Grants (cluster)	14.218	51657 48743-A1 49953	38,526 30,000 113,851
<b>Tarrant County</b>			
Supportive Housing Program			
Operations	14.235	TX0118L6T011609 TX0118L6T011710	137,033 16,943
Administration	14.235	TX0118L6T011609 TX0118L6T011710	30,345 8,307
Supporting Services	14.235	TX0118L6T011609 TX0118L6T011710	252,397 46,680
Housing Solutions	14.235	TX0118L6T011609 TX0118L6T011710	492,677 153,438
<b>State of Texas - TDHCA</b>			
Emergency Shelter Grant Program	14.231	42170002825	101,805
Emergency Shelter Grant Program	14.231	42186010020	<u>21,396</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,672,353</u>
Total - Emergency Shelter Grant Program	14.231		<u>352,156</u>
Total - Community Block Development Grant (cluster)	14.218		<u>182,377</u>
Total - Supportive Housing Program	14.235		<u>1,137,820</u>
<b>U.S. Department of Veterans' Affairs</b>			
Homeless Providers Grant and Per Diem Program	64.024	PNST591-0629-549-SI-18-0 PNST591-0638-549-BH-18-0	416,874 225,845
<b>Total U.S. Department of Veteran Affairs</b>			<u>642,719</u>
<b>Total Federal and State Awards</b>			<u><u>\$ 2,370,072</u></u>

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of The Presbyterian Night Shelter of Tarrant County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulators Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (Uniform Guidance)* and *Uniform Grant Management Standards of the State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the Generally Accepted Accounting Principles basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, The Presbyterian Night Shelter of Tarrant County and Subsidiaries provided no federal awards to subrecipients.

**NOTE 4 NONCASH ASSISTANCE**

The Shelter did not receive any noncash assistance from federal or state awards for the year ended December 31, 2018.

**NOTE 5 LOANS**

At year-end, the Shelter had no loans or loan guarantees outstanding with federal or state awarding agencies.

**NOTE 6 INDIRECT COST RATES**

The Shelter has not elected to use the 10% de minimus indirect cost rate, and continues to use the rates negotiated individually with its grantors.



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**INDEPENDENT AUDITORS' REPORT  
ON CONSOLIDATING INFORMATION**

The Board of Directors  
The Presbyterian Night Shelter of Tarrant County and Subsidiaries  
Fort Worth, Texas

We have audited the consolidated financial statements of The Presbyterian Night Shelter of Tarrant County and Subsidiaries as of and for the year ended December 31, 2018 and have issued our report thereon date September 30, 2019 , which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and 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 consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Fort Worth, Texas  
September 30, 2019

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

	PNS	TWP	Security	Foundation	Eliminating Entries	Consolidated Totals
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 918,990	\$ 475,435	\$ -	\$ -	\$ -	\$ 1,394,425
Government Grants Receivable	354,779	29,219	-	-	-	383,998
Other Receivables	4,806	-	-	-	-	4,806
Related Party Receivable	86,848	-	-	-	(86,848)	-
Prepaid Insurance and Other Assets	106,302	41,257	-	-	(29,492)	118,067
Promises to Give - Long-Term Purposes	32,869	2,269,810	-	-	-	2,302,679
Property and Equipment, Net	12,538,813	13,843,620	-	-	-	26,382,433
Cash Restricted for Board-Designated Endowment Investment in Subsidiary	17,207,573	-	-	-	(17,207,573)	-
Long-Term Investments	9,866,464	2,001,789	-	-	-	11,868,253
<b>Total Assets</b>	<b>\$ 41,117,444</b>	<b>\$ 18,661,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,323,913)</b>	<b>\$ 42,454,661</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 289,519	\$ 28,279	\$ -	\$ -	\$ -	\$ 317,798
Related Party Payable	-	86,848	-	-	(86,848)	-
Accrued Liabilities	303,334	15,795	-	-	-	319,129
Deferred Tenant Improvements	-	1,322,635	-	-	-	1,322,635
Deferred Revenue	73,392	-	-	-	(29,492)	43,900
Notes Payable	1,330,000	-	-	-	-	1,330,000
<b>Total Liabilities</b>	<b>1,996,245</b>	<b>1,453,557</b>	<b>-</b>	<b>-</b>	<b>(116,340)</b>	<b>3,333,462</b>
<b>NET ASSETS</b>						
Without Donor Restrictions						
Undesignated	12,876,622	1,079,141	-	-	(1,079,141)	12,876,622
Board Designated Endowment	9,866,464	-	-	-	-	9,866,464
	22,743,086	1,079,141	-	-	(1,079,141)	22,743,086
With Donor Restrictions						
Purpose Restrictions	2,626,319	2,376,638	-	-	(2,376,638)	2,626,319
True Worth Place	13,751,794	13,751,794	-	-	(13,751,794)	13,751,794
	16,378,113	16,128,432	-	-	(16,128,432)	16,378,113
<b>Total Net Assets</b>	<b>39,121,199</b>	<b>17,207,573</b>	<b>-</b>	<b>-</b>	<b>(17,207,573)</b>	<b>39,121,199</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 41,117,444</b>	<b>\$ 18,661,130</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,323,913)</b>	<b>\$ 42,454,661</b>

**THE PRESBYTERIAN NIGHT SHELTER OF TARRANT COUNTY AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	PNS	TWP	Security	Foundation	Eliminating Entries	Consolidated Totals
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 2,080,777	\$ 124,312	\$ -	\$ -	\$ -	\$ 2,205,089
In-Kind Contributions	-	-	44,287	4,094	(48,381)	-
Government Grants	2,479,280	94,032	-	-	-	2,573,312
Other Grants	133,695	-	-	-	-	133,695
Program Fees	1,080,110	36,176.00	-	-	-	1,116,286
Rental Income	76,926	437,938	-	-	-	514,864
Net Loss from Subsidiary	(1,441,542)	-	-	-	1,441,542	-
Investment Income, Net of Fees of \$50,970	173,075	31,442	-	-	-	204,517
Special Events, Net of Expenses of \$104,167	203,229	-	-	-	-	203,229
Related Party Management Fees	361,317	-	-	-	(361,317)	-
Net Realized and Unrealized Gain (Loss) on Investments	(964,565)	(167,564)	-	-	-	(1,132,129)
Miscellaneous Income	41,702	75	-	-	-	41,777
Oil and Gas Revenue	6,781	-	-	-	-	6,781
Loss on Disposal of Assets	-	-	-	-	-	-
Total Support and Revenue	4,230,785	556,411	44,287	4,094	1,031,844	5,867,421
<b>EXPENSES</b>						
Program	6,337,352	1,570,628	42,632	-	(42,632)	7,907,980
General and Administrative	690,472	386,131	1,655	4,094	(367,066)	715,286
Fundraising	543,967	41,194	-	-	-	585,161
Total Functional Expenses	7,571,791	1,997,953	44,287	4,094	(409,698)	9,208,427
<b>CHANGE IN NET ASSETS</b>						
Net Assets - Beginning of Year	(3,341,006)	(1,441,542)	-	-	1,441,542	(3,341,006)
Net Assets - End of Year	42,462,205	18,649,115	-	-	(18,649,115)	42,462,205
<b>NET ASSETS - END OF YEAR</b>	\$ 39,121,199	\$ 17,207,573	\$ -	\$ -	\$ (17,207,573)	\$ 39,121,199