



**Dwell with Dignity, Inc.**

**Financial Statements  
December 31, 2017 and 2016**

# Dwell with Dignity, Inc.

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## **Independent Auditors' Report**

To the Board of Directors  
Dwell with Dignity, Inc.

We have audited the accompanying financial statements of Dwell with Dignity, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted accounting standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dwell with Dignity, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
June 5, 2018

**Dwell with Dignity, Inc.**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 427,563	\$ 458,991
Investments	219,331	161,945
Pledges receivable	34,504	58,493
Inventory	59,090	50,924
Other assets	19,820	9,813
<b>Total current assets</b>	760,308	740,166
Property and equipment, net	1,162	5,201
<b>Total assets</b>	\$ 761,470	\$ 745,367
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 13,972	\$ 20,566
Deferred rent	5,881	7,551
<b>Total current liabilities</b>	19,853	28,117
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Board-designated	250,000	250,000
Undesignated	483,273	455,234
<b>Total unrestricted net assets</b>	733,273	705,234
Temporarily restricted	8,344	12,016
<b>Total net assets</b>	741,617	717,250
<b>Total liabilities and net assets</b>	\$ 761,470	\$ 745,367

See notes to financial statements.

**Dwell with Dignity, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support:</b>			
Contributions	\$ 339,627	\$ 8,344	\$ 347,971
In-kind contributions	67,826	-	67,826
Special events, net of direct costs of \$153,471	537,702	-	537,702
Investment income, net	21,984	-	21,984
Net assets released from restriction	12,016	(12,016)	-
<b>Total revenue and support</b>	979,155	(3,672)	975,483
<b>Expenses:</b>			
Program services	711,265	-	711,265
Management and general	73,118	-	73,118
Fundraising	166,733	-	166,733
<b>Total expenses</b>	951,116	-	951,116
<b>Change in net assets</b>	28,039	(3,672)	24,367
<b>Net assets at beginning of year</b>	705,234	12,016	717,250
<b>Net assets at end of year</b>	<u>\$ 733,273</u>	<u>\$ 8,344</u>	<u>\$ 741,617</u>

See notes to financial statements.

**Dwell with Dignity, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support:</b>			
Contributions	\$ 277,334	\$ 12,016	\$ 289,350
In-kind contributions	112,220	-	112,220
Special events, net of direct costs of \$200,980	563,969	-	563,969
Investment income, net	9,010	-	9,010
<b>Total revenue and support</b>	<b>962,533</b>	<b>12,016</b>	<b>974,549</b>
<b>Expenses:</b>			
Program services	695,517	-	695,517
Management and general	96,750	-	96,750
Fundraising	175,460	-	175,460
<b>Total expenses</b>	<b>967,727</b>	<b>-</b>	<b>967,727</b>
<b>Change in net assets</b>	<b>(5,194)</b>	<b>12,016</b>	<b>6,822</b>
<b>Net assets at beginning of year</b>	<b>710,428</b>	<b>-</b>	<b>710,428</b>
<b>Net assets at end of year</b>	<b>\$ 705,234</b>	<b>\$ 12,016</b>	<b>\$ 717,250</b>

See notes to financial statements.

**Dwell with Dignity, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2017**

	Program Services	Management and General	Fundraising	Total
Administrative	\$ 19,699	\$ 1,441	\$ 2,883	\$ 24,023
Contract services	47,615	3,484	6,968	58,067
Special events	-	-	220,834	220,834
Facilities and equipment	139,569	8,064	16,128	163,761
Other	2,957	216	433	3,606
Program	159,872	-	-	159,872
Salaries and benefits	330,462	59,913	72,958	463,333
Travel and meetings	11,091	-	-	11,091
<b>Total expenses</b>	<b>711,265</b>	<b>73,118</b>	<b>320,204</b>	<b>1,104,587</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct costs of special events	-	-	(153,471)	(153,471)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 711,265</b>	<b>\$ 73,118</b>	<b>\$ 166,733</b>	<b>\$ 951,116</b>

See notes to financial statements.

**Dwell with Dignity, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2016**

	Program Services	Management and General	Fundraising	Total
Administrative	\$ 18,053	\$ 1,485	\$ 19,387	\$ 38,925
Contract services	21,292	63,211	13,621	98,124
Special events	-	-	242,562	242,562
Facilities and equipment	134,112	3,528	15,543	153,183
Other	37,199	3,380	2,165	42,744
Program	109,176	-	-	109,176
Salaries and benefits	362,887	24,610	80,660	468,157
Travel and meetings	12,798	536	2,502	15,836
<b>Total expenses</b>	<b>695,517</b>	<b>96,750</b>	<b>376,440</b>	<b>1,168,707</b>
<b>Less expenses included with revenues on the statement of activities</b>				
Direct costs of special events	-	-	(200,980)	(200,980)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 695,517</b>	<b>\$ 96,750</b>	<b>\$ 175,460</b>	<b>\$ 967,727</b>

See notes to financial statements.

**Dwell with Dignity, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 24,367	\$ 6,822
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	5,337	7,978
Noncash contributions of stock	(35,403)	(25,212)
Realized and unrealized gains on investments	(16,709)	(4,340)
Changes in assets and liabilities:		
Pledges receivable	23,989	(58,493)
Inventory	(8,166)	38,186
Other assets	(10,007)	(9,813)
Accounts payable	(6,594)	2,270
Accrued expenses	-	(52,520)
Deferred rent	(1,670)	7,551
<b>Net cash used by operating activities</b>	<b>(24,856)</b>	<b>(87,571)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	-	37,992
Purchases of investments	(5,274)	(9,667)
Purchase of property and equipment	(1,298)	-
<b>Net cash provided (used) by investing activities</b>	<b>(6,572)</b>	<b>28,325</b>
<b>Net decrease in cash</b>	<b>(31,428)</b>	<b>(59,246)</b>
<b>Cash at beginning of year</b>	<b>458,991</b>	<b>518,237</b>
<b>Cash at end of year</b>	<b>\$ 427,563</b>	<b>\$ 458,991</b>
<b>Supplemental disclosure on noncash investing activities:</b>		
Donations of common stock	\$ 35,403	\$ 25,212

See notes to financial statements.

# Dwell with Dignity, Inc.

## Notes to Financial Statements

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### 1. Organization

Dwell with Dignity, Inc. (Organization) is a nonprofit corporation organized in Texas and is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization's mission is to help families escape poverty and homelessness through design, one household at a time. The Organization is funded by individual and corporate donations, grants and an annual fundraiser, Thrift Studio. Thrift Studio is a 30-day pop-up shop that is created to provide financial viability for the Organization by selling donated furniture, housewares, art, accessories and high-end designer finds to the public.

Effective December 2016, Dwell with Dignity Foundation, Inc. changed its name to Dwell with Dignity, Inc.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

#### *Financial Statement Presentation*

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

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

*Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. As of December 31, 2017 and 2016, there were no permanently restricted net assets.

## **Dwell with Dignity, Inc.**

### **Notes to Financial Statements**

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Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Temporarily restricted contributions whose restrictions are met in the same year the contributions are received are reported as unrestricted net assets.

#### ***Financial Instruments and Credit Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash, investments, and pledges receivable.

The Organization places cash, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at each institute are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization's uninsured bank balances totaled \$135,041. The Organization has not experienced any losses on such assets.

Pledges receivable are unsecured and are due from various donors. The Organization continually evaluates the collectability of pledges receivable and maintains allowances, as considered necessary, for potentially uncollectable amounts. Pledges from three and two donors totaled 87% and 83% of total pledges receivable at December 31, 2017 and 2016, respectively.

The Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of the investments will occur in the near term and such changes could materially affect the value of the Organization's portfolio.

#### ***Investments***

At December 31, 2017 and 2016, the Organization's investments consist of cash, sweep accounts, stocks and mutual funds and are stated at fair value in the statements of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. The Organization classifies cash and sweep accounts held by external investment managers as investments as these funds are not readily available for operations.

#### ***Inventory***

Inventory consists primarily of high-end designer furniture and décor available for use in design projects or made available for sale at the Thrift Studio (see Note 1). Purchased inventory is stated at the lower of cost or fair market value. Donated inventory is stated at estimated fair value on the date of donation.

## **Dwell with Dignity, Inc.**

### **Notes to Financial Statements**

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#### ***Property and Equipment***

Property and equipment is recorded at cost or if acquired by gift, at fair market value at the date of the gift. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. Depreciation is calculated using the straight-line method over estimated useful lives.

#### ***Deferred Rent***

Rent expense is recognized on a straight-line basis over the life of the lease. Deferred rent represents rent expense recognized in excess of rental payments made.

#### ***Revenue Recognition***

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

Donated furniture, décor and rent are reflected as contributions at their estimated fair value at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organization.

#### ***Federal Income Tax***

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the IRC that is exempt from federal income taxes under Section 501(a) of the IRC. For the years ended December 31, 2017 and 2016, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes and had no uncertain tax positions. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2017 and 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

**Dwell with Dignity, Inc.**  
**Notes to Financial Statements**

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***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Estimates and Assumptions***

The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

***Reclassification***

Certain amounts in the 2016 financial statements have been reclassified to be consistent with the 2017 presentation.

**3. Investments**

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**Dwell with Dignity, Inc.**  
**Notes to Financial Statements**

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***Cash and Sweep Accounts***

Cash and sweep accounts held by the Organization are valued using \$1 for the net asset value (NAV).

***Common Stock***

Common stock held by the Organization is valued at the closing price reported on the New York Stock Exchange Composite Listing.

***Mutual Funds***

These investments are public investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

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

Investments held by the Organization are measured using Level 1 inputs.

The table below sets forth the Organization's investments by general type as of December 31:

	<u>2017</u>	<u>2016</u>
Cash and sweep accounts	\$ 799	\$ 279
Common stock	68,113	23,856
Mutual funds - income	37,037	108,606
Mutual funds - growth	113,382	29,204
	<u>\$ 219,331</u>	<u>\$ 161,945</u>

Net investment income (loss) consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 5,275	\$ 4,670
Realized/unrealized gains	16,709	4,340
	<u>\$ 21,984</u>	<u>\$ 9,010</u>

**Dwell with Dignity, Inc.**  
**Notes to Financial Statements**

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The following investments represent 10% or more of total investments at December 31:

	2017	2016
Apple Inc.	\$ 27,923	\$ 19,110
Franklin Income Fund Class A	30,784	28,395
Franklin Custodian Growth Fund Class A	37,037	29,204
Franklin Funds Total Return Fund Class A	41,360	39,922
Templeton Global Bond Fund Class A	41,236	40,288

#### **4. Property and Equipment**

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

	2017	2016
Furniture, fixtures and equipment	\$ 26,804	\$ 25,506
Vehicles	20,452	20,452
	47,256	45,958
Accumulated depreciation	(46,094)	(40,757)
	\$ 1,162	\$ 5,201

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$5,337 and \$7,978, respectively.

#### **5. Board Designated Net Assets**

Unrestricted net assets of \$721,273 and \$705,234 at December 31, 2017 and 2016, respectively, included board-designated funds of \$250,000 for a reserve to support the Organization.

#### **6. Temporarily Restricted Net Assets**

Temporarily restricted net assets totaling \$8,344 at December 31, 2017 are restricted for Houston assistance. Temporarily restricted net assets totaling \$12,016 at December 31, 2016 are restricted for home installation.

**Dwell with Dignity, Inc.**  
**Notes to Financial Statements**

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**7. In-kind Donations**

The Organization received the following in-kind donations during the years ended December 31:

	2017	2016
Inventory	\$ 434,397	\$ 291,290
Rent	164,222	154,274
Legal services	-	110,535
	598,619	556,099
Less: Special event rent	(131,042)	(118,154)
Special event inventory	(399,751)	(325,725)
	\$ 67,826	\$ 112,220

**8. Leased and Donated Facilities**

During the year ended December 31, 2015, the Organization entered into non-cancelable operating lease agreements for facilities located in Atlanta, Georgia and Dallas, Texas. The leases include rent abatements and fixed rent escalations, which are amortized and recorded over the lease term on a straight-line basis. The following is a schedule of future minimum lease payments under these lease agreements for the years ending December 31:

2018	\$	72,948
2019		44,796
2020		44,796

For the year ended December 31, 2017, rent expense totaled \$258,120, of which \$164,222 represents the value of donated rent.

For the year ended December 31, 2016, rent expense totaled \$241,565, of which \$154,274 represents the value of donated rent.

**Dwell with Dignity, Inc.**  
**Notes to Financial Statements**

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**9. Related Party Transactions**

During the year ended December 31, 2016, the Organization purchased inventory from a company owned by a board member totaling \$9,194.

**10. Subsequent Events**

The Organization evaluated subsequent events after the statement of financial position date of December 31, 2017 through June 5, 2018, which was the date the financial statements were issued, and concluded that no additional disclosures are required.