QUIXOTE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Quixote Center, Inc.
College Park, Maryland

We have audited the accompanying financial statements of Quixote Center, Inc. (a non-profit Organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Quixote Center, Inc., as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Quixote Center, Inc.'s 2017 financial statements, and our report dated December 18, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mullen Sondberg Wimbish & Stone

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
February 14, 2019

Quixote Center, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	$ 187,216	$ 142,241
Investments	40,535	37,265
Pledges receivable	125,778	135,699
Prepaid expenses	2,641	1,998
Total current assets	356,170	317,203
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	7,026	1,902
OTHER ASSETS		
Deposits	2,500	2,500
Total assets	$ 365,696	$ 321,605

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 55,495	$ 47,503
Accrued vacation	8,096	1,611
Total liabilities	63,591	49,114
NET ASSETS		
Unrestricted	224,823	220,379
Temporarily restricted	77,282	52,112
Total net assets	302,105	272,491
Total liabilities and net assets	$ 365,696	$ 321,605

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

Quixote Center, Inc.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
With Summarized Financial Information for Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
REVENUES, GAINS AND OTHER SUPPORT				
Contributions and grants	$ 556,093	$ 77,282	$ 633,375	$ 567,663
Miscellaneous income	4,871	-	4,871	226
Realized/unrealized gain on investments	2,887	-	2,887	10,960
Publications and product sales	1,951	-	1,951	5,725
Interest income	1,280	-	1,280	785
	567,082	77,282	644,364	585,359
Net assets released from restrictions	52,112	(52,112)	-	-
Total revenues, gains and other support	619,194	25,170	644,364	585,359
EXPENSES				
Program services				
Quest for Peace	301,132	-	301,132	572,634
Haiti Reborn	59,744	-	59,744	83,131
Bill Callahan Memorial Fund	37,808	-	37,808	-
InAlienable	32,031	-	32,031	1,186
Catholics Speak Out	17,887	-	17,887	30,887
Total program services	448,602	-	448,602	687,838
Supporting services				
Management and general	139,910	-	139,910	77,021
Fundraising	26,238	-	26,238	42,781
Total supporting services	166,148	-	166,148	119,802
Total expenses	614,750	-	614,750	807,640
Change in net assets	4,444	25,170	29,614	(222,281)
NET ASSETS AT BEGINNING OF YEAR	220,379	52,112	272,491	494,772
NET ASSETS AT END OF YEAR	$ 224,823	$ 77,282	$ 302,105	$ 272,491

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

Quixote Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018
With Summarized Financial Information for the Year Ended June 30, 2017

	Haiti Reborn	Quest for Peace	Bill Callahan Memorial Fund	InAlienable	Catholics Speak Out	Total Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total: 2018	Total: 2017
Salaries	$ 17,175	$ 24,392	$ 14,754	$ 20,229	$ 9,582	$ 86,132	$ 65,164	$ 15,250	$ 166,546	$ 90,994
Employee benefits	1,367	1,857	1,182	1,416	739	6,561	15,524	1,232	23,317	41,242
Payroll taxes	1,332	1,887	1,151	1,564	739	6,673	4,430	1,184	12,287	7,136
Total salaries and related expenses	19,874	28,136	17,087	23,209	11,060	99,366	85,118	17,666	202,150	139,372
Contributions and grants	22,500	250,200	-	-	-	272,700	1,000	-	273,700	560,946
Rent	3,450	4,628	1,811	3,803	1,167	14,859	11,443	2,612	28,914	28,495
Conferences and meetings	325	142	14,146	330	828	15,771	958	138	16,867	480
Travel	3,637	7,039	1,601	211	226	12,714	2,782	284	15,780	5,748
Professional fees	1,267	2,085	736	1,446	455	5,989	6,338	1,509	13,836	24,995
Posting and shipping	735	2,848	456	350	266	4,655	4,864	300	9,819	8,267
Information technology	921	1,447	330	832	628	4,158	3,162	741	8,061	8,498
Bad debt	-	-	-	-	-	-	7,103	-	7,103	-
Printing and publications	203	160	200	4	1,815	2,382	2,765	1,366	6,513	11,984
Bank fees	869	1,253	444	623	363	3,552	2,244	571	6,367	5,877
Contracted services	1,188	1,457	69	122	481	3,317	1,284	101	4,702	1,105
Advertising	3,839	109	-	27	41	4,016	107	32	4,155	1,348
Dues and subscriptions	105	202	112	91	179	689	2,984	115	3,788	2,176
Telephone	310	441	232	290	183	1,456	1,200	246	2,902	761
Utilities	216	333	162	229	100	1,040	838	196	2,074	1,719
Depreciation	-	-	-	-	-	-	2,074	-	2,074	634
Office supplies	56	117	229	138	42	582	1,408	80	2,070	932
Insurance	221	364	63	264	38	950	723	251	1,924	2,062
Miscellaneous	-	99	-	-	-	99	1,085	-	1,184	598
Repairs and maintenance	28	72	130	62	15	307	430	30	767	1,643
Total expenses	$ 59,744	$ 301,132	$ 37,808	$ 32,031	$ 17,887	$ 448,602	$ 139,910	$ 26,238	$ 614,750	$ 807,640

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

Quixote Center, Inc.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 29,614	$ (222,281)
Adjustments to reconcile change in net assets to net cash provided by (used in) by operating activities:		
Depreciation	2,074	634
Realized/unrealized gain on investments	(2,887)	(10,960)
(Increase) decrease in operating assets:		
Pledges receivable	9,921	75,189
Prepaid expenses	(643)	(693)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	7,992	22,721
Accrued vacation	6,485	(613)
Net cash provided by (used in) by operating activities	52,556	(136,003)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,198)	-
Purchases of investments, including reinvested income	(298,420)	(337,661)
Proceeds from sale of investments	298,037	342,972
Net cash provided by (used in) investing activities	(7,581)	5,311
Net change in cash and cash equivalents	44,975	(130,692)
Cash and cash equivalents, beginning of year	142,241	272,933
Cash and cash equivalents end of year	$ 187,216	$ 142,241

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

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

Quixote Center, Inc. (the Center) is a non-profit Organization, incorporated in the State of Maryland. The Center's activities focus upon religious and educational development and alleviating the plight of poor minorities. The Center produces and distributes publications and provides speakers in order to increase the public's awareness of social justice issues. The Center also acts as an intermediary for the donation of humanitarian aid supplies to the people of Nicaragua from the people of the United States. The Center's primary responsibilities in this area include arranging for the shipment of the donated supplies, including the related fund raising to raise funds to cover shipment costs, overseeing the distribution of the supplies, and maintaining the proper records of shipments in order to comply with various United States and international requirements. The Center has also used public awareness advertisements in newspapers in an effort to educate a broad section of the United States population on social justice issues.

The Center's major program activities are:

Quixote Center Programs - Promotion of public awareness regarding social justice issues which are not included under the Center's primary programs and providing staffing for the Nicaraguan Cultural Alliance (a not-for-profit Corporation).

Quest for Peace - Collection and shipment of humanitarian aid to the people of Nicaragua through a network of church organizations; provide educational resources; assist with development efforts in Nicaragua. Alliance for Responsible Trade (ART) is a national network of labor, family-farm, religious, women's, environmental, development and research organizations that promote equitable and sustainable trade and development. ART is the network representative to the Hemispheric Social Alliance, a hemispheric-wide organization of coalitions which are challenging the dominant models of power. There is also an International Monetary Fund (IMF) program focused on contracting with Nicaraguan economists to research and write studies which show how IMF and World Bank policies impact life in Nicaragua.

Haiti Reborn - Provides assistance with literacy and reforestation projects in Haiti, assists with observations of elections and disseminates educational resources which document the events and situations in Haiti.

Catholics Speak Out - A network of United States Catholics committed to working for justice in the Church and the transformation of Church structures.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and recognized as revenue in the period received. Unconditional promises to give in a future period are discounted to their net present value at the time the revenue is recorded. Provision is generally determined from historical collection experience and a review of outstanding pledges receivable. Pledges receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. The Center has not recorded an allowance for uncollectible pledges as of June 30, 2018 and recorded an allowance of $14,250 for 2017. In the opinion of management, all outstanding pledges receivable are collectible as of June 30, 2018.

Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities.

Property and Equipment

Property and equipment acquisitions greater than $500 are capitalized and carried at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gifts of long-lived assets such as land, buildings or equipment are recorded at their fair values and reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all voluntary health and welfare organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expenses. The Center has allocated their expenses according to funding source from which proceeds are used for different program services.

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Tax Status and Position (Cont.)

The Center is classified by the Internal Revenue Service as other than a private foundation, and is exempt under Section 501(c)(3) of the Internal Revenue Code from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes as the Center has had no unrelated business income.

The Center follows the guidance of ASC 740-10, *"Accounting for Uncertainty in Income Taxes"* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Center's financial statements.

The Center analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Center does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Center's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2015 remain subject to examination by federal and State authorities.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Center. There were no donated services that qualified for recognization during the years June 30, 2018 and 2017.

Advertising

The Center expenses advertising costs when incurred. Advertising expenses were $4,155 and $1,348 for the years ended June 30, 2018 and 2017, respectively.

Reclassification

Certain amounts previously reported in the financial statements for the year ended June 30, 2017 have been reclassified to conform to the financial presentation for the year ended June 30, 2018.

Note 2 - Concentration of Cash Balances

As of June 30, 2018 and 2017, and at various times during the year, the Center maintained cash-in-bank balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Amounts held in excess of FDIC insurance coverage as of June 30, 2018 and 2017 were approximately $-0-.

Note 3 - Investments

Investments are reported at fair market value. The cost and market values of investments are as follows at June 30:

	2018		
	Cost	Market	Unrealized Gain
Mutual funds	$ 29,003	$ 40,535	$ 11,532

	2017		
	Cost	Market	Unrealized Gain
Mutual funds	$ 29,003	$ 37,265	$ 8,262

Interest income for the years ended June 30, 2018 and 2017 amounted to $1,280 and $785, respectively. Net realized and unrealized gains on investments for the years ended June 30, 2018 and 2017 amounts to $2,887 and $10,960, respectively.

Note 4 - Fair Value Measurement

ASC 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Center measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability at the measurement date. The three levels of the fair value hierarchy are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

Note 4 - Fair Value Measurement (Cont.)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. 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. However, the determination of what constitutes "observable" requires significant judgment by the Center. The Center considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Center's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed mutual funds.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Large blend funds	$ 40,535	$ -	$ -	$ 40,535

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Large blend funds	$ 37,265	$ -	$ -	$ 37,265

Note 5 - Pledges Receivable

Pledges receivable are expected to be realized in the following periods for the years ended June 30:

	2018	2017
In one year or less	$ 125,778	$ 149,949
Between one and five years	-	-
	125,778	149,949
Less discount	-	-
Less allowance	-	(14,250)
Net pledges receivable	$ 125,778	$ 135,699

Note 6 - Property and Equipment

The carrying values and estimated lives of each class of property and equipment are as follows at June 30:

	Estimated Lives	2018	2017
Furniture and equipment	3-15 years	$ 24,858	$ 18,960
Less accumulated depreciation		(17,832)	(17,058)
		$ 7,026	$ 1,902

Depreciation expense amounted to $2,074 and $634 for the years ended June 30, 2018 and 2017.

Note 7 - Accrued Vacation

Employees of the Center are entitled to paid vacation leave depending on length of service. At June 30, 2018 and 2017, vacation benefits due to employees amounted to $8,096 and $1,611, respectively.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following at June 30:

	2018	2017
Quest for Peace - Homes for Hope	$ 71,280	$ -
Quest for Peace	5,165	14,436
Bill Callahan Memorial Fund	837	23,086
Haiti Reborn	-	9,725
Catholics Speak Out	-	4,865
	$ 77,282	$ 52,112

Note 9 - Operating Lease Commitments

The Center leases office space under a lease agreement, which originated in August 2011. On August 31, 2015, the operating lease agreement expired and the Center continued to rent the space under a month-to-month agreement. The Center signed a new five year lease agreement that began December 1, 2016. The lease requires monthly rental payments of $2,250 and expires November 30, 2021.

Future minimum operating lease payments are as follows for the years ended June 30:

2019	$ 27,000
2020	27,000
2021	27,000
2022	11,250
2023	-
	$ 92,250

Rent expense including utilities, storage and property taxes for the years ended June 30, 2018 and 2017 amounted to $28,914, and $28,495, respectively.

Note 10 - Retirement Plan

The Center established a tax-deferred annuity retirement plan on January 1, 1991. The Plan is intended to be a qualified plan under Internal Revenue Code Section 403(b). All employees are eligible to participate in the Plan provided they meet the following requirements: age 18 and three months of service, with a minimum of 250 hours of service. For continued eligibility, each employee must work at least 1,000 hours during a plan year.

The Plan is funded by voluntary employee salary reduction agreements. At the beginning of each plan year, the Center makes a determination as to whether or not an employer contribution will be made for eligible employees. During the years ended June 30, 2018 and 2017, the Center elected to contribute $1,888 and $2,041 to the Plan, respectively.

The Retirement Medical Benefit Policy inaugurated by the Board in 2008 entitles retired, full-time staff aged 65 or older with at least 20 years of service up to $2,400 per year, adjusted for inflation, for otherwise uncovered medical expenses, including insurance. The policy was amended during the year ended June 30, 2017 to increase the benefit to cover current insurance costs. There is currently one retiree who meets those qualifications. There are two ways the Center can pay this benefit to the retiree: on an on-going basis (as currently done through monthly reimbursements) or as a lump-sum payout. The estimated cost of a lump-sum payout at June 30, 2018 and 2017 was $51,817 and $45,857, respectively and is included in accounts payable and accrued liabilities in the statement of financial position.

Note 11 - Subsequent Events

The Center has evaluated the impact of significant subsequent events. There have been no subsequent events through February 14, 2019, the date the Center's financial statements were available to be issued, that require recognition or disclosure.