
Quixote Center, Inc.

**Financial Statements and
Independent Auditor's Report**

**For the Year Ended
June 30, 2019**

LSWG
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS



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Independent Auditor's Report

To the Board of Directors of
Quixote Center, Inc.

We have audited the accompanying financial statements of Quixote Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 12 to the financial statements, certain errors resulting in understatement of amounts previously reported for accounts receivable and revenue as of June 30, 2015 were discovered. Accordingly, an adjustment has been made to net assets with donor restrictions as of June 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Linton Shafer Warfield & Garrett, P.A.

January 22, 2020
Rockville, Maryland

QUIXOTE CENTER, INC.
Statement of Financial Position
June 30, 2019

Assets

Current Assets

Cash and cash equivalents	\$	216,154
Accounts receivable		19,123
Pledges receivable		170,912
Prepaid expenses		4,426
Total Current Assets		410,615

Property and Equipment - at Cost

Equipment		13,522
Less: accumulated depreciation		(8,570)
Property and Equipment - Net		4,952

Other Assets

Investments		43,975
Deposits		2,500
		46,475

Total Assets	\$	462,042
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	1,636
Accrued paid time off		6,956
Retirement liability		49,750
Total Current Liabilities		58,342

Net Assets

Without donor restrictions		402,096
With donor restrictions		1,604
Total Net Assets		403,700

Total Liabilities and Net Assets	\$	462,042
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The accompanying notes are an integral part of this statement.

QUIXOTE CENTER, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions and grants	\$ 360,662	\$ 117,852	\$ 478,514
Bequests	45,455	-	45,455
Miscellaneous income	2,360	-	2,360
Publications and product sales	2,537	-	2,537
Interest income	3,507	-	3,507
Total Support and Revenue	<u>414,521</u>	<u>117,852</u>	<u>532,373</u>
Net assets released from restrictions	<u>295,878</u>	<u>(295,878)</u>	<u>-</u>
Total Support and Revenue	<u>710,399</u>	<u>(178,026)</u>	<u>532,373</u>
Expenses			
Program Services			
Haiti Reborn	65,443	-	65,443
Quest for Peace	203,296	-	203,296
Bill Callahan Memorial Fund	17,499	-	17,499
InAlienable	63,127	-	63,127
Catholics Speak Out	25,322	-	25,322
Supporting Services			
Management and general	103,023	-	103,023
Fundraising	54,375	-	54,375
Total Operating Expenses	<u>532,085</u>	<u>-</u>	<u>532,085</u>
Realized/unrealized loss on investments	<u>1,041</u>	<u>-</u>	<u>1,041</u>
Total Expenses	<u>533,126</u>	<u>-</u>	<u>533,126</u>
Change in Net Assets	177,273	(178,026)	(753)
Net Assets - Beginning of Year, as restated	<u>224,823</u>	<u>179,630</u>	<u>404,453</u>
Net Assets - End of Year	<u>\$ 402,096</u>	<u>\$ 1,604</u>	<u>\$ 403,700</u>

The accompanying notes are an integral part of this statement.

QUIXOTE CENTER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services					Supporting Services		Total	
	Haiti Reborn	Quest for Peace	Bill Callahan Memorial Fund	InAlienable	Catholics Speak Out	Management and General	Fundraising		
Personnel									
Salaries	\$ 21,469	\$ 16,679	\$ 11,643	\$ 40,717	\$ 14,202	\$ 104,710	\$ 26,480	\$ 190,112	
Payroll taxes	1,598	1,241	871	3,049	1,047	7,806	4,869	14,642	
Employee benefits	1,617	870	1,423	2,969	1,015	7,894	6,432	16,296	
Total Personnel	24,684	18,790	13,937	46,735	16,264	120,410	30,417	221,050	
Advertising	2	25	28	13	4	72	127	3,812	
Bank fees	320	300	97	389	188	1,294	665	454	
Conferences and meetings	75	81	21	406	41	624	2,400	355	
Contracted services	186	81	47	201	87	602	314	103	
Contributions and grants	27,500	175,010	-	-	500	203,010	-	-	
Dues and subscriptions	156	97	47	979	403	1,682	712	2,454	
Depreciation	240	180	112	413	156	1,101	697	276	
Information technology	520	369	225	854	611	2,579	4,028	867	
Insurance	483	188	108	662	255	1,696	1,036	399	
Office supplies	333	69	31	60	23	516	724	122	
Payroll fees	314	243	147	558	205	1,467	931	378	
Postage and shipping	734	482	456	855	237	2,764	3,659	2,243	
Printing and publications	1,063	188	4	211	889	2,355	760	3,084	
Professional fees	1,477	896	987	2,580	879	6,819	4,183	2,225	
Rent	3,219	2,529	1,008	5,175	2,885	14,816	9,279	3,455	
Repairs and maintenance	62	37	37	124	34	294	149	83	
Telephone	323	313	112	542	264	1,554	883	325	
Travel and meetings	3,616	3,183	43	2,069	1,287	10,198	1,533	3,076	
Utilities	136	235	52	301	110	834	720	247	
Total Expenses	\$ 65,443	\$ 203,296	\$ 17,499	\$ 63,127	\$ 25,322	\$ 374,687	\$ 103,023	\$ 54,375	\$ 532,085

The accompanying notes are an integral part of this statement.

QUIXOTE CENTER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2019

Increase (Decrease) In Cash and Cash Equivalents

Cash Flows from Operating Activities

Change in net assets	\$ (753)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	2,074
Realized/unrealized loss on investments	1,041
Non-cash stock contributions received	(405,574)
Net change in current assets and liabilities	
Accounts receivable	(18,313)
Pledges receivable	57,224
Prepaid expenses	(1,785)
Accounts payable	(1,458)
Accrued paid time off	(1,140)
Retirement liability	<u>(2,651)</u>
Net Cash (Used in) Operating Activities	<u>(371,335)</u>

Cash Flows from Investing Activities

Proceeds from sale of investments	<u>400,273</u>
Net Cash Provided by Investing Activities	<u>400,273</u>

Net increase in cash and cash equivalents 28,938

Cash and Cash Equivalents - Beginning of Year 187,216

Cash and Cash Equivalents - End of Year \$ 216,154

Supplemental Information:

Interest paid	<u>\$ -</u>
Income taxes paid	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

1. Nature of Business

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.

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.

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.

Bill Callahan Memorial Fund - Provides support to emerging social justice projects and activists

InAlienable - A migration justice initiative focused on education, advocacy, accompaniment and direct humanitarian aid to migrants, particularly those in the Americas

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses when they are incurred.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

2. Summary of Significant Accounting Policies (continued)

(b) Financial Statement Presentation

The Center adopted Financial Accounting Standards Board (FASB) Codification Standards. Under the Codification Standards, the Center is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other asset or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

(c) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Changes in fair value are recorded as unrealized gains and losses. Realized gains and losses are recorded upon the sale of the investments. These gains (losses) are included in the Statement of Activities and Changes in Net Assets.

(d) 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, 2019. In the opinion of management, all outstanding pledges receivable are collectible as of June 30, 2019.

(e) Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The Center's policy is to capitalize expenditures for property and equipment in excess of \$500. Depreciation is computed on the straight-line method using estimated useful lives, varying from three to ten years. Depreciation expense for June 30, 2019 was \$2,074.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

2. Summary of Significant Accounting Policies (continued)

(f) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Such estimates primarily relate to unsettled transactions and events on the dates of the statements of financial position. Accordingly, actual results could differ from those estimates.

(g) Cash and Cash Equivalents

The Center considers cash and cash equivalents to include all highly liquid cash and investments with a maturity of three months or less at acquisition.

(h) Advertising

The Center expenses advertising costs as incurred. Advertising expenses were \$4,011 for the year ended June 30, 2019.

(i) Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Quixote Center adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 11), and disclosures related to functional allocation of expenses were expanded (Note 5).

3. Fair Market Value and Investments

Financial Accounting Standards Board (FASB) Codification Standards defines fair value, establishes a framework for measuring fair value, expands disclosures about fair value measurements and establishes a hierarchy for valuation inputs.

Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

3. Fair Market Value and Investments (continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Investments consist of a mutual fund, which are stated at their readily determinable fair values. Investments at June 30, 2019 are all Level 1.

	<u>Market Value</u>	<u>Cost</u>
Mutual fund	\$ 43,975	\$ 42,791

4. Pledges Receivable

Pledges receivable are expected to be realized in the following periods for the year ended June 30, 2019:

One year or less	\$ 170,912
One to five years	-
	170,912
Less discount	-
Net pledges receivable	\$ 170,912

5. Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Certain administrative costs have been allocated among the programs and supporting services benefited based on estimated time and effort.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

6. Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. For the years ended June 30, 2019, the Center has determined that no income tax is due for its activities. Accordingly, no provision for income tax has been recorded in the accompanying financial statements. The Center is not considered a private foundation.

The Center has adopted the recognition requirements for uncertain income tax positions as required by U.S. generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Center believes that the income tax filings will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Center's financial condition, results of operations, or cash flows. Accordingly, the Center has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019.

The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, the Center's tax returns remain open for federal income tax examination for three years from the date of filing.

7. Net Assets with Donor Restrictions

Net assets with donor restriction are restricted for the following purposes at June 30, 2019:

Quest for Peace - Homes for Hope	\$ 729
Quest for Peace	<u>875</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,604</u>

8. Concentrations

Credit Risk - Cash and cash equivalents held by the Center in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. There were no uninsured cash balances at June 30, 2019. Management believes the Center is not exposed to any significant credit risk related to cash and cash equivalents.

Sources of Revenue - One donor represents approximately 57% of total revenue for the year ended June 30, 2019. The implications of this concentration are recognized by management and the Board.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

9. Lease Commitments

The Center leases office space under a lease agreement dated December 1, 2016 however, an updated lease agreement was signed in March 2019. The lease requires monthly lease payments of \$2,300 and expires February 28, 2021.

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

2020	\$ 27,600
2021	18,400
2022	-
2023	-
2024	-

Rent expense including utilities, storage and property taxes for the year ended June 30, 2019 amounted to \$27,550.

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, 2019, the Center elected to contribute \$5,493 to the Plan.

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, 2019 was \$48,406 and is included in retirement liability in the statement of financial position.

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

11. Liquidity and Availability of Financial Assets

The following table reflects the Center's financial assets as of June 30, 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 216,154
Accounts receivable	19,123
Pledges receivable	170,912
Investments	<u>43,975</u>
Financial assets, at year-end	450,164
Less those unavailable for general expenditure	
within one year, due to:	
Purpose restrictions	<u>(1,604)</u>
Financial assets available to meet cash needs	
for general expenses within one year	<u>\$ 448,560</u>

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

12. Correction of an Error

During the year ended June 30, 2019, it was determined that a 5-year, \$500,000 pledge received in fiscal year 2015 was erroneously understated by \$100,000. As a result, the net assets in the accompanying financial statements for the year ended June 30, 2018 have been restated. The effect of the restatement increased net assets with donor restrictions by \$102,348, as shown in the table below.

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net assets, June 30, 2018, as previously stated	\$ 224,823	\$ 77,282	\$ 302,105
Record pledge revenue, June 30, 2015	-	102,348	102,348
Net assets, June 30, 2018, as restated	<u>\$ 224,823</u>	<u>\$ 179,630</u>	<u>\$ 404,453</u>

Quixote Center, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2019

13. Subsequent Events

Management has evaluated subsequent events through January 22, 2020, the date that the financial statements were available to be issued. There were no subsequent events to report.

