

# **Northwest Youth Services**

Financial Statements with  
Independent Auditor's Report

Year Ended December 31, 2020  
(with Summarized Comparative Totals  
for Year Ended December 31, 2019)

Larson Gross 

# Northwest Youth Services

## Contents

---

	Page
<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-16

## Independent Auditor's Report

To the Board of Directors  
Northwest Youth Services  
Bellingham, WA

### Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Youth Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Northwest Youth Services as of December 31, 2020, 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.

**Other Matter***Report on Summarized Comparative Information*

We have previously audited Northwest Youth Services' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of Northwest Youth Services' 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 Northwest Youth Services' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Youth Services' internal control over financial reporting and compliance.

*Larson Gross PLLC*

Bellingham, Washington  
November 29, 2021

## Northwest Youth Services

## Statement of Financial Position

December 31, 2020

(With Summarized Comparative Totals for December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 923,883	\$ 869,796
Grants receivable	643,182	234,452
Pledges receivable, net	216,588	120,700
Rent receivable, net	29,589	29,589
Prepaid expenses	<u>55,738</u>	<u>49,281</u>
Total current assets	1,868,980	1,303,818
<b>Long-term pledges receivable, net</b>	143,000	-
<b>Long-term rent receivable, net</b>	209,592	239,181
<b>Property and equipment, net</b>	817,058	756,988
<b>Investment in assets held by Whatcom Community Foundation</b>	<u>18,387</u>	<u>15,817</u>
<b>Total assets</b>	<u>\$ 3,057,017</u>	<u>\$ 2,315,804</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 62,641	\$ 27,923
Accrued expenses	258,889	190,400
Deposits held as fiscal sponsor	-	101,421
Current portion of notes payable	<u>8,300</u>	<u>7,800</u>
Total current liabilities	329,830	327,544
<b>Notes payable, net of current portion</b>	<u>340,256</u>	<u>351,183</u>
Total liabilities	670,086	678,727
<b>Net assets</b>		
Without donor restrictions		
Undesignated	869,494	366,854
Board-designated	63,467	170,534
Net investment in property and equipment	<u>468,502</u>	<u>398,005</u>
Total without donor restrictions	1,401,463	935,393
With donor restrictions	<u>985,468</u>	<u>701,684</u>
Total net assets	<u>2,386,931</u>	<u>1,637,077</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,057,017</u>	<u>\$ 2,315,804</u>

Northwest Youth Services

Statement of Activities

Year Ended December 31, 2020

(With Summarized Comparative Totals for Year Ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and support</b>				
Grants and contributions – individuals, businesses, and organizations	\$ 1,051,306	\$ 535,149	\$ 1,586,455	\$ 1,111,596
In-kind contributions	45,962	13,491	59,453	373,259
Government grants and contracts	3,381,800	-	3,381,800	2,202,452
Fundraising activities, net of direct expenses of \$17,350 and \$29,686 for 2020 and 2019, respectively	12,600	-	12,600	135,289
Other	6,170	-	6,170	13,751
Net assets released from restrictions	264,856	(264,856)	-	-
Total revenue and support	4,762,694	283,784	5,046,478	3,836,347
<b>Functional expenses</b>				
Program services	3,274,978	-	3,274,978	2,632,290
Management and general	763,008	-	763,008	732,378
Fundraising	258,638	-	258,638	240,648
Total functional expenses	4,296,624	-	4,296,624	3,605,316
<b>Change in net assets</b>	466,070	283,784	749,854	231,031
Net assets – beginning of year	935,393	701,684	1,637,077	1,406,046
<b>Net assets – end of year</b>	<u>\$ 1,401,463</u>	<u>\$ 985,468</u>	<u>\$ 2,386,931</u>	<u>\$ 1,637,077</u>

Northwest Youth Services

**Statement of Functional Expenses**

Year Ended December 31, 2020

(With Summarized Comparative Totals for Year Ended December 31, 2019)

	2020			2019	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,796,556	\$ 428,604	\$ 182,865	\$ 2,408,025	\$ 2,021,452
Payroll taxes	170,744	33,098	16,745	220,587	207,418
Employee benefits	163,110	32,829	12,622	208,561	184,479
Total payroll related	2,130,410	494,531	212,232	2,837,173	2,413,349
Client lease	567,552	-	-	567,552	237,708
Professional fees	118,370	163,876	2,086	284,332	319,310
Occupancy	121,515	28,525	9,392	159,432	125,085
Client assistance – other	112,640	-	-	112,640	66,089
In-kinds	45,968	26,502	16,572	89,042	98,489
Depreciation	45,607	11,402	-	57,009	59,506
Supplies	33,615	6,117	1,933	41,665	61,660
Telephone	28,723	369	524	29,616	28,759
Office expense	12,837	3,475	6,802	23,114	28,236
Travel	18,937	923	117	19,977	29,761
Conferences and training	15,877	1,977	333	18,187	22,047
Interest	-	16,152	-	16,152	16,773
Miscellaneous	938	7,311	5,574	13,823	10,932
Insurance	9,107	1,423	3,073	13,603	27,879
Equipment and repairs	11,558	425	-	11,983	36,474
Stipends, summer youth	1,324	-	-	1,324	23,259
	<u>\$ 3,274,978</u>	<u>\$ 763,008</u>	<u>\$ 258,638</u>	<u>\$ 4,296,624</u>	<u>\$ 3,605,316</u>

Northwest Youth Services

**Statement of Cash Flows**

Year Ended December 31, 2020

(With Summarized Comparative Totals for Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 749,854	\$ 231,031
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Net appreciation in investment in assets held by Whatcom Community Foundation	(2,570)	(2,223)
Expense (contribution) of right to use noncash assets, net of discount	29,589	(268,770)
Depreciation	57,009	59,506
(Increase) decrease in assets		
Grants receivable	(408,730)	6,757
Pledges receivable	(238,888)	181,695
Prepaid expenses and other assets	(6,457)	(15,807)
Increase (decrease) in liabilities		
Accounts payable	34,718	10,665
Accrued expenses	68,489	(26,329)
Deposits held as fiscal sponsor	(101,421)	101,421
	<u>181,593</u>	<u>277,946</u>
<b>Net cash provided by operating activities</b>	181,593	277,946
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(117,079)</u>	<u>(85,348)</u>
	<u>(117,079)</u>	<u>(85,348)</u>
<b>Net cash used by investing activities</b>	(117,079)	(85,348)
<b>Cash flows from financing activities</b>		
Repayment of notes payable	<u>(10,427)</u>	<u>(9,806)</u>
	<u>(10,427)</u>	<u>(9,806)</u>
<b>Net cash used by financing activities</b>	(10,427)	(9,806)
Net increase in cash and cash equivalents	54,087	182,792
Cash and cash equivalents – beginning of year	<u>869,796</u>	<u>687,004</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ 923,883</u>	<u>\$ 869,796</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 16,152</u>	<u>\$ 16,773</u>



**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 1 – Summary of Significant Accounting Policies**

**Organization** – Northwest Youth Services (the Organization) is a Washington State nonprofit entity founded in 1976. The Organization’s mission is to collaborate with at-risk, runaway, and homeless youth to foster self-reliance. Housing programs, vocational opportunities, and outreach services are provided by the Organization in order to further their mission.

**Basis of accounting** – The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

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

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.

**Net assets with donor restrictions** – Net assets that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specific or unspecified purposes.

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 restrictions. Gains and losses on investments and other assets 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 net assets with donor restrictions (i.e. the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized.

**Cash and cash equivalents** – Cash consists of cash held in bank accounts and short-term investments, such as money market accounts, with original maturity dates of three months or less for statement of cash flow purposes. The Organization maintains its cash in bank accounts that may exceed federal insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

**Grants receivable** – Grants receivable are recorded at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Organization bases its estimates of doubtful accounts on several factors. These factors include the Organization’s prior experience collecting grants receivable, the aging of the grants receivable at year-end, and management’s appraisal of current economic conditions. Based on the above factors, management considers all grants receivable to be fully collectible and, therefore, has not made any allowance for uncollectible grants.

Of the Organization’s total grants receivable at December 31, 2020 and 2019, 88% and 83% were due from two and five government agencies, respectively.

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Pledges receivable** – Pledges receivable represent unconditional promises to give and are stated at their net realizable value. Pledges extending beyond one year are initially recorded at fair value, and in arriving at fair value, management has discounted these contributions using donor-specific discount rates. Amortization of the fair value discounts is included in contribution revenue. In addition, pledges are recorded net of an allowance for uncollectible pledges. The allowance for uncollectible pledges is determined by management and management determined that no such allowance was required as of December 31, 2020 nor 2019, as all pledges are expected to be fully collectible.

Of the Organization's total pledges receivable at December 31, 2020 and 2019, 70% and 83% were due from one donor, respectively.

**Property and equipment** – The Organization capitalizes all property and equipment acquisitions in excess of \$2,500. Property and equipment are recorded at cost. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repairs and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which range from 4 to 39 years.

**Investment in assets held by Whatcom Community Foundation** – The Organization holds an interest in the future return on investments held by Whatcom Community Foundation (WCF). In accordance with generally accepted accounting principles, the Organization presents its investment balance as permanently restricted net assets. Distributions from the fund are paid to the Organization as requested by the Organization and approved by the WCF. Distributions are calculated by WCF as a discretionary percentage of the fair market value of the fund held by WCF. The balance of the fund held by WCF totaled \$18,387 and \$15,817 as of December 31, 2020 and 2019, respectively.

**Contributions** – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization received 29% and 27% of its individual, business, and organization contributions from two donors during the years ended December 31, 2020 and 2019, respectively.

**Donated goods, services, and rent** – Donations of supplies, equipment, and other goods, services, and rent are recorded at fair value on the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition under Accounting Standard Codification (ASC) 958-605-25-16, *Not-for-Profit Entities – Recognition of Contributed Services*.

**Government grants and contracts** – The Organization receives support from various federal, state, and local government agencies. Grant receipts are subject to restrictions on the use of funds placed by the grantor. The Organization administers these funds in accordance with grantor guidelines. Grant revenue under cost reimbursement arrangements is recognized as expenses are incurred. Amounts incurred but not yet reimbursed are reported as grants receivable.

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 1 – Summary of Significant Accounting Policies – (Continued)**

**Functional allocation of expenses** – The costs of providing various programs and other activities have been summarized on the functional basis in the accompanying statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee taxes and employee benefits are allocated based on time and effort. All other expenses are based on estimates of usage utilizing square footage, mileage and other metrics.

**Federal income tax** –The Organization is a nonprofit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision of income tax is necessary. The tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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

**Comparative financial information** –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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

**Subsequent events** – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 29, 2021, the date the financial statements were available to be issued.

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 2 – Availability and Liquidity**

The following represents the Organization’s financial assets available for general expenditure during the next year as of December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 923,883	\$ 869,796
Grants receivable	643,182	234,452
Pledges receivable	<u>359,588</u>	<u>120,700</u>
Total financial assets	1,926,653	1,224,948
Less amounts not available for general expenditure within one year		
Non current portion of pledges receivable	(143,000)	-
Donor-restricted for specific purpose	(386,699)	(317,097)
Donor-restricted to be held in perpetuity	<u>(18,387)</u>	<u>(15,817)</u>
	<u>(548,086)</u>	<u>(332,914)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,378,567</u>	<u>\$ 892,034</u>

The Organization has certain board-designated assets limited to use, but which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Organization has certain donor-restricted assets limited to use, which are not available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been excluded in the quantitative information above. Additionally, certain investment assets held by Whatcom Community Foundation are restricted in perpetuity. These assets limited to use are not available for general expenditure within the next year.

As part of the Organization’s liquidity management plan, cash in excess of daily requirements may be split equally between paying down long-term debt and building three months of annual budget reserves maintained in short-term investments.

**Note 3 – Pledges Receivable**

During 2016, the Organization commenced a campaign to raise funds for a collaboration project with The Opportunity Council (the Council), a nonprofit organization. The collaboration project is referred to as “22 North”. The Organization sold land located at 1022 North State Street in October 2017. Concurrent with the land sale, the Organization made a programmatic contribution totaling \$430,000 to partially finance the construction of a building on the land. 22 North was finalized in 2018 and resulted in the Organization leasing 20 studio apartments to young adults experiencing homelessness and offering the wrap-around support needed to help these young adults meet their goals. The planned collaboration also allowed the Organization to lease office space in the new building from the Council to provide services related to its exempt purpose.

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 3 – Pledges Receivable – (Continued)**

Pledges receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Campaign pledges receivable outstanding	\$ 10,000	\$ 15,375
Other pledges receivable outstanding	349,588	105,325
Total pledges receivable, net	359,588	120,700
Less: Current portion of pledges receivable	(216,588)	(120,700)
Noncurrent portion of pledges receivable	<u>\$ 143,000</u>	<u>\$ -</u>

**Note 4 – Rent Receivable**

The Organization entered into a 10 year lease with a church in Bellingham, Washington in January 2019 for property to house the Organization’s new program, The Ground Floor. The Ground Floor is a day-use center for at-risk, runaway and homeless youth ages 24 and under. The Organization has agreed to run this program for the entirety of the lease term. The Organization is not required to make any rent payments under the terms of this lease. As such, the Organization has recognized non-cash contribution revenue, rent expense, and rent receivable based on the estimated fair value of the benefit to be received by the Organization over the term of the lease. The rent receivable related to this lease is expected to be collected through use of the property as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 43,080	\$ 43,080
In one to five years	172,320	172,320
Thereafter	132,830	175,910
Total rent receivable	348,230	391,310
Less: Unamortized discount to fair value (at 8%)	(109,049)	(122,540)
Total rent receivable, net	239,181	268,770
Less: Current portion of rent receivable	(29,589)	(29,589)
Noncurrent portion of rent receivable	<u>\$ 209,592</u>	<u>\$ 239,181</u>

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 5 – Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building and leasehold improvements	\$ 837,704	\$ 662,654
Buildings	468,000	468,000
Land	109,440	109,440
Construction in progress – main office renovation	-	57,971
Equipment	40,372	40,372
Vehicles	31,663	31,663
Computer software	19,994	19,994
	<u>1,507,173</u>	<u>1,390,094</u>
Less accumulated depreciation	<u>(690,115)</u>	<u>(633,106)</u>
	<u>\$ 817,058</u>	<u>\$ 756,988</u>

Depreciation expense totaled \$57,009 and \$59,506 for the years ended December 31, 2020 and 2019, respectively.

**Note 6 – Line-of-Credit**

The Organization has a line-of-credit with a bank for up to \$100,000. The line-of-credit is secured by a commercial security agreement to lender, and interest is payable monthly at the bank's prime rate plus 4% (resulting in a rate of 7.25% at December 31, 2020). There were no amounts outstanding at December 31, 2020 and 2019. The line of credit was closed in May 2021.

**Note 7 – Long-Term Debt**

The Organization has a zero percent interest deferred loan from the City of Bellingham totaling \$53,132 as of December 31, 2020 and 2019. The purpose of this loan was to fund the new addition on the building from which the Organization operates its services. The addition was completed in 2013. The loan requires the Organization to continue utilizing the building for the benefit of individuals meeting certain housing and urban development requirements and does not require repayment until such time as the Organization sells, transfers, or refinances the building or ceases to serve low or moderate income individuals. If the Organization were to move to a different facility and sell the building to another nonprofit agency, the loan could be assumed by that nonprofit agency.

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 7 – Long-Term Debt** – (Continued)

Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Note payable to Peoples Bank, payments of \$2,215 per month, including interest at 5.39% through November 2027, the date of maturity, secured by a deed of trust on property	\$ 295,424	\$ 305,851
Note payable to the City of Bellingham, interest and payments deferred until the property is sold, transferred, or refinanced or no longer providing benefits to low or moderate income persons	<u>53,132</u>	<u>53,132</u>
	348,556	358,983
Amount due within one year	<u>(8,300)</u>	<u>(7,800)</u>
	<u>\$ 340,256</u>	<u>\$ 351,183</u>

Future annual principal payments on long-term debt for the years ending December 31 are as follows:

2021	\$ 8,300
2022	8,900
2023	9,400
2024	10,000
2025	10,700
Thereafter	<u>309,556</u>
	<u>\$ 348,556</u>

**Note 8 – Board-Designated Net Assets**

Board designated net assets consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Main office repair/IT infrastructure capital expenses	<u>\$ 63,467</u>	<u>\$ 170,534</u>

Northwest Youth Services

Notes to Financial Statements

December 31, 2020 and 2019

**Note 9 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Time restricted – other	\$ 359,588	\$ 100,000
Time restricted – rent receivable	239,181	268,770
Campaign – 22 North Project	195,115	249,233
Street Outreach Program	73,362	-
Behavioral Health	53,462	-
Positive Adolescent Development Program	20,283	-
Held in perpetuity with Whatcom County Foundation	18,387	15,817
Queer Youth Program	16,452	9,591
Ground Floor Program	6,498	43,103
Whatcom Vocational Program	2,000	-
Executive Director position	1,035	13,528
Other	105	1,642
	<u>\$ 985,468</u>	<u>\$ 701,684</u>

**Note 10 – Government Grants and Contracts**

Government grants and contracts revenue was received from the following government sources during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Washington State Department of Commerce	\$ 1,052,510	\$ 550,355
Whatcom County	694,994	449,469
Small Business Administration	461,000	-
Substance Abuse and Mental Health Services Administration	338,713	403,258
U.S. Department of Housing and Urban Development	322,021	251,673
City of Bellingham	236,157	259,892
U.S. Department of Health and Human Services	225,190	189,027
Skagit County	51,215	55,301
Bellingham School District	-	43,477
	<u>\$ 3,381,800</u>	<u>\$ 2,202,452</u>

**Note 11 – Operating Leases**

The Organization entered into an operating lease for additional office space commencing March 2016. The term of the lease ran through October 2019. Monthly payments totaled \$4,000 over the term of the lease.

The Organization entered into two additional leases for office space commencing April 2020. The terms of the leases run through March 2025. Monthly rent payment range from free to \$6,296 over the terms of the leases. These leases have been included in the following table of future minimum annual lease payments.



**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 11 – Operating Leases** – (Continued)

In November 2018, the Organization entered into a sublease agreement for office space as described in Note 3. Monthly payments total \$1,200 over the term of the lease. The lease expired in October 2020.

The Organization leases additional properties, on behalf of the youth it serves, in Whatcom and Skagit Counties under operating lease agreements, including some that are on a month-to-month basis. Monthly payments range from \$288 to \$1,754 with the leases expiring between 2020 and 2021.

Rent expense under these leases totaled \$657,184 and \$307,943 for the years ended December 31, 2020 and 2019, respectively.

Future minimum annual lease payments for the years ending December 31 are as follows:

2021	\$ 146,099
2022	76,862
2023	74,563
2024	75,381
2025	18,888
	<u>\$ 391,793</u>

**Note 12 – Pension Plan**

The Organization has a SIMPLE IRA plan, which is a defined contribution retirement plan. Under this plan, the Organization will match employee voluntary contributions up to 3% of gross wages of eligible employees. Employees are eligible to participate and receive employer match contributions upon completion of one year of service. Employer match contributions totaled \$17,533 and \$13,914 during the years ended December 31, 2020 and 2019, respectively.

**Note 13 – Risks and Uncertainties**

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the Organization. Management believes the Organization does not have any significant claims or other litigation where the ultimate resolution would have a material financial impact.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, it is reasonably possible that the Organization is vulnerable to the risk of a near-term severe impact.

**Notes to Financial Statements**

December 31, 2020 and 2019

**Note 14 – Subsequent Events**

In May 2021, the Organization opened a line-of-credit with a bank for up to \$100,000. The line-of-credit is secured by assets of the Organization, and interest is payable monthly at the bank's prime rate plus 2% (resulting in a rate of 5.250 % at August 2021).

Effective September 30, 2021, the Organization purchased property totaling \$935,000 to be utilized as a licensed shelter for minor youth. Once necessary upgrades are completed, the Organization plans to relocate its PAD services to this facility during 2022. The purchase was financed through funding from the City of Bellingham.

**Note 15 – Recent Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to record most leases with terms greater than 12 months on their balance sheet by recognizing a liability to make lease payments and an asset representing their right to use the asset during the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize the corresponding assets and lease liabilities. Lessee recognition, measurement, and presentation of expenses and cash flows will not change significantly from existing guidance and lessor accounting is largely unchanged. ASU 2016-02 also changes the definition of a lease and requires qualitative and quantitative disclosures that provide information about the amount, timing, and uncertainty of cash flows arising from leases. Application is currently required for annual periods beginning after December 15, 2021. The Organization continues to evaluate the impact of the new accounting guidance on its financial statements.