

# **Northwest Youth Services**

Financial Statements with  
Independent Auditor's Report

Year Ended December 31, 2021  
(with Summarized Comparative Totals  
for Year Ended December 31, 2020)

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 .....	7-15

## Independent Auditor's Report

To the Board of Directors  
Northwest Youth Services  
Bellingham, Washington

### Opinion

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, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northwest Youth Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Youth Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northwest Youth Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Youth Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Northwest Youth Services' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 September 6, 2022, 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  
September 6, 2022

## Northwest Youth Services

## Statement of Financial Position

December 31, 2021

(With Summarized Comparative Totals for December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,011,840	\$ 923,883
Grants receivable	530,443	643,182
Pledges receivable, net	171,000	216,588
Rent receivable, net	29,589	29,589
Prepaid expenses	<u>82,188</u>	<u>55,738</u>
Total current assets	1,825,060	1,868,980
<b>Long-term pledges receivable, net</b>	17,000	143,000
<b>Long-term rent receivable, net</b>	180,003	209,592
<b>Property and equipment, net</b>	1,732,856	817,058
<b>Investment in assets held by Whatcom Community Foundation</b>	<u>22,463</u>	<u>18,387</u>
<b>Total assets</b>	<u>\$ 3,777,382</u>	<u>\$ 3,057,017</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 37,725	\$ 62,641
Accrued expenses	319,409	258,889
Current portion of notes payable	<u>943,300</u>	<u>8,300</u>
Total current liabilities	1,300,434	329,830
<b>Notes payable, net of current portion</b>	<u>327,852</u>	<u>340,256</u>
Total liabilities	1,628,286	670,086
<b>Net assets</b>		
Without donor restrictions		
Undesignated	707,729	829,762
Board-designated	148,274	103,199
Net investment in property and equipment	<u>461,704</u>	<u>468,502</u>
Total without donor restrictions	1,317,707	1,401,463
With donor restrictions	<u>831,389</u>	<u>985,468</u>
Total net assets	<u>2,149,096</u>	<u>2,386,931</u>
<b>Total liabilities and net assets</b>	<u>\$ 3,777,382</u>	<u>\$ 3,057,017</u>

Northwest Youth Services

**Statement of Activities**

Year Ended December 31, 2021

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

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and support</b>				
Government grants and contracts	\$ 3,075,924	\$ -	\$ 3,075,924	\$ 3,381,800
Grants and contributions – individuals, businesses, and organizations	1,364,149	243,755	1,607,904	1,586,455
In-kind contributions	63,853	13,491	77,344	59,453
Fundraising activities, net of direct expenses of \$12,631 and \$17,350 for 2021 and 2020, respectively	17,869	-	17,869	12,600
Other income	5,217	-	5,217	6,170
Net assets released from restrictions	411,325	(411,325)	-	-
Total revenue and support	4,938,337	(154,079)	4,784,258	5,046,478
<b>Functional expenses</b>				
Program services	3,789,717	-	3,789,717	3,274,978
Management and general	950,263	-	950,263	763,008
Fundraising	282,113	-	282,113	258,638
Total functional expenses	5,022,093	-	5,022,093	4,296,624
<b>Change in net assets</b>	(83,756)	(154,079)	(237,835)	749,854
Net assets – beginning of year	1,401,463	985,468	2,386,931	1,637,077
<b>Net assets – end of year</b>	<u>\$ 1,317,707</u>	<u>\$ 831,389</u>	<u>\$ 2,149,096</u>	<u>\$ 2,386,931</u>

Northwest Youth Services

**Statement of Functional Expenses**

Year Ended December 31, 2021

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

	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 1,945,009	\$ 495,425	\$ 201,929	\$ 2,642,363	\$ 2,408,025
Payroll taxes	188,978	46,511	19,525	255,014	220,587
Employee benefits	169,793	57,183	10,528	237,504	208,561
Total payroll related	2,303,780	599,119	231,982	3,134,881	2,837,173
Client occupancy	775,853	1,031	-	776,884	567,552
Professional fees	126,898	170,849	6,632	304,379	284,332
Occupancy	111,817	46,566	15,518	173,901	159,432
Client assistance – other	157,851	567	31	158,449	112,640
In-kinds	52,523	43,080	11,330	106,933	89,042
Supplies	48,580	30,004	1,973	80,557	41,665
Depreciation	51,999	13,000	-	64,999	57,009
Equipment and repairs	38,634	3,604	319	42,557	11,983
Telephone	38,198	1,099	1,059	40,356	29,616
Office expense	16,675	13,665	7,515	37,855	23,114
Insurance	24,233	3,671	2,749	30,653	13,603
Travel	18,497	2,138	90	20,725	19,977
Miscellaneous	13,727	2,139	2,812	18,678	13,823
Conferences and training	4,670	7,974	103	12,747	18,187
Interest	-	11,757	-	11,757	16,152
Stipends, summer youth	5,782	-	-	5,782	1,324
	<u>\$ 3,789,717</u>	<u>\$ 950,263</u>	<u>\$ 282,113</u>	<u>\$ 5,022,093</u>	<u>\$ 4,296,624</u>

Northwest Youth Services

**Statement of Cash Flows**

Year Ended December 31, 2021

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

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (237,835)	\$ 749,854
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	(4,076)	(2,570)
Expense of right to use noncash assets, net of discount	29,589	29,589
Depreciation	64,999	57,009
Loss on disposal of property and equipment	3,129	-
(Increase) decrease in assets		
Grants receivable	112,739	(408,730)
Pledges receivable	171,588	(238,888)
Prepaid expenses	(26,450)	(6,457)
Increase (decrease) in liabilities		
Accounts payable	(24,916)	34,718
Accrued expenses	60,520	68,489
Deposits held as fiscal sponsor	-	(101,421)
	<u>149,287</u>	<u>181,593</u>
<b>Net cash provided by operating activities</b>	149,287	181,593
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(48,926)</u>	<u>(117,079)</u>
<b>Net cash used by investing activities</b>	(48,926)	(117,079)
<b>Cash flows from financing activities</b>		
Repayment of notes payable	<u>(12,404)</u>	<u>(10,427)</u>
<b>Net cash used by financing activities</b>	<u>(12,404)</u>	<u>(10,427)</u>
Net increase in cash and cash equivalents	87,957	54,087
Cash and cash equivalents – beginning of year	<u>923,883</u>	<u>869,796</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ 1,011,840</u>	<u>\$ 923,883</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 11,757</u>	<u>\$ 16,152</u>
Noncash investing and financing activities		
Purchase of property with note payable issuance	<u>\$ 935,000</u>	<u>\$ -</u>



**Notes to Financial Statements**

December 31, 2021 and 2020

**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 unspecific 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, 2021 and 2020, 64% and 88% were due from four and two government agencies, respectively.

**Notes to Financial Statements**

December 31, 2021 and 2020

**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, 2021 nor 2020, as all pledges are expected to be fully collectible.

Of the Organization's total pledges receivable at December 31, 2021 and 2020, 80% and 70% were due from two and one donors, 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 \$22,463 and \$18,387 as of December 31, 2021 and 2020, respectively.

**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.

**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.

**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.

**Notes to Financial Statements**

December 31, 2021 and 2020

**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.

**Reclassifications** – Certain reclassifications have been made to the prior year’s financial statements to conform to the current year’s presentation.

**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, 2020, 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 September 6, 2022, the date the financial statements were available to be issued.

**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>2021</u>	<u>2020</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,011,840	\$ 923,883
Grants receivable	530,443	643,182
Pledges receivable	188,000	359,588
Total financial assets	<u>\$ 1,730,283</u>	<u>\$ 1,926,653</u>

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2021 and 2020

**Note 2 – Availability and Liquidity – (Continued)**

	<u>2021</u>	<u>2020</u>
Less amounts not available for general expenditure within one year		
Non current portion of pledges receivable	\$ (17,000)	\$ (143,000)
Donor-restricted for specific purpose	(433,797)	(386,699)
Donor-restricted to be held in perpetuity	<u>(22,463)</u>	<u>(20,283)</u>
	<u>(473,260)</u>	<u>(549,982)</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 1,257,023</u>	 <u>\$ 1,376,671</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.

Pledges receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Campaign pledges receivable outstanding	\$ 5,000	\$ 10,000
Other pledges receivable outstanding	<u>183,000</u>	<u>349,588</u>
Total pledges receivable, net	188,000	359,588
Less: Current portion of pledges receivable	<u>(171,000)</u>	<u>(216,588)</u>
Noncurrent portion of pledges receivable	<u>\$ 17,000</u>	<u>\$ 143,000</u>

Northwest Youth Services

Notes to Financial Statements

December 31, 2021 and 2020

**Note 4 – Rent Receivable**

The Organization maintains a 10 year lease with a church in Bellingham, Washington for property to house the Organization’s 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 in-kind 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>2021</u>	<u>2020</u>
Within one year	\$ 43,080	\$ 43,080
In one to five years	172,320	172,320
Thereafter	<u>89,750</u>	<u>132,830</u>
Total rent receivable	305,150	348,230
Less: Unamortized discount to fair value (at 8%)	<u>(95,558)</u>	<u>(109,049)</u>
Total rent receivable, net	209,592	239,181
Less: Current portion of rent receivable	<u>(29,589)</u>	<u>(29,589)</u>
Noncurrent portion of rent receivable	<u>\$ 180,003</u>	<u>\$ 209,592</u>

**Note 5 – Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building and leasehold improvements	\$ 838,207	\$ 837,704
Buildings	1,187,950	468,000
Land	324,490	109,440
Equipment	30,192	40,372
Vehicles	49,317	31,663
Computer software	<u>19,994</u>	<u>19,994</u>
	2,450,150	1,507,173
Less accumulated depreciation	<u>(717,294)</u>	<u>(690,115)</u>
	<u>\$ 1,732,856</u>	<u>\$ 817,058</u>

Depreciation expense totaled \$64,999 and \$57,009 for the years ended December 31, 2021 and 2020, respectively.

In September 2021, the Organization purchased property totaling \$935,000 to be utilized as a licensed shelter for minor youth. The Organization plans to relocate its Positive Adolescent Development (PAD) services to this facility during 2022. The purchase was financed with funding from the City of Bellingham (Note 7). Subsequent to year end, the Organization received a grant from the Department of Commerce to pay-off in full the note payable to the City of Bellingham. Estimated costs to complete necessary upgrades to the building total \$591,859. The Organization expects to relocate its PAD program in September 2022.

**Notes to Financial Statements**

December 31, 2021 and 2020

**Note 6 – Line-of-Credit**

The Organization opened 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). The line of credit was closed in May 2021.

In May 2021, the Organization opened a line-of-credit with a bank of up to \$100,000 with maturity date of May 2022. 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 5.25% at December 31, 2021) with a 4.75% interest rate floor.

Subsequent to year end, the Organization extended the maturity date on the line of credit to May 2023 and the interest rate floor was adjusted to 6.25%.

There were no amounts outstanding at December 31, 2021 and 2020.

**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, 2021 and 2020. 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.

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

	<u>2021</u>	<u>2020</u>
Note payable to the City of Bellingham, full principal balance and accrued interest at 1% due September 2022, the date of maturity. A single 6-month extension of the maturity date, to March 31, 2023, is available upon satisfaction of specific conditions.	\$ 935,000	\$ -
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	283,020	295,424
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>
	1,271,152	348,556
Amount due within one year	<u>(943,300)</u>	<u>(8,300)</u>
	<u>\$ 327,852</u>	<u>\$ 340,256</u>

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2021 and 2020

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

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

2022	\$ 943,300
2023	8,900
2024	9,400
2025	10,000
2026	10,700
Thereafter	288,852
	<u>\$ 1,271,152</u>

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

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

	<u>2021</u>	<u>2020</u>
Main office repair/IT infrastructure capital expenses	\$ 54,711	\$ 63,467
Board reserves	93,563	39,732
Total	<u>\$ 148,274</u>	<u>\$ 103,199</u>

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

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

	<u>2021</u>	<u>2020</u>
Time restricted – rent receivable	\$ 209,592	\$ 239,181
Time restricted – other	188,000	359,588
Campaign – 22 North Project	156,089	195,115
Street Outreach Program	93,957	73,362
Youth Action Committee	77,016	-
Behavioral Health	41,524	53,462
Queer Youth Program	22,872	16,452
Held in perpetuity with Whatcom County Foundation	22,463	18,387
Positive Adolescent Development Program	19,876	20,283
Ground Floor Program	-	6,498
Whatcom Vocational Program	-	2,000
Executive Director position	-	1,035
Other	-	105
	<u>\$ 831,389</u>	<u>\$ 985,468</u>

Northwest Youth Services

**Notes to Financial Statements**

December 31, 2021 and 2020

**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>2021</u>	<u>2020</u>
Washington State Department of Commerce	\$ 886,760	\$ 1,052,510
Whatcom County	662,366	694,994
U.S. Department of Housing and Urban Development	484,713	322,021
Skagit County	399,734	51,215
U.S. Department of Health and Human Services	356,676	225,190
City of Bellingham	233,394	236,157
Washington Health Care Authority	52,281	-
Small Business Administration	-	461,000
Substance Abuse and Mental Health Services Administration	-	338,713
	<u>\$ 3,075,924</u>	<u>\$ 3,381,800</u>

**Note 11 – Operating Leases**

The Organization entered into two 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.

The Organization maintained 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 \$4,000 with the leases expiring between 2020 and 2026.

Rent expense under these leases totaled \$776,884 and \$567,552 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$ 307,578
2023	195,854
2024	175,458
2025	84,586
2026	31,919
	<u>\$ 795,395</u>



**Notes to Financial Statements**

December 31, 2021 and 2020

**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 \$23,874 and \$17,533 during the years ended December 31, 2021 and 2020, 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.

**Note 14 – Recent Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, *Leases*. This guidance, as amended by subsequent ASU's on the topic, requires lessees to recognize a right-to-use asset and a lease obligation for all leases. Lessees are permitted to make an accounting policy election to not recognize an asset and liability for leases with a term of twelve months or less. Additional qualitative and quantitative disclosures, including significant judgments made by management, are required. Application is required for annual periods beginning after December 15, 2021. The Organization expects to adopt this standard on January 1, 2022. While the Organization is still evaluating impact of the new accounting guidance on its financial statements, based on management's preliminary assessment, the Organization will record assets and liabilities for long-term operating leases currently included in Note 11- Operating Leases.