

Interfaith Coalition of Whatcom County

Financial Statements with
Independent Accountant's Review Report

Year Ended September 30, 2021

Larson Gross 

Interfaith Coalition of Whatcom County

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Independent Accountant's Review Report

To the Board of Directors
Interfaith Coalition of Whatcom County
Bellingham, Washington

We have reviewed the accompanying financial statements of Interfaith Coalition of Whatcom County, which comprise the statement of financial position as of September 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Larson Gross PLLC

Bellingham, Washington
August 3, 2022

Interfaith Coalition of Whatcom County

Statement of Financial Position

September 30, 2021

(See Independent Accountant's Review Report)

Assets	
Cash	\$ 1,006,627
Accounts receivable	23,369
Prepaid expenses	7,810
Endowment investments	392,015
Property and equipment, net	<u>947,825</u>
Total assets	<u><u>\$ 2,377,646</u></u>

Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 4,383
Accrued liabilities	18,956
Security deposits	<u>10,019</u>
Total liabilities	33,358
Net assets	
Without donor restrictions	
Undesignated	657,919
Invested in property and equipment	947,825
Board designated – reserves	236,000
Board designated – quasi-endowment	<u>247,366</u>
Total without donor restrictions	2,089,110
With donor restrictions	<u>255,178</u>
Total net assets	<u><u>2,344,288</u></u>
Total liabilities and net assets	<u><u>\$ 2,377,646</u></u>

Interfaith Coalition of Whatcom County

Statement of Activities

Year Ended September 30, 2021

(See Independent Accountant's Review Report)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions and grants	\$ 457,111	\$ 77,926	\$ 535,037
Special events, net of expenses of \$8,460	86,992	-	86,992
In-kind contributions	300,383	-	300,383
Program revenue	102,062	-	102,062
Government grants and contracts	15,991	-	15,991
Investment return	54,551	31,102	85,653
Other income	13,804	-	13,804
Net assets released from restrictions	<u>32,942</u>	<u>(32,942)</u>	<u>-</u>
Total support and revenue	1,063,836	76,086	1,139,922
Expenses			
Program services	870,647	-	870,647
Management and general	103,699	-	103,699
Fundraising	<u>22,136</u>	<u>-</u>	<u>22,136</u>
Total expenses	<u>996,482</u>	<u>-</u>	<u>996,482</u>
Increase in net assets	67,354	76,086	143,440
Net assets – beginning of year	<u>2,021,756</u>	<u>179,092</u>	<u>2,200,848</u>
Net assets – end of year	<u>\$ 2,089,110</u>	<u>\$ 255,178</u>	<u>\$ 2,344,288</u>

Interfaith Coalition of Whatcom County

Statement of Functional Expenses

Year Ended September 30, 2021

(See Independent Accountant's Review Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 308,334	\$ 46,260	\$ 15,600	\$ 370,194
Benefits	35,493	8,193	1,434	45,120
Payroll tax	24,176	11,482	1,181	36,839
Total payroll	368,003	65,935	18,215	452,153
Client assistance	220,251	-	-	220,251
Occupancy	180,357	12,268	-	192,625
Program supplies	35,326	123	-	35,449
Depreciation	29,058	1,779	-	30,837
Repairs and maintenance	25,860	-	-	25,860
Office expense	4,723	17,550	1,021	23,294
Meetings and travel	4,324	2,449	-	6,773
Professional fees	1,620	3,595	-	5,215
Bad debt	75	-	2,325	2,400
Media and development	1,050	-	575	1,625
Total expenses	<u>\$ 870,647</u>	<u>\$ 103,699</u>	<u>\$ 22,136</u>	<u>\$ 996,482</u>

Interfaith Coalition of Whatcom County

Statement of Cash Flows

Year Ended September 30, 2021

(See Independent Accountant's Review Report)

Cash flows from operating activities

Increase in net assets	\$ 143,440
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	30,837
Unrealized gain	(74,457)
(Increase) decrease in assets:	
Accounts receivable	(14,543)
Prepaid expenses	2,778
Increase (decrease) in liabilities:	
Accounts payable	506
Accrued liabilities	(44,505)
Security deposit	<u>(1,325)</u>

Net cash flows provided by operating activities 42,731

Cash flows from investing activities

Reinvestment of endowment earnings	(9,833)
Purchases of property and equipment	<u>(115,465)</u>

Net cash flows used by investing activities (125,298)

Net decrease in cash (82,567)

Cash – beginning of year 1,089,194

Cash – end of year \$ 1,006,627

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 1 – Summary of Significant Accounting Policies

Nature of activities – Interfaith Coalition of Whatcom County (the Organization) is a Washington State nonprofit corporation working to end homelessness and poverty in Whatcom County. The Organization was founded in 1985 as a coalition of over 40 religious and social service leaders in Whatcom County. They collaborate with member congregations to fill gaps in human services and to meet housing and other needs of marginalized people.

Basis of accounting – The Organization prepares its financial statements on the accrual basis of accounting and accordingly reflects all significant assets, payables, and other liabilities.

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

Net assets without donor restrictions – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.

Net assets with donor restrictions – Support received subject to donor-imposed restrictions or time restrictions that will be met either through actions of the Organization or by passage of time are classified as net assets with donor restrictions. This includes donor-imposed restrictions stipulating that assets be invested in perpetuity. In accordance with purposes stipulated by donors, earnings from such assets may be classified as net assets without donor restrictions or net assets with donor 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 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. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as without donor restrictions.

Cash – Cash consists of cash in bank and petty cash. 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.

Receivables – Receivables 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 receivables, the aging of the receivables at year-end, and management's appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectible receivables. All receivables are expected to be collected within one year.

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

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

Endowment investments – Endowment investments consist of marketable securities and are recorded at fair value. Realized and unrealized investment gains and losses are included in investment return on the statement of activities. Investment return or loss is reported as an increase or decrease in net assets without donor restrictions unless the investment return on restricted assets also is restricted by the donor, resulting in such investment return being recorded as with donor restrictions until time or purpose restrictions are satisfied.

Property and equipment – Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value on the date acquired. Property and equipment are depreciated using the straight-line method over estimated useful lives of 5 to 40 years. Major expenditures for new property, and those which substantially increase useful lives of existing property, are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred.

Contributions and grants – Contributions and grants are recognized upon the earlier of receipt or when an unconditional promise to give is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated goods, rent, and services – Donated goods, rent, and services are reflected as in-kind contributions in the accompanying Statements of Activities at their estimated values at the date of donation. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased. 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.

Program revenue – Program revenue consists of program fees for use of low-income housing. The transaction price is the amount of consideration to which the Organization expects to be entitled to in exchange for transferring goods and services to the client. The transaction price is determined based on client income levels and are subsidized per an agreement with a third-party agency. Program fees are billed and recognized monthly. Program fees as a percentage of total support and revenue totaled 12% for the year ended September 30, 2021.

Government grants and contracts revenue – The Organization receives grants and contracts 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 accounts receivable.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. Salaries and wages, benefits and payroll tax are allocated based on time and effort. All other allocated expenses are allocated based on estimates of usage.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

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

Federal income tax – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, is exempt from federal income tax except for income derived from unrelated business activities, if any. Accordingly, no provision for income tax is necessary. As of September 30, 2021, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

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

Subsequent events – In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 3, 2022, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditures within one year of September 30, 2021 consists of the following:

Cash	\$ 1,006,627
Receivables	23,369
Endowment investments	392,015
Less amounts not available for general expenditure within one year	
Restricted cash	(3,107)
Board designated – reserves	(236,000)
Board designated – quasi-endowment	(247,366)
Donor-restricted	(255,178)
	<u>\$ 680,360</u>

The Organization has certain board designated and donor-restricted assets limited to use, which are not available for general expenditure within one year in the normal course of business. Accordingly, these assets have been excluded from the quantitative information above. The Organization maintains restricted cash of \$3,107 related to security deposits paid by tenants which is not available for general expenditure within one year.

As part of the Organization's cash management policy, the Board has designated two funds: the operating reserve and property reserve. The operating reserve is used as a rainy day fund and has balance of \$111,000 at September 30, 2021. The property reserve is maintained to cover major maintenance expenses on housing units and has a balance of \$125,000 at September 30, 2021. However, the board-designated amounts could be made available for general expenditure if necessary.

As of September 30, 2021, the Organization has a working capital of \$1,014,467 and average days (based on normal expenditures) cash on hand of approximately 545.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 3 – Property and Equipment

Property and equipment consists of the following at September 30, 2021:

Land	\$	101,800
Buildings and improvements		1,057,025
Equipment		12,209
Other		<u>27,121</u>
		1,198,155
Less accumulated depreciation		<u>(250,330)</u>
	\$	<u>947,825</u>

Depreciation expense totaled \$30,837 for the year ended September 30, 2021.

Note 4 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1: Observable inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Observable inputs to the valuation methodology other than quoted market prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets in markets that are not active and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology that are unobservable for the asset or liability and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As of September 30, 2021, all investments are measured using level 1 inputs based on quoted prices in active markets for identical assets.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 4 – Fair Value Measurements – (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at September 30, 2021.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 336,783	\$ -	\$ -	\$ 336,783
Bonds	55,232	-	-	55,232
	<u>\$ 392,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 392,015</u>

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another.

The Organization evaluated the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the year ended September 30, 2021, there were no significant transfers in or out of Level 3.

Note 5 – Endowment

Interpretation of relevant law – The State of Washington has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift at the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as net assets with donor restrictions a) the original value of the gifts donated to the donor-restricted endowment plus b) the original value of subsequent gifts to the donor-restricted endowment plus c) inflation on the original gift using the CPI index of the year of the donation. The remaining portion of the donor-restricted endowment fund that is time- or purpose-restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standards of UPMIFA.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 5 – Endowment – (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The composition of net assets by type of endowment fund at September 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted	\$ -	\$ 144,649	\$ 144,649
Earnings not yet appropriated	247,366	-	247,366
Total endowment net assets	<u>\$ 247,366</u>	<u>\$ 144,649</u>	<u>\$ 392,015</u>

The activity within the endowment consisted of the following for the year ended September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 194,178	\$ 113,547	\$ 307,725
Investment return	53,188	31,102	84,290
Ending balance	<u>\$ 247,366</u>	<u>\$ 144,649</u>	<u>\$ 392,015</u>

Return objectives and risk parameters – The Organization has adopted investment policies for endowment assets that attempt to provide support of program needs in perpetuity. The Organization has developed investment guidelines which have been designed to allow flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Organization seeks an investment return, over a full market cycle, that exceeds inflation over that market cycle, before factoring in additions and distributions. The target asset allocation for endowment investments is 30-80% equity, 20-70% fixed income, with the balance in cash equivalents.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 5 – Endowment – (Continued)

Spending policy and how the investment objectives relate to spending policy – The board has approved an annual amount of 0-5% of the average valuation of the endowment fund over the prior twelve quarters to be withdrawn that allows for continuing support of Interfaith Coalition of Whatcom County's operational and program needs. The board may approve an extraordinary distribution of non-corpus funds to ensure the existence of the Organization or its programs. Funds will not be withdrawn if doing so would cause the balance in the endowment fund to be below the corpus, adjusted for inflation. The Organization did not withdraw funds during the year ended September 30, 2021.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or UPMIFA (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no deficiencies of this nature for the year ended September 30, 2021.

Note 6 – Operating Leases

The Organization has rental agreements with various parties for the use of five residential properties that are used by its clients. The Organization maintains month-to-month lease agreements with the City of Ferndale for the use of two homes, whose monthly rent expense totals \$1 for each unit. One of the rental units with the City of Ferndale was terminated February 2021. The Organization maintains a month-to-month lease agreement with Grace Lutheran Church for the use of a residential unit for \$300 monthly. The Organization maintained a month-to-month lease agreement with an individual for the use of a residential unit for \$275 monthly. This lease agreement terminated June 2021. Lastly, the Organization has an agreement with Our Savior's Lutheran Church and Opportunity Council for the use of a residential unit owned by Our Savior's Lutheran Church for a monthly fee of \$435. The Organization recorded \$99,380 as in-kind rent related to these lease agreements.

All five of these residences are subleased to clients of the Organization as low-income housing. The eligibility for housing at Our Saviors Lutheran Church is determined by the Opportunity Council. The Organization recognized \$100,597 in the aggregate as program revenue related to these sublease agreements.

The Organization entered into a month-to-month agreement with the Ukrainian Evangelical Church of Bellingham for the use of space for the CAST program. Monthly rent expense totals \$75. The Organization recorded \$6,300 as in-kind rent related to this lease agreement.

The Organization maintained a five-year lease agreement with St. James Presbyterian Church for the use of office space that expired October 2020. The agreement is currently maintained on a month-to-month basis. Monthly rent expense totals \$400. The Organization recorded \$15,600 as in-kind rent related to this lease agreement.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 6 – Operating Leases – (Continued)

In September 2020, the Organization entered into a 6-month agreement with First Christian Church for office space with the option of an extension. Monthly rent expense totals \$1,200. Subsequent to year-end, the Organization entered into a five-year lease agreement for the office space effective January 2022. Monthly rent expense under the five-year lease will total \$2,000.

Lease expense, including in-kind rent, totaled \$140,504 and is included in occupancy expense in the statement of functional expenses for the year ended September 30, 2021.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at September 30, 2021:

Endowment corpus to be held in perpetuity	\$	144,649
Family Promise program		64,462
CAST fund		12,507
Rehousing and utility assistance		30,000
Kids Need Books program		3,560
	\$	<u>255,178</u>

Note 8 – Contingencies

In 1993 and 1995, the Organization signed promissory notes with the City of Bellingham totaling \$70,000 and \$2,050, respectively, to be used for construction of five units of affordable, low-income housing. The notes are non-interest bearing and are not required to be repaid, unless the property is not maintained or used as a facility to provide affordable, low-income housing, or is sold or transferred. Given the nature of this agreement, the funds received have been recognized in full as grant revenue in prior years.

Note 9 – Retirement Plan

The Organization established a SIMPLE IRA retirement plan (the Plan), in which all employees qualify once they have earned \$5,000 in salaries and wages. The Organization matches employee contributions on a percentage of salary contributed by participants up to a maximum of 3%. Employee contributions are 100% vested immediately. The Organization's expense for the plan was \$8,585 during the year ended September 30, 2021.

Interfaith Coalition of Whatcom County

Notes to Financial Statements

September 30, 2021

(See Independent Accountant's Review Report)

Note 10 – 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 October 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 with record assets and liabilities for long-term leases currently included in Note 6 – Operating Leases.