

NEW PHOEBE HOUSE ASSOCIATION

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
New Phoebe House Association
Tacoma, Washington

We have reviewed the accompanying financial statements of New Phoebe House Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 AICPA. 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 reviews, 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.

July 24, 2019

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 97,428	\$ 97,703
Grants receivable	37,639	7,712
Other receivables	-	31
Prepaid expenses	<u>11,112</u>	<u>-</u>
Total current assets	146,179	105,446
PROPERTY AND EQUIPMENT, net	479,609	504,885
DEPOSITS	<u>5,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 630,788</u>	<u>\$ 610,331</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit	\$ -	\$ 20,000
Accounts payable	3,228	2,422
Accrued liabilities	54,107	40,861
Current portion of mortgage payable	<u>7,118</u>	<u>6,867</u>
Total current liabilities	64,453	70,150
LONG TERM DEBT		
Washington State Department of Commerce	195,672	195,672
Mortgage payable	<u>164,947</u>	<u>171,545</u>
	<u>360,619</u>	<u>367,217</u>
Total liabilities	425,072	437,367
NET ASSETS		
Without donor restrictions		
Board designated reserves	-	35,000
Undesignated	<u>205,716</u>	<u>137,964</u>
Total without donor restrictions	<u>205,716</u>	<u>172,964</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 630,788</u>	<u>\$ 610,331</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(See Independent Accountant's Review Report)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants - foundations and corporations	\$ 483,829	\$ -	\$ 483,829
Government contracts	265,938	-	265,938
Special events	124,282	-	124,282
Client fees	20,072	-	20,072
Contributions	16,221	-	16,221
In-kind	7,550	-	7,550
Total revenues and support	<u>917,892</u>	<u>-</u>	<u>917,892</u>
OPERATING EXPENSES			
Program services	707,470	-	707,470
Supporting services			
Management and general	109,250	-	109,250
Fundraising	68,420	-	68,420
Total operating expenses	<u>885,140</u>	<u>-</u>	<u>885,140</u>
CHANGE IN NET ASSETS	32,752	-	32,752
NET ASSETS, beginning of year	<u>172,964</u>	<u>-</u>	<u>172,964</u>
NET ASSETS, end of year	<u>\$ 205,716</u>	<u>\$ -</u>	<u>\$ 205,716</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

(See Independent Accountant's Review Report)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants - foundations and corporations	\$ 236,100	\$ -	\$ 236,100
Government contracts	191,137	-	191,137
Special events	38,262	-	38,262
In-kind	32,240	-	32,240
Client fees	26,716	-	26,716
Contributions	12,936	-	12,936
Rental income	1,000	-	1,000
Net assets released from restrictions	194,459	(194,459)	-
Total revenues and support	<u>732,850</u>	<u>(194,459)</u>	<u>538,391</u>
OPERATING EXPENSES			
Program services	565,342	-	565,342
Supporting services			
Management and general	107,040	-	107,040
Fundraising	50,973	-	50,973
Total operating expenses	<u>723,355</u>	<u>-</u>	<u>723,355</u>
CHANGE IN NET ASSETS	9,495	(194,459)	(184,964)
NET ASSETS, beginning of year	<u>163,469</u>	<u>194,459</u>	<u>357,928</u>
NET ASSETS, end of year	<u>\$ 172,964</u>	<u>\$ -</u>	<u>\$ 172,964</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(See Independent Accountant's Review Report)

	Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries	\$ 404,430	\$ 61,717	\$ 25,985	\$ 87,702	\$ 492,132
Payroll taxes	55,667	8,495	3,577	12,072	67,739
Total salaries and related expenses	<u>460,097</u>	<u>70,212</u>	<u>29,562</u>	<u>99,774</u>	<u>559,871</u>
Depreciation	20,679	5,170	-	5,170	25,849
Dues and subscriptions	87	38	-	38	125
Fees and charges	-	896	-	896	896
Fundraising events	-	-	30,089	30,089	30,089
Furnishings and appliances	3,670	918	-	918	4,588
In-kind expenses	7,550	-	-	-	7,550
Insurance	2,541	448	-	448	2,989
Interest expense	4,853	1,618	-	1,618	6,471
Office expenses	11,054	6,029	3,015	9,044	20,098
Other expenses	8,855	7,084	1,771	8,855	17,710
Professional fees	56,254	9,000	2,880	11,880	68,134
Program expenses	75,368	-	-	-	75,368
Repairs and maintenance	26,083	1,373	-	1,373	27,456
Technology	7,723	2,207	1,103	3,310	11,033
Travel and meetings	1,025	440	-	440	1,465
Utilities	<u>21,631</u>	<u>3,817</u>	<u>-</u>	<u>3,817</u>	<u>25,448</u>
Total expenses	<u>\$ 707,470</u>	<u>\$ 109,250</u>	<u>\$ 68,420</u>	<u>\$ 177,670</u>	<u>\$ 885,140</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

(See Independent Accountant's Review Report)

	Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Activities	Total Expenses
Salaries	\$ 317,012	\$ 64,379	\$ 22,477	\$ 86,856	\$ 403,868
Payroll taxes	36,604	7,434	2,595	10,029	46,633
Total salaries and related expenses	<u>353,616</u>	<u>71,813</u>	<u>25,072</u>	<u>96,885</u>	<u>450,501</u>
Depreciation	21,026	5,257	-	5,257	26,283
Dues and subscriptions	743	318	-	318	1,061
Fees and charges	-	2,353	-	2,353	2,353
Fundraising events	-	-	19,647	19,647	19,647
Furnishings and appliances	9,010	2,253	-	2,253	11,263
In-kind expenses	32,240	-	-	-	32,240
Insurance	7,804	1,377	-	1,377	9,181
Interest expense	5,054	1,685	-	1,685	6,739
Office expenses	6,418	3,501	1,750	5,251	11,669
Other expenses	3,393	2,715	679	3,394	6,787
Professional fees	35,887	8,195	2,888	11,083	46,970
Program expenses	38,693	-	-	-	38,693
Repairs and maintenance	22,645	1,192	-	1,192	23,837
Technology	6,560	1,874	937	2,811	9,371
Travel and meetings	2,304	987	-	987	3,291
Utilities	19,949	3,520	-	3,520	23,469
Total expenses	<u>\$ 565,342</u>	<u>\$ 107,040</u>	<u>\$ 50,973</u>	<u>\$ 158,013</u>	<u>\$ 723,355</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,752	\$ (184,964)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	25,849	26,283
Changes in assets and liabilities:		
Grants receivable	(29,927)	27,029
Prepaid expenses	(11,112)	-
Other receivables	31	969
Deposits	(5,000)	-
Accounts payable	806	1,178
Accrued liabilities	<u>13,246</u>	<u>(1,342)</u>
Net cash provided (used) by operating activities	26,645	(130,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(573)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances (repayments) on line of credit, net	(20,000)	12,500
Repayment of mortgage payable	<u>(6,347)</u>	<u>(6,091)</u>
Net cash provided (used) by financing activities	(26,347)	6,409
NET CHANGE IN CASH	(275)	(124,438)
CASH AT BEGINNING OF YEAR	<u>97,703</u>	<u>222,141</u>
CASH AT END OF YEAR	<u>\$ 97,428</u>	<u>\$ 97,703</u>
CASH FLOW DISCLOSURES		
Interest paid	<u>\$ 6,471</u>	<u>\$ 6,739</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF OPERATIONS

New Phoebe House Association (the Association) is a not-for-profit corporation in the State of Washington and currently operates a shelter for homeless women with children. The Association also provides programming through its facility that helps promote sobriety, self-sufficiency and reunification. Their primary sources of revenue are grants, client fees and contributions.

The Association funds operations primarily through reimbursable grants, contracts, contributions from various individuals and private foundations, and client service fees.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Nonprofit organizations are required to report information regarding their financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

The net assets of New Phoebe House Association are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. The Board of Directors can designate funds within this classification.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

The Association carries its grants receivable at cost. The unsecured balance is comprised of uncollected reimbursable grant income yet to be received. The Association provides an allowance, as needed, for grant funds deemed uncollectible. At December 31, 2018 and 2017, all grants receivable are deemed collectible.

Property and Equipment

Property and equipment are recorded at cost or the fair market value at the date of placement in service. Depreciation is computed using straight-line methods based on the estimated useful lives of the assets, which range from 3 to 39 years. Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributions

Contributions received are recorded as net assets with donor restrictions and without donor restrictions depending on the existence and/or nature of any donor restrictions. Donated goods and services which otherwise would be purchased are valued at their estimated fair value as of the date received.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based primarily upon payroll costs and occupancy.

Federal Income Tax

The Internal Revenue Service has recognized the Association as exempt from Federal income tax under provision 501(a) of the internal revenue code as an entity described in Section 501(c)(3). To the extent that the Association receives unrelated business income, such earnings are subject to unrelated business income tax.

Unrelated business income tax is accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to unrelated business taxable income in the years in which those temporary differences are expected to be recovered or settled.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Tax (Continued)

Tax positions taken must be more-likely-than-not to be sustained upon examination by taxing authorities to meet criteria for recognition in the financial statements. For the years ended December 31, 2018 and 2017, the Association has no material uncertain tax positions to be accounted for in the financial statements. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Association, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Association's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Association adopted the ASU effective January 1, 2018. Adoption of the ASU caused temporarily restricted net assets to become net assets with donor restrictions.

Pending Accounting Pronouncements

In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. This comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also requires expanded disclosures regarding revenue and contracts with customers. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. Management is currently evaluating the impact this update will have on the Association's financial statements.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard is effective for reporting periods beginning after December 15, 2019 and early adoption is permitted. The standard will require lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting will remain substantially unchanged. The standard requires a modified retrospective transition approach for existing leases, whereby the new rules will be applied to the earliest year presented. Management is currently evaluating the impact this update will have on the Association's financial statements.

Date of Management Review

Management has evaluated subsequent events through July 24, 2019, the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures to satisfy its liabilities and other obligations as they become due. Cash needs are expected to be met on a monthly basis from grants and other contributions. The Association has established a goal to have three months of expenses on hand. The Association also has a line of credit for short term funding needs (see Note 5).

The Association had the following assets available for general expenditures in the next twelve months for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Liquid financial assets:		
Cash	\$ 97,428	\$ 97,703
Grants receivable	<u>37,639</u>	<u>7,712</u>
Total liquid financial assets	135,067	105,415
Less board or donor-imposed restrictions:		
Board designated cash for future operations	<u>-</u>	<u>(35,000)</u>
Liquid financial assets available to meet cash needs for general expenditures within one year	<u>\$ 135,067</u>	<u>\$ 70,415</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 114,422	\$ 114,422
Building	301,250	301,250
Building improvements	120,354	120,354
Equipment	33,513	32,940
Vehicles	<u>22,285</u>	<u>22,285</u>
	591,824	591,251
Less accumulated depreciation	<u>(112,215)</u>	<u>(86,366)</u>
	<u>\$ 479,609</u>	<u>\$ 504,885</u>

NOTE 5 - LINE OF CREDIT

The Association has a revolving line of credit with a commercial bank which provides borrowings up to \$50,000 at an interest rate of 6.5% (1% over the prime rate). The line of credit is collateralized by the assets of the Association and matures January 2020. There was zero and \$20,000 outstanding on the line of credit at December 31, 2018 and 2017.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Accrued salaries and wages	\$ -	\$ 16,310
Accrued taxes	-	4,618
Accrued vacation	47,673	19,933
Deferred revenue	<u>6,434</u>	<u>-</u>
	<u>\$ 54,107</u>	<u>\$ 40,861</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

NOTE 7 - LONG TERM DEBT

In 2016, the Association entered into a mortgage payable and used the funds to purchase the building next to their main location. This building is primarily used for administration purposes. Loan payments, including interest and principal, total \$1,113 per month. The loan matures in 2023 with a balloon payment of approximately \$140,000. The interest rate is 3.6%. The loan is collateralized by the property.

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

2019	\$ 7,118
2020	7,379
2021	7,649
2022	7,929
2023	<u>141,990</u>
Total	<u>\$ 172,065</u>

In 2014, the Association received a promissory note for \$195,672 from the State of Washington Department of Commerce. The funds from the note were used to purchase the building that houses their clients. The note states that if the building is not used for its intended purpose, or if it is sold, the balance of the note must be paid in full. This debt has no defined payment schedule and is expected to be forgiven on December 31, 2045.

NOTE 8 - SIGNIFICANT CONCENTRATIONS

Approximately 41% and 21% of revenues were received from two and three grantors in December 31, 2018 and 2017. They also represented approximately 9% and 11% of the outstanding grants receivable for the years ended December 31, 2018 and 2017.

NOTE 9 - SUBSEQUENT EVENTS

In February 2019, the Association entered into a lease of a facility where they will hold treatment meetings in Tacoma, Washington. The lease term is through December 2022, with monthly payments of \$2,500 and includes a provision for annual increases.

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

NOTE 9 - SUBSEQUENT EVENTS (Continued)

Minimum future lease payments under operating leases having remaining terms in excess of one year as of December 31, 2018, for each subsequent year and in the aggregate are:

2019	\$ 27,720
2020	31,140
2021	32,064
2022	<u>32,064</u>
Total	<u>\$ 122,988</u>