

NEW PHOEBE HOUSE ASSOCIATION

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

DECEMBER 31, 2016

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1617 South 325th Street
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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 statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 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 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.

July 26, 2017

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

CURRENT ASSETS

Cash	\$ 222,141
Grants receivable	34,741
Other receivables	<u>1,000</u>
Total current assets	257,882

PROPERTY AND EQUIPMENT, net	<u>531,168</u>
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TOTAL ASSETS	<u>\$ 789,050</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$ 7,500
Accounts payable	1,244
Accrued liabilities	42,203
Current portion of bank loan	<u>6,624</u>
Total current liabilities	57,571

LONG TERM DEBT

WA State Department of Commerce loan	195,672
Bank loan	<u>177,879</u>
	<u>373,551</u>
Total liabilities	431,122

NET ASSETS

Unrestricted	
Board designated reserves	35,000
Undesignated	<u>128,469</u>
Total unrestricted	163,469
Temporarily restricted	<u>194,459</u>
	<u>357,928</u>

TOTAL LIABILITES AND NET ASSETS	<u>\$ 789,050</u>
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The accompanying notes are an integral part of these financial statements.

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants - foundations and corporations	\$ 116,050	\$ 229,750	\$ 345,800
Government contracts	251,265	-	251,265
In-kind	73,975	-	73,975
Special events	39,006	-	39,006
Client fees	34,335	-	34,335
Contributions	24,823	-	24,823
Rental income	3,790	-	3,790
Other income (expense)	(3,072)	-	(3,072)
Net assets released from restrictions	<u>162,791</u>	<u>(162,791)</u>	<u>-</u>
Total revenues and support	702,963	66,959	769,922
OPERATING EXPENSES			
Program services	542,647	-	542,647
Supporting services			
Management and general	71,772	-	71,772
Fund development	<u>107,445</u>	<u>-</u>	<u>107,445</u>
Total operating expenses	<u>721,864</u>	<u>-</u>	<u>721,864</u>
CHANGE IN NET ASSETS	(18,901)	66,959	48,058
NET ASSETS, beginning of year	<u>182,370</u>	<u>127,500</u>	<u>309,870</u>
NET ASSETS, end of year	<u>\$ 163,469</u>	<u>\$ 194,459</u>	<u>\$ 357,928</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, 2016**

	Supporting Services				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>
Salaries	\$ 267,155	\$ 42,363	\$ 72,132	\$ 114,495	\$ 381,650
Payroll taxes	<u>28,662</u>	<u>4,976</u>	<u>7,484</u>	<u>12,460</u>	<u>41,122</u>
Total salaries and related expenses	295,817	47,339	79,616	126,955	422,772
In-kind expenses	73,975	-	-	-	73,975
Program expenses	65,317	-	-	-	65,317
Repairs and maintenance	28,286	1,056	-	1,056	29,342
Professional fees	15,049	4,591	5,867	10,458	25,507
Depreciation	16,973	4,243	-	4,243	21,216
Utilities	15,661	1,508	999	2,507	18,168
Office rent	8,300	4,150	4,150	8,300	16,600
Fundraising event expenses	-	-	10,541	10,541	10,541
Insurance	7,512	1,326	-	1,326	8,838
Office expenses	2,724	1,586	3,995	5,581	8,305
Technology	3,864	498	1,493	1,991	5,855
Furnishings and appliances	3,434	864	-	864	4,298
Travel and meetings	2,430	1,092	-	1,092	3,522
Interest expense	1,221	611	611	1,222	2,443
Other expenses	1,084	911	173	1,084	2,168
Fees and charges	-	1,547	-	1,547	1,547
Dues and subscriptions	<u>1,000</u>	<u>450</u>	<u>-</u>	<u>450</u>	<u>1,450</u>
 Total expenses	 <u>\$ 542,647</u>	 <u>\$ 71,772</u>	 <u>\$ 107,445</u>	 <u>\$ 179,217</u>	 <u>\$ 721,864</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 48,058
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	21,216
Loss on disposal of assets	3,079
Changes in assets and liabilities	
Grants receivable	25,949
Other receivables	(791)
Accounts payable and accrued expenses	318
Accrued liabilities	<u>7,821</u>
Net cash provided by operating activities	105,650
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(40,612)
CASH FLOWS FROM FINANCING ACTIVITIES	
Advances on line of credit, net	7,500
Repayment of bank note	(895)
Loan fees paid	<u>(3,727)</u>
Net cash provided by financing activities	2,878
NET CHANGE IN CASH	67,916
CASH AT BEGINNING OF YEAR	<u>154,225</u>
CASH AT END OF YEAR	<u><u>\$ 222,141</u></u>
CASH FLOW DISCLOSURES	
Interest paid	\$ 2,443
Portion of property financed through debt	\$ 189,125

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

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

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 accompanying financial statements have been prepared on the accrual basis of accounting.

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met, either by action of the Association and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is initially recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. The Association had no permanently restricted net assets at December 31, 2016.

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016, all grant receivables 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 incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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. The Association had no permanently restricted net assets as of December 31, 2016.

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.

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Tax (Continued)

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.

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 year ended December 31, 2016, 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.

Date of Management Review

Management has evaluated subsequent events through July 26, 2017, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation are as follows at December 31, 2016:

Land	\$ 114,422
Buildings	301,250
Building improvements	120,354
Equipment	32,940
Vehicles	<u>22,285</u>
	591,251
Less accumulated depreciation	<u>(60,083)</u>
	<u>\$ 531,168</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 - LINE OF CREDIT

The Company had a revolving line of credit with a commercial bank which provided borrowings up to \$20,000 at an interest rate of 6%. The line of credit was collateralized by the assets of the Association. There was \$7,500 outstanding on the line of credit at December 31, 2016. The Association paid off and closed this line of credit in early 2017.

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31, 2016:

Accrued salaries and wages	\$ 14,633
Accrued taxes	4,201
Accrued vacation	<u>23,369</u>
	<u>\$ 42,203</u>

NOTE 6 - LONG TERM DEBT

The Association entered into a new loan and used the funds to purchase the building next to their main location. This building is mainly 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 year ended December 31, 2016:

2017	\$ 6,624
2018	6,867
2019	7,118
2020	7,379
2021	7,649
Thereafter	<u>152,593</u>
	188,230
Less unamortized loan costs	<u>(3,727)</u>
Total	<u>\$ 184,503</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 - LONG TERM DEBT (Continued)

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 7 - NET ASSETS

The board has designated \$35,000 of their unrestricted net assets as a reserve for significant board approved purchases.

Temporarily restricted net assets consist of the following at December 31, 2016:

Family Reunification & Recovery	\$ 136,250
Capital Expansion	43,209
Operations – 2017	<u>15,000</u>
	<u>\$ 194,459</u>

NOTE 8 - SIGNIFICANT CONCENTRATIONS

Approximately 48% of revenues were received from two grantors for the year ended December 31, 2016. They also represented approximately 25% of the outstanding account receivable for the year ended December 31, 2016.