

NEW PHOEBE HOUSE ASSOCIATION

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

DECEMBER 31, 2019 AND 2018

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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 statements of financial position as of December 31, 2019 and 2018, 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.

August 8, 2020

NEW PHOEBE HOUSE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash	\$ 303,429	\$ 97,428
Grants receivable	30,641	37,639
Other receivables	2,790	-
Prepaid expenses	8,149	11,112
Total current assets	<u>345,009</u>	<u>146,179</u>
PROPERTY AND EQUIPMENT, net	456,703	479,609
DEPOSIT	<u>5,000</u>	<u>5,000</u>
 TOTAL ASSETS	 <u>\$ 806,712</u>	 <u>\$ 630,788</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	4,823	3,228
Accrued liabilities	54,029	54,107
Current portion of mortgage payable	7,379	7,118
Total current liabilities	<u>66,231</u>	<u>64,453</u>
LONG TERM DEBT		
Washington State Department of Commerce	195,672	195,672
Mortgage payable	158,735	164,947
	<u>354,407</u>	<u>360,619</u>
Total liabilities	420,638	425,072
NET ASSETS		
Without donor restrictions		
Undesignated	386,074	205,716
Total without donor restrictions	<u>386,074</u>	<u>205,716</u>
 TOTAL LIABILITES AND NET ASSETS	 <u>\$ 806,712</u>	 <u>\$ 630,788</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, 2019
(See Independent Accountant's Review Report)**

	<u>2019</u>	<u>2018</u>
REVENUES AND SUPPORT		
Grants - foundations and corporations	\$ 540,699	\$ 483,829
Government contracts	391,445	265,938
Special events	209,989	124,282
Client fees	30,422	20,072
Contributions	9,576	16,221
In-kind	2,950	7,550
Total revenues and support	<u>1,185,081</u>	<u>917,892</u>
OPERATING EXPENSES		
Program services	754,495	707,470
Supporting services		
Management and general	113,691	109,250
Fundraising	136,537	68,420
Total operating expenses	<u>1,004,723</u>	<u>885,140</u>
CHANGE IN NET ASSETS	180,358	32,752
NET ASSETS, beginning of year	<u>205,716</u>	<u>172,964</u>
NET ASSETS, end of year	<u>\$ 386,074</u>	<u>\$ 205,716</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, 2019
#REF!**

	Supporting Services					
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>	
Salaries	\$ 400,949	\$ 69,826	\$ 31,295	\$ 101,121	\$ 502,070	
Payroll taxes	60,847	10,597	4,749	15,346	76,193	
Total salaries and related expenses	461,796	80,423	36,044	116,467	578,263	
Depreciation and amortization	19,178	4,794	-	4,794	23,972	
Dues and subscriptions	10	5	-	5	15	
Fees and charges	-	1,081	-	1,081	1,081	
Fundraising events	-	-	93,523	93,523	93,523	
Furnishings and appliances	8,336	2,084	-	2,084	10,420	
In-kind expenses	2,950	-	-	-	2,950	
Insurance	8,994	1,587	-	1,587	10,581	
Interest expense	4,750	1,583	-	1,583	6,333	
Office expenses	7,958	4,341	2,171	6,512	14,470	
Other expenses	1,601	1,280	320	1,600	3,201	
Professional fees	496	10,153	3,960	14,113	14,609	
Program expenses	202,381	-	-	-	202,381	
Repairs and maintenance	10,340	544	-	544	10,884	
Technology	3,630	1,037	519	1,556	5,186	
Travel and meetings	3,501	1,501	-	1,501	5,002	
Utilities	18,574	3,278	-	3,278	21,852	
	Total expenses	\$ 754,495	\$ 113,691	\$ 136,537	\$ 250,228	\$ 1,004,723

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**

#REF!

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	
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	460,097	70,212	29,562	99,774	559,871
Depreciation and amortization	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	14,391
Program expenses	75,368	-	-	-	129,111
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	21,631	3,817	-	3,817	25,448
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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

#REF!

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 180,358	\$ 32,752
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	23,972	25,849
Changes in assets and liabilities:		
Grants receivable	6,998	(29,927)
Other receivables	(2,790)	31
Prepaid expenses	2,963	(11,112)
Deposits	-	(5,000)
Accounts payable	1,595	806
Accrued liabilities	(78)	13,246
Net cash provided by operating activities	<u>213,018</u>	<u>26,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit, net	-	(20,000)
Repayment of mortgage payable	<u>(7,017)</u>	<u>(6,347)</u>
Net cash used by financing activities	(7,017)	(26,347)
NET CHANGE IN CASH	206,001	(275)
CASH AT BEGINNING OF YEAR	<u>97,428</u>	<u>97,703</u>
CASH AT END OF YEAR	<u>\$ 303,429</u>	<u>\$ 97,428</u>
CASH FLOW DISCLOSURES		
Interest paid	<u>\$ 6,333</u>	<u>\$ 6,471</u>

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

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(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. There were no restricted net assets at December 31, 2019 and 2018.

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, 2019 AND 2018**

(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, 2019 and 2018, 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, 2019 AND 2018

(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, 2019 and 2018, 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 May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in US GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the new standard effective January 1, 2019, the first day of the Association's fiscal year. The adoption of this ASU did not have a significant impact on the Association's financial statements. The majority of the Association's revenue arrangements generally consist of grants. Based on the Association's evaluation, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Pending Accounting Pronouncements

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, 2021 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 August 8, 2020, the date the financial statements were available to be issued.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Liquid financial assets:		
Cash	\$ 303,429	\$ 97,428
Grants receivable	<u>30,641</u>	<u>37,639</u>
Liquid financial assets available to meet cash needs for general expenditures within one year	<u>\$ 334,070</u>	<u>\$ 135,067</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 114,422	\$ 114,422
Building	301,250	301,250
Building improvements	120,354	120,354
Equipment	33,513	33,513
Vehicles	<u>22,285</u>	<u>22,285</u>
	591,824	591,824
Less accumulated depreciation	<u>(135,121)</u>	<u>(112,215)</u>
	<u>\$ 456,703</u>	<u>\$ 479,609</u>

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

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 2021. There was zero outstanding on the line of credit at December 31, 2019 and 2018.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Accrued taxes	\$ 3,409	\$ -
Accrued vacation	50,620	47,673
Deferred revenue	<u>-</u>	<u>6,434</u>
	<u>\$ 54,029</u>	<u>\$ 54,107</u>

NOTE 7 - COMMITMENTS

In February 2019, the Association entered into a lease of a facility where they 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. Lease expense for the year ended December 31, 2019 was \$30,000.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of December 31, 2019, for each subsequent year and in the aggregate are:

2020	\$ 31,140
2021	32,064
2022	<u>33,024</u>
Total	<u>\$ 96,228</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

(See Independent Accountant's Review Report)

NOTE 8 - LONG TERM DEBT

The Association has a mortgage payable which was used to purchase a 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:

2020	\$ 7,379
2021	8,182
2022	8,462
2023	<u>142,091</u>
Total	<u>\$ 166,114</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 9 - SIGNIFICANT CONCENTRATIONS

Approximately 31% and 41% of revenues were received from two and three grantors in December 31, 2019 and 2018. They also represented approximately 0% and 9% of the outstanding grants receivable for the years ended December 31, 2019 and 2018.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, the COVID-19 outbreak in the United States is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain.