

NEW PHOEBE HOUSE ASSOCIATION

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

DECEMBER 31, 2022 AND 2021

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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 not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

We are required to be independent of New Phoebe House Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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 15, 2023

NEW PHOEBE HOUSE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

(See Independent Accountant's Review Report)

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 330,419	\$ 331,217
Grants receivable	35,986	1,235
Total current assets	366,405	332,452
PROPERTY AND EQUIPMENT, net	436,684	460,276
TOTAL ASSETS	<u>\$ 803,089</u>	<u>\$ 792,728</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 4,735
Accrued liabilities	30,981	35,453
Current portion of mortgage payable	144,782	7,929
Total current liabilities	175,763	48,117
LONG TERM DEBT		
Washington State Department of Commerce	195,672	195,672
Mortgage payable	-	144,283
	<u>195,672</u>	<u>339,955</u>
Total liabilities	371,435	388,072
NET ASSETS WITHOUT DONOR RESTRICTIONS	431,654	404,656
TOTAL LIABILITES AND NET ASSETS	<u>\$ 803,089</u>	<u>\$ 792,728</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

(See Independent Accountant's Review Report)

	<u>2022</u>	<u>2021</u>
REVENUES AND SUPPORT		
Government contracts	\$ 429,096	\$ 312,898
Grants - foundations and corporations	222,123	326,659
Employee Retention Credit	69,229	-
Special events	64,161	63,548
Client fees	48,628	42,365
Contributions	29,542	88,614
Paycheck Protection Program loan proceeds	-	135,797
In-kind	-	13,993
Total revenues and support	<u>862,779</u>	<u>983,874</u>
OPERATING EXPENSES		
Program services	639,933	745,320
Supporting services		
Management and general	91,682	71,154
Fundraising	104,166	48,513
Total operating expenses	<u>835,781</u>	<u>864,987</u>
CHANGE IN NET ASSETS	26,998	118,887
NET ASSETS, beginning of year	<u>404,656</u>	<u>285,769</u>
NET ASSETS, end of year	<u>\$ 431,654</u>	<u>\$ 404,656</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, 2022**
(See Independent Accountant's Review Report)

	Supporting Services					
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>	
Salaries	\$ 392,756	\$ 43,671	\$ 59,413	\$ 103,084	\$ 495,840	
Payroll taxes	75,593	8,405	11,435	19,840	95,433	
Total salaries and related expenses	468,349	52,076	70,848	122,924	591,273	
Depreciation and amortization	18,768	5,353	-	5,353	24,121	
Dues and subscriptions	20	9	-	9	29	
Fees and charges	-	1,437	-	1,437	1,437	
Fundraising events	-	-	28,798	28,798	28,798	
Furnishings and appliances	17,941	4,485	-	4,485	22,426	
Insurance	12,041	2,125	-	2,125	14,166	
Interest expense	4,044	1,348	-	1,348	5,392	
Office expenses	6,481	3,535	1,767	5,302	11,783	
Other expenses	1,161	929	232	1,161	2,322	
Professional fees	13,952	14,275	1,980	16,255	30,207	
Program expenses	56,945	-	-	-	56,945	
Repairs and maintenance	14,284	752	-	752	15,036	
Technology	3,786	1,082	541	1,623	5,409	
Travel and meetings	1,446	620	-	620	2,066	
Utilities	20,715	3,656	-	3,656	24,371	
Total expenses	<u>\$ 639,933</u>	<u>\$ 91,682</u>	<u>\$ 104,166</u>	<u>\$ 195,848</u>	<u>\$ 835,781</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, 2021**
(See Independent Accountant's Review Report)

	Supporting Services				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Activities</u>	<u>Total Expenses</u>
Salaries	\$ 472,405	\$ 34,370	\$ 18,857	\$ 53,227	\$ 525,632
Payroll taxes	79,269	5,767	3,164	8,931	88,200
Total salaries and related expenses	551,674	40,137	22,021	62,158	613,832
Depreciation and amortization	18,477	5,286	-	5,286	23,763
Dues and subscriptions	162	70	-	70	232
Fees and charges	-	443	-	443	443
Fundraising events	-	-	21,894	21,894	21,894
Furnishings and appliances	5,504	1,376	-	1,376	6,880
In-kind expenses	13,993	-	-	-	13,993
Insurance	11,608	2,049	-	2,049	13,657
Interest expense	4,338	1,446	-	1,446	5,784
Office expenses	5,899	3,218	1,609	4,827	10,726
Other expenses	1,730	1,384	346	1,730	3,460
Professional fees	8,195	10,250	2,340	12,590	20,785
Program expenses	89,989	-	-	-	89,989
Repairs and maintenance	8,052	424	-	424	8,476
Technology	2,124	607	303	910	3,034
Travel and meetings	1,203	516	-	516	1,719
Utilities	22,372	3,948	-	3,948	26,320
Total expenses	\$ 745,320	\$ 71,154	\$ 48,513	\$ 119,667	\$ 864,987

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, 2022 AND 2021**

(See Independent Accountant's Review Report)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,998	\$ 118,887
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	24,121	23,763
Changes in assets and liabilities:		
Grants receivable	(34,751)	44,698
Prepaid expenses	-	8,975
Other assets	-	5,000
Accounts payable	(4,735)	4,735
Accrued liabilities	(4,472)	739
Net cash provided by operating activities	<u>7,161</u>	<u>206,797</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(24,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage payable	<u>(7,959)</u>	<u>(7,567)</u>
NET CHANGE IN CASH	(798)	174,321
CASH AT BEGINNING OF YEAR	<u>331,217</u>	<u>156,896</u>
CASH AT END OF YEAR	<u>\$ 330,419</u>	<u>\$ 331,217</u>
CASH FLOW DISCLOSURES		
Interest paid	<u>\$ 5,392</u>	<u>\$ 5,784</u>

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

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF OPERATIONS

New Phoebe House Association (the Association) is a not-for-profit organization 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 the 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. There were no board designated funds at December 31, 2022 and 2021.

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. It is the Association's policy to classify revenues with donor restrictions in net assets without donor restricts if the restriction is met in the same year that the revenue is recorded. There were no restricted net assets at December 31, 2022 and 2021.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Concentrations of Credit Risk

The Association maintains cash balances at financial institutions that are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Association may periodically maintain cash balances in excess of FDIC coverage. Management considers this to be a normal business risk and has not experienced any losses with regard to uninsured balances.

Grants Receivable

The Association carries its grants receivable at cost. The 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, 2022 and 2021, all grants receivable are deemed collectible.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated 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 on estimates of the level of effort spent on each functional category and the number of clients served.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021, 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 August 15, 2023, 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).

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

(See Independent Accountant's Review Report)

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Association had the following assets available for general expenditures in the next twelve months at December 31:

	<u>2022</u>	<u>2021</u>
Liquid financial assets:		
Cash	\$ 330,419	\$ 331,217
Grants receivable	<u>35,986</u>	<u>1,235</u>
Liquid financial assets available to meet cash needs for general expenditures within one year	<u>\$ 366,405</u>	<u>\$ 332,452</u>

NOTE 4 - PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 114,422	\$ 114,422
Building	301,250	301,250
Building improvements	161,038	161,038
Equipment	33,513	33,513
Vehicle	<u>22,285</u>	<u>22,285</u>
	632,508	632,508
Less accumulated depreciation	<u>(195,824)</u>	<u>(172,232)</u>
	<u>\$ 436,684</u>	<u>\$ 460,276</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 1% over the prime rate with a ceiling of 18% and a floor of 5% (8.5% as of December 31, 2022). The line of credit is collateralized by the assets of the Association. At December 31, 2022, the line of credit was set to mature in January 2023. The Association has obtained an extension which have moved the maturity date to January 2024. There was zero outstanding on the line of credit at December 31, 2022 and 2021.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(See Independent Accountant's Review Report)

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Accrued wages and related taxes	\$ 22,494	\$ 22,494
Accrued vacation	<u>8,487</u>	<u>12,959</u>
	<u>\$ 30,981</u>	<u>\$ 35,453</u>

NOTE 7 - COMMITMENTS

In February 2019, the Association entered into a lease of a facility where they would hold treatment meetings in Tacoma, Washington. The lease term was originally through January 2022, with monthly payments of \$2,500 and includes a provision for annual increases. During June 2021, the Association terminated the lease agreement, due to treatment services no longer being provided by the Association. Lease expense for the years ended December 31, 2022 and 2021 was \$0 and \$18,344.

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 final balloon payment. The interest rate is 3.6%. The loan is collateralized by the property. The mortgage consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Mortgage payable	\$ 144,782	\$ 152,741
Less current portion	(144,782)	(7,929)
Less unamortized debt issuance costs	<u>-</u>	<u>529</u>
Long term portion of mortgage payable	<u>\$ -</u>	<u>\$ 144,283</u>

NEW PHOEBE HOUSE ASSOCIATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

(See Independent Accountant's Review Report)

NOTE 8 - LONG TERM DEBT (Continued)

Future minimum payments for the year ended December 31, 2023 are \$144,782.

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 building serves as collateral for the note. 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 50% and 32% of revenues were received from two grantors in December 31, 2022 and 2021. They also represented nearly 100% of the outstanding grants receivable at both December 31, 2022 and 2021.

NOTE 10 - EMPLOYEE RETENTION CREDIT

The Association applied for the Employee Retention Credit (ERC) available through the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The ERC is a refundable tax credit against certain employment taxes providing for a refundable credit of up to \$5,000 for each full-time employee retained between March 13 and December 31, 2020 and up to \$7,000 per quarter for each retained employee between January 1 and September 30, 2021, provided certain criteria is met. The Association qualified for \$69,229 in Employee Retention Credits and recognized them as revenue in the year ended December 31, 2022 when total credits for which they qualified were known.

NEW PHOEBE HOUSE ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(See Independent Accountant's Review Report)

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN

In March 2021, the Association received unsecured loan proceeds of \$135,797 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments within ten months after the covered period. FASB ASC 958-605 states that contribution revenue related to PPP proceeds can be presented as income, if the requirements have been substantially met. The Association believes the proceeds were used for purposes consistent with the PPP and were substantially met as of December 31, 2021. The Association received full forgiveness of the entire PPP loan in June 2021. The proceeds are recorded as other income in the statement of activities for the year ended December 31, 2021.

NOTE 12 - SUBSEQUENT EVENT

In July 2023, the Association modified its mortgage when the outstanding principal balance was \$138,621. The modified interest rate is 6.2%. Loan payments, including interest and principal, will start on September 25, 2023 in the amount of \$1,288 per month with a final balloon payment on August 25, 2030.