

Family Promise of Spokane, Inc.

Financial Report

June 30, 2021

Family Promise of Spokane, Inc.
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Report of Independent Auditor

Board of Directors
Family Promise of Spokane, Inc.
Spokane, Washington

We have audited the accompanying statement of financial position of Family Promise of Spokane, Inc. (a nonprofit organization) as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Promise of Spokane, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The Organization's financial statements as of and for the year ended June 30, 2020 were audited by other auditors, whose report dated January 15, 2021, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022 on our consideration of Family Promise of Spokane, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Family Promise of Spokane, Inc.'s internal control over financial reporting and compliance.

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

February 28, 2022

Financial Statements

Family Promise of Spokane, Inc.
Statements of Financial Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (Note 4) | \$ 502,198 | \$ 462,172 |
| Restricted cash and cash equivalents (Note 4) | 278,988 | 40,407 |
| Grants receivable (Note 5) | 420,432 | 70,093 |
| Pledges receivable (Note 5) | - | 844 |
| Prepaid expenses and other current assets | 29,977 | 2,499 |
| Tenant security deposits (Note 4) | 2,050 | 1,200 |
| | <u>1,233,645</u> | <u>577,215</u> |
| Total current assets | | |
| Noncurrent assets: | | |
| Property and equipment, net (Note 6) | 1,319,868 | 1,084,542 |
| Restricted property and equipment, net (Note 6) | 962,027 | 962,027 |
| | <u>2,281,895</u> | <u>2,046,569</u> |
| Total noncurrent assets | | |
| | <u>\$ 3,515,540</u> | <u>\$ 2,623,784</u> |
| Total assets | | |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 132,181 | \$ 9,725 |
| Accrued payroll and related liabilities | 94,676 | 56,125 |
| Tenant security deposits | 2,050 | 1,200 |
| Unearned grant revenue | 37,163 | - |
| Long-term debt, due within one year (Note 9) | 8,485 | 4,820 |
| | <u>274,555</u> | <u>71,870</u> |
| Total current liabilities | | |
| Noncurrent liabilities: | | |
| Lines of credit (Note 8) | 698,009 | 698,009 |
| Long-term debt, due after one year (Note 9) | 360,461 | 194,117 |
| SBA notes payable and advance (Note 10) | 170,100 | 138,300 |
| | <u>1,228,570</u> | <u>1,030,426</u> |
| Total noncurrent liabilities | | |
| | <u>1,503,125</u> | <u>1,102,296</u> |
| Total liabilities | | |
| Commitments and contingencies (Note 15) | | |
| Net assets (Note 11): | | |
| Without donor restrictions | 751,400 | 519,054 |
| With donor restrictions | 1,261,015 | 1,002,434 |
| | <u>2,012,415</u> | <u>1,521,488</u> |
| Total net assets | | |
| Total liabilities and net assets | <u>\$ 3,515,540</u> | <u>\$ 2,623,784</u> |

Family Promise of Spokane, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total 2021 |
|--|---------------------------------------|------------------------------------|-----------------------|
| Support and revenue: | | | |
| Contributions | \$ 699,998 | \$ 46,400 | \$ 746,398 |
| Government grants and contracts (Note 11) | 1,227,878 | 460,500 | 1,688,378 |
| In-kind contributions (Note 13) | 115,249 | - | 115,249 |
| Rental income | 46,387 | - | 46,387 |
| Miscellaneous income | 3,711 | - | 3,711 |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenue before release of restrictions | 2,093,223 | 506,900 | 2,600,123 |
| Net assets released from restrictions (Note 14) | 248,319 | (248,319) | - |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenue | 2,341,542 | 258,581 | 2,600,123 |
| | <hr/> | <hr/> | <hr/> |
| Operating expenses: | | | |
| Program services | 1,655,898 | - | 1,655,898 |
| Support services | 327,654 | - | 327,654 |
| Fundraising | 128,447 | - | 128,447 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses | 2,111,999 | - | 2,111,999 |
| | <hr/> | <hr/> | <hr/> |
| Changes in net assets from operating activities | 229,543 | 258,581 | 488,124 |
| | <hr/> | <hr/> | <hr/> |
| Non-operating income: | | | |
| Interest and dividend income | 403 | - | 403 |
| Gain on disposal of property and equipment | 2,400 | - | 2,400 |
| | <hr/> | <hr/> | <hr/> |
| Total non-operating income, net | 2,803 | - | 2,803 |
| | <hr/> | <hr/> | <hr/> |
| Changes in net assets | 232,346 | 258,581 | 490,927 |
| | <hr/> | <hr/> | <hr/> |
| Net assets, beginning of year | 519,054 | 1,002,434 | 1,521,488 |
| | <hr/> | <hr/> | <hr/> |
| Net assets, end of year | \$ 751,400 | \$ 1,261,015 | \$ 2,012,415 |
| | <hr/> | <hr/> | <hr/> |

Family Promise of Spokane, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total 2020 |
|--|---------------------------------------|------------------------------------|-----------------------|
| Support and revenue: | | | |
| Contributions | \$ 648,794 | \$ - | \$ 648,794 |
| Government grants and contracts | 555,994 | 78,837 | 634,831 |
| In-kind contributions (Note 13) | 24,407 | - | 24,407 |
| Rental income | 37,457 | - | 37,457 |
| Miscellaneous income | 1,212 | - | 1,212 |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenue before release of restrictions | 1,267,864 | 78,837 | 1,346,701 |
| Net assets released from restrictions (Note 14) | 167,035 | (167,035) | - |
| | <hr/> | <hr/> | <hr/> |
| Total support and revenue | 1,434,899 | (88,198) | 1,346,701 |
| | <hr/> | <hr/> | <hr/> |
| Operating expenses: | | | |
| Program services | 784,902 | - | 784,902 |
| Support services | 312,955 | - | 312,955 |
| Fundraising | 83,751 | - | 83,751 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses | 1,181,608 | - | 1,181,608 |
| | <hr/> | <hr/> | <hr/> |
| Changes in net assets from operating activities | 253,291 | (88,198) | 165,093 |
| | <hr/> | <hr/> | <hr/> |
| Non-operating income: | | | |
| Interest and dividend income | 86 | - | 86 |
| | <hr/> | <hr/> | <hr/> |
| Total non-operating income, net | 86 | - | 86 |
| | <hr/> | <hr/> | <hr/> |
| Changes in net assets | 253,377 | (88,198) | 165,179 |
| | <hr/> | <hr/> | <hr/> |
| Net assets, beginning of year | 265,677 | 1,090,632 | 1,356,309 |
| | <hr/> | <hr/> | <hr/> |
| Net assets, end of year | \$ 519,054 | \$ 1,002,434 | \$ 1,521,488 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Family Promise of Spokane, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

| | Program Services | Support Services | Fundraising | Total 2021 |
|------------------------------------|-----------------------------|-----------------------------|--------------------|-----------------------|
| Salaries and wages | \$ 664,438 | \$ 240,755 | \$ 89,464 | \$ 994,657 |
| Employee benefits | 24,169 | 8,758 | 3,254 | 36,181 |
| Payroll taxes | 63,078 | 22,856 | 8,493 | 94,427 |
| Other employee-related expenses | 6,491 | 2,153 | 137 | 8,781 |
| Total payroll and related expenses | 758,176 | 274,522 | 101,348 | 1,134,046 |
| Client supportive services | 540,107 | 250 | - | 540,357 |
| Dues and subscriptions | 3,823 | 3,251 | 1,037 | 8,111 |
| Furniture and equipment | 4,554 | 549 | - | 5,103 |
| Insurance | 17,128 | - | - | 17,128 |
| Interest and bank fees | 37,428 | 14 | - | 37,442 |
| Marketing | 384 | 725 | 6,073 | 7,182 |
| Miscellaneous | 138 | 358 | - | 496 |
| Office expense | 13,792 | 9,176 | 19,989 | 42,957 |
| Professional fees | 43,699 | 31,440 | - | 75,139 |
| Rent | 12,883 | - | - | 12,883 |
| Repair and maintenance | 32,483 | 2,651 | - | 35,134 |
| Taxes and licenses | (462) | 340 | - | (122) |
| Telephone | 29,170 | 2,871 | - | 32,041 |
| Training and travel | 8,066 | 1,507 | - | 9,573 |
| Utilities | 63,336 | - | - | 63,336 |
| National affiliate fees | 8,500 | - | - | 8,500 |
| Depreciation | 82,693 | - | - | 82,693 |
| Total functional expenses | <u>\$ 1,655,898</u> | <u>\$ 327,654</u> | <u>\$ 128,447</u> | <u>\$ 2,111,999</u> |

Family Promise of Spokane, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

| | <u>Program Services</u> | <u>Support Services</u> | <u>Fundraising</u> | <u>Total 2020</u> |
|------------------------------------|-----------------------------|-----------------------------|--------------------|-----------------------|
| Salaries and wages | \$ 356,478 | \$ 209,352 | \$ 72,005 | \$ 637,835 |
| Payroll taxes | 35,338 | 20,753 | 7,138 | 63,229 |
| Other employee-related expenses | 16,246 | - | - | 16,246 |
| Total payroll and related expenses | 408,062 | 230,105 | 79,143 | 717,310 |
| Client supportive services | 82,255 | - | - | 82,255 |
| Dues and subscriptions | - | 7,072 | 209 | 7,281 |
| Furniture and equipment | 4,902 | - | - | 4,902 |
| Insurance | 14,254 | 4,752 | - | 19,006 |
| Interest and bank fees | 32,388 | 2,034 | 177 | 34,599 |
| Marketing | 1,477 | 132 | 749 | 2,358 |
| Miscellaneous | 856 | 76 | 434 | 1,366 |
| Office expense | 5,244 | 9,096 | 2,399 | 16,739 |
| Professional fees | 44,957 | 29,971 | - | 74,928 |
| Rent | 11,157 | - | - | 11,157 |
| Repair and maintenance | 40,005 | 2,298 | 199 | 42,502 |
| Taxes and licenses | - | 11,858 | - | 11,858 |
| Telephone | 6,514 | 3,517 | 297 | 10,328 |
| Training and travel | 11,180 | 1,884 | - | 13,064 |
| Utilities | 43,127 | 1,660 | 144 | 44,931 |
| National affiliate fees | - | 8,500 | - | 8,500 |
| Depreciation | 78,524 | - | - | 78,524 |
| Total functional expenses | <u>\$ 784,902</u> | <u>\$ 312,955</u> | <u>\$ 83,751</u> | <u>\$ 1,181,608</u> |

Family Promise of Spokane, Inc.
Statements of Cash Flows
Year Ended June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 490,927 | \$ 165,179 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation expense | 82,693 | 78,524 |
| Donated property and equipment | (41,621) | - |
| Gain on disposal of property and equipment | (2,400) | - |
| Forgiveness of CARES Act PPP and EIDL loans | (138,300) | - |
| Change in: | | |
| Grants receivable | (350,339) | (44) |
| Pledges receivable | 844 | 8,632 |
| Prepaid expenses and other current assets | (27,478) | 6,996 |
| Accounts payable and accrued expenses | 122,456 | 5,125 |
| Accrued payroll and related liabilities | 38,551 | 16,399 |
| Tenant security deposits | 850 | - |
| Unearned grant revenue | 37,163 | - |
| Net cash provided by operating activities | <u>213,346</u> | <u>280,811</u> |
| Cash flows from investing activities: | | |
| Proceeds from disposal of property and equipment | 6,839 | - |
| Purchases of property and equipment | (280,837) | (437,784) |
| Proceeds from repaid guest loans | - | 142 |
| Net cash used by investing activities | <u>(273,998)</u> | <u>(437,642)</u> |
| Cash flows from financing activities: | | |
| Borrowings (repayments) on lines of credit, net | - | 332,021 |
| Proceeds from CARES Act PPP loan | 170,100 | 128,300 |
| Proceeds from EIDL loan | - | 10,000 |
| Proceeds from issuance of long-term debt | 180,000 | - |
| Principal payments on long-term debt | (9,991) | (4,750) |
| Net cash provided by financing activities | <u>340,109</u> | <u>465,571</u> |
| Net increase in cash and cash equivalents | 279,457 | 308,740 |
| Cash and cash equivalents, beginning of year | <u>503,779</u> | <u>195,039</u> |
| Cash and cash equivalents, end of year | <u>\$ 783,236</u> | <u>\$ 503,779</u> |
| Reconciliation of cash and cash equivalents to the Statements of Financial Position: | | |
| Cash and cash equivalents | \$ 502,198 | \$ 462,172 |
| Restricted cash and cash equivalents | 278,988 | 40,407 |
| Tenant security deposits | 2,050 | 1,200 |
| Cash and cash equivalents, end of year | <u>\$ 783,236</u> | <u>\$ 503,779</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 37,442</u> | <u>\$ 34,599</u> |

Family Promise of Spokane, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

1. Organization

Family Promise of Spokane, Inc. (“the Organization”) is a Washington nonprofit organization working to end the cycle of homelessness for families in Spokane County. The Organization defines a family as anyone caring for a minor child or who is pregnant. The Organization operates three main categories of programs. Prevention programs include rental assistance and diversion to prevent families from becoming homeless. Provision programs provide shelter for families that are currently experiencing homelessness. Preparation programs assist families with stabilizing their lives and livelihoods after moving into housing of their own. As of June 30, 2021, the Organization operated out of four facilities in the City limits of Spokane and was preparing to open a fifth location designed for families with newborns. Additionally, the Organization is ramping up a Housing Assistance program funded by a Treasury Emergency Rental Assistance grant.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the American Institute of Certified Public Accountants’ *Audit and Accounting Guide for Not-for-Profit Organizations*. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized as incurred.

ASC Topic 958, *Not-For-Profit Entities*, establishes standards for external financial statements of not-for-profit organizations. The Organization reports net assets and revenues, expenses, gains and losses into two categories, based on the existence or absence of donor-imposed restrictions (see Note 14) and disclosure on liquid resources and the availability of financial assets to meet cash needs for general expenditures (see Note 3). In addition, the organization is required to present a statement of cash flows.

Recent Accounting Pronouncements

New accounting standards are issued by the Financial Accounting Standards Board (FASB) through Accounting Standards Updates (ASUs) to the FASB Accounting Standards Codification (ASC). The FASB does not consider the Updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC.

In May 2014, the FASB issued ASU No. 2014-09, which amended ASC Topic 606, *Revenue from Contracts with Customers*, with the stated purpose of removing inconsistencies and weaknesses in revenue requirements and improve comparability of revenue recognition practices. ASU No. 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The adoption of ASU 2014-09 became effective in the fiscal year ended June 30, 2021 and was applied retrospectively to all periods presented. Implementation did not have any impact on net assets or previously issued financial statements.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In June 2018, the FASB issued ASU No. 2018-08, which amended ASC Topics 958-605 and 958-720, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the amendment is to provide guidance on grants and contracts that was not provided in ASU 2014-09, *Revenue from Contracts with Customers*. The amendment should assist entities in 1) evaluating if transactions should be accounted for as contributions or exchange transactions (subject to other guidance) and 2) whether a contribution is conditional. The adoption of ASU 2018-08 became effective in the fiscal year ended June 30, 2021. Implementation did not have a significant impact to the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, which created a new ASC Topic 842, *Leases*. This standard requires a lessee to recognize the lease assets and lease liabilities arising from operating leases in the Statement of Financial Position. Qualitative, along with specific quantitative disclosures, are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 is now effective for fiscal years beginning after December 15, 2021 (see ASU No. 2020-05). The Organization is currently evaluating the financial statement impact of adopting this ASU.

In order to give immediate relief to certain entities as a result of the widespread, adverse economic effects caused by the COVID-19 pandemic, on June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*. This ASU defers the effective dates of FASB ASC Topics 606 and 842 to fiscal years beginning after December 15, 2019 and December 15, 2021, respectively, for certain entities that had not issued their financial statements (or made them available for issuance) as of June 3, 2020.

In November 2021, the FASB issued ASU No. 2021-09, which amended ASC Topic 842, *Leases*. ASC Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in ASU No. 2021-09 allow those lessees to make the risk-free rate election by class of underlying assets, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities that have not yet adopted Topic 842 as of November 11, 2021 are required to adopt the amendments in ASU No. 2021-09 at the same time that they adopt ASC Topic 842, using the existing transition provisions.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The purpose of the amendment is to modify disclosure requirements of Topic 820, *Fair Value Measurement*, particularly with respect to Level 3 fair value measurements. The adoption of ASU No. 2018-13 became effective in the fiscal year ended June 30, 2021. Implementation did not have a significant impact on the Organization's financial statements.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In September 2020, the FASB issued ASU No. 2020-07, which amended ASC Topic 958, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update apply to not-for-profit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes property and equipment (such as land, buildings, and equipment), use of property and equipment assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. The Organization is currently evaluating the financial statement impact of adopting this ASU.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits in banks and other highly liquid investments which have original maturities of three months or less when purchased.

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount that management of the Organization expects to collect from outstanding balances. If considered necessary, management provides for probable uncollectible amounts through an allowance for doubtful accounts. Additions to the allowance for doubtful accounts are based on management's judgment, considering historical write-offs, collections and current credit conditions. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable. Payments received subsequent to the time that an account is written off are considered bad debt recoveries and are recorded as an offset to expenses. Management expects all June 30, 2021 receivables to be fully collectible and, therefore, no allowance for doubtful accounts has been provided as of that date.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment, if any, are carried at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Expenditures for repairs and maintenance that represent betterments or substantially prolong the useful lives of assets are also capitalized. Only assets with a cost or value of \$2,500 or greater are capitalized as property and equipment. Normal maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are recognized in the Statements of Activities and Changes in Net Assets.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 7 to 40 years |
| Furniture and equipment | 3 to 15 years |
| Vehicles | 7 years |

Valuation of Long-Lived Assets

Management of the Organization periodically reviews the net carrying value of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. These reviews consider the net realizable value of each asset to determine whether an impairment in value has occurred, and whether there is a need for an asset impairment write-down. Impaired assets are reported at the lower of cost or fair value. At June 30, 2021 and 2020, no assets were considered to be impaired.

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At June 30, 2021 and 2020, the carrying value of financial instruments, such as receivables, accounts payable and other current liabilities, approximated their fair values based on the short-term maturities of those instruments.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, which distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization. The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those instruments. At June 30, 2021 and 2020, the Organization had no assets or liabilities valued at fair value.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Organization had no assets or liabilities measured at fair value on a nonrecurring basis during 2021 and 2020.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenue from exchange transactions is recognized in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its Statements of Activities:

Special Fundraising Event Revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the Statements of Activities. The performance obligation is delivery of the event. The event fee, if any, is set by the Organization. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Organization separately presents in its notes to financial statements the exchange and contribution components of the gross proceeds from special events (see Note 12). Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities and recognized as special event revenue after delivery of the event. For special event fees and sponsorships received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Other program revenue consists primarily of rent revenue and is recognized on a monthly basis as earned.

Grants and Contracts Revenue

The Organization must perform services or meet specific conditions to receive grant and contract funds. When the conditions are met or the required services have been provided, the government agency is billed, and the support is recognized.

Generally, there are no significant remaining restrictions associated with the grants or contracts when the support is recognized. However, if there are restrictions, the amount is recorded as deferred revenue in the current liability section of the Statements of Financial Position. Once the requirements have been satisfied, the Organization removes the amount from deferred revenue and recognizes the amount as grants and contracts revenue in the Statements of Activities and Changes in Net Assets.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Contributions and Recognition of Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets with donor-imposed temporary restrictions, where the restrictions have been satisfied in the same reporting period as received, are reported as increases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases net assets with donor restrictions. When a temporary restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Donations of property and equipment, if any, are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Assets and Services

Donated property, supplies, and other non-cash donations are recorded as contributions at their fair market value at the date of donation. The Organization reports any donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services are recognized as contributions if the services either create or enhance non-financial assets or require specialized skills, which are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. Some members of the Organization and a substantial number of volunteers have donated significant amounts of their time in furthering the Organization's programs and objectives. No amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition under professional accounting standards.

Advertising Expenses

Advertising costs are expensed as they are incurred.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Functional Expenses

The costs associated with providing the various programs and supporting services of the Organization have been summarized in the Statements of Activities and Changes in Net Assets. Most expenses can be directly allocated to one of the programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Any expenditures of the Organization not directly chargeable to a specific program or supporting service are allocated based on management policies and estimates and the guidelines outlined in the grants and contracts, if any. Management has elected to use direct payroll as the primary basis for allocating indirect costs, unless otherwise outlined in grants and contracts. The financial statements report expenses by function in the Statements of Functional Expenses.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. However, the Organization is subject to tax on unrelated business income, if any. The Organization had no unrelated business income during 2021 and 2020.

The Organization has not identified any uncertain income tax positions that would jeopardize its tax-exempt status. The Organization's income tax returns are subject to review and examination by federal authorities. With few exceptions, the tax returns essentially remain open for possible examination by federal authorities for a period of three years after the respective filing deadlines of those returns.

Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents.

The Organization maintains its cash and cash equivalents with high credit quality financial institutions and generally limits the amount of exposure to any one financial institution. The Organization's cash in bank deposit accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Organization to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates and affect the amounts reported in the financial statements.

Reclassifications

Certain amounts from the 2020 financial statements have been reclassified to conform with the 2021 financial statement presentation. These reclassification had no effect on changes in net assets or net assets as previously reported.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

2. Summary of Significant Accounting Policies, Continued

Subsequent Events

The Organization's management has evaluated subsequent events through February 28, 2022, the date as of which these financial statements were available to be issued. Subsequent events that have occurred since June 30, 2021 that require disclosure in these financial statements are disclosed in Notes 10 and 16.

3. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|----------------------|
| Cash and cash equivalents (unrestricted) | \$ 502,198 | \$ 462,172 |
| Grants receivable | 420,432 | 70,093 |
| Pledges receivable | <u> --</u> | <u> 844</u> |
| Financial assets available to meet general expenditures | <u>\$ 922,630</u> | <u>\$ 533,109</u> |

The Organization's net assets with donor restrictions consist of restricted cash and cash equivalents and restricted property and equipment. These assets are limited to use and are not available for general expenditure within the next year.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits held in checking accounts with a national bank and a local bank. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. Deposits held in checking accounts at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution.

The carrying amount of cash and cash equivalents, including restricted cash and cash equivalents and tenant security deposits, on the Organization's books at June 30, 2021 was \$783,236 and bank balances totaled \$718,249. The differences between the carrying amount of cash and cash equivalents on the Organization's books and the bank balances consisted of outstanding checks and deposits not processed by the banks as of June 30, 2021.

A summary of the total insured and uninsured bank balances at June 30, 2021 is as follows:

| | |
|-------------------------|-------------------|
| Total bank balances | \$ 718,249 |
| Portion insured by FDIC | <u>(461,665)</u> |
| Uninsured bank balances | <u>\$ 256,584</u> |

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

5. Receivables

Receivables at June 30, 2021 and 2020 are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------|---------------------|----------------------|
| Grants receivable | \$ 420,432 | \$ 70,093 |
| Pledges receivable | <u> --</u> | <u> 844</u> |
| | <u>\$ 420,432</u> | <u>\$ 70,937</u> |

6. Property and Equipment

Property and equipment at June 30, 2021 and 2020 are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------------|-------------------------|
| Buildings and improvements | \$ 2,206,542 | \$ 1,950,739 |
| Furniture and equipment | 111,778 | 80,274 |
| Vehicles | <u> 9,200</u> | <u> 9,200</u> |
| | 2,327,520 | 2,040,213 |
| Less accumulated depreciation | <u>(231,184)</u> | <u>(159,528)</u> |
| | 2,096,336 | 1,880,685 |
| Land | 163,300 | 95,980 |
| Construction in progress | <u> 22,259</u> | <u> 69,904</u> |
| | <u>\$ 2,281,895</u> | <u>\$ 2,046,569</u> |

Depreciation expense for the years ended June 30, 2021 and 2020 was \$82,693 and \$78,524, respectively.

Certain assets included in property and equipment were purchased using grant funds. During the fiscal year ended June 30, 2019, the Organization purchased land and buildings totaling \$1,251,635 that was partially funded with a \$950,000 Community Development Block Grant. The terms of this grant include restrictions on the disposal of the property and prohibit encumbering the property. During the fiscal year ended June 30, 2017, the Organization purchased storage containers and lockers totaling \$12,027 that were purchased with Community Development Block Grant funds. There are also restrictions on the disposal of these assets if they are no longer useable for program or administrative purposes. In some instances, the assets need to be returned to the grantor. The cost of these assets totaled \$12,027 at both June 30, 2021 and 2020.

The combined total of assets that were purchased with grant funds is \$962,027 at both June 30, 2021 and 2020 and is reported as restricted property and equipment and net assets with donor restrictions in the Statements of Financial Position.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

7. Accrued Compensated Absences

The organization offers three types of compensated time off: paid time off (PTO), vacation and sick time. Part-time staff earn one hour of PTO, which includes their paid sick time, for every forty hours of work. Part-time employees are eligible to utilize this time upon being employed for at least 90 days. Full-time staff do not earn PTO, but rather earn separate amounts of vacation time and sick time. Full-time staff earn vacation time based on individual arrangements and sick time at the rate of one hour for every forty hours worked. Full-time staff are eligible to utilize their vacation and sick time upon being employed for at least 90 days.

Accrued PTO and vacation time are payable to employees upon termination. Accrued sick time is not payable to employees upon termination. Accrued vacation and accrued PTO totaling \$28,785 and \$11,790 are included in accrued payroll and related liabilities in the Statements of Financial Position at June 30, 2021 and 2020, respectively.

8. Lines of Credit

At June 30, 2021, the Organization has two lines of credit with Washington Trust Bank (WTB), as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Unsecured line of credit, due April 18, 2024, bears interest at 4.00%, interest only due monthly | \$ 396,293 | \$ 396,293 |
| Line of credit secured by real estate, due July 19, 2031, bears interest at 4.00%, interest only due monthly | <u>301,716</u> | <u>301,716</u> |
| Amounts due after one year | <u>\$ 698,009</u> | <u>\$ 698,009</u> |

Because both of the lines of credit only require interest payments and mature beyond the end of the next fiscal year-end, they are classified as noncurrent liabilities in the Statements of Financial Position.

9. Long-Term Debt

Long-term debt at June 30, 2021 and 2020 is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Mortgage contract payable in monthly installments of \$1,145, including interest at 4.00%, secured by real property, maturing November 1, 2029 | \$ 194,248 | \$ 198,937 |
| Mortgage contract payable in monthly installments of \$859, including interest at 4.00%, secured by real property, maturing September 30, 2022 | <u>174,698</u> | <u>--</u> |
| | 368,946 | 198,937 |
| Less amounts due within one year | <u>(8,485)</u> | <u>(4,820)</u> |
| Amounts due after one year | <u>\$ 360,461</u> | <u>\$ 194,117</u> |

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

9. Long-Term Debt, Continued

Scheduled principal maturities on long-term debt as of June 30, 2021 are as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-------------------|
| 2022 | \$ 8,485 |
| 2023 | 176,526 |
| 2024 | 5,514 |
| 2025 | 5,768 |
| 2026 | 6,032 |
| Thereafter | <u>166,621</u> |
| | <u>\$ 368,946</u> |

10. CARES Act Note Payable and Forgiveness

During 2020, the Organization was granted a \$128,300 loan pursuant to the Small Business Administration's (SBA) Paycheck Protection Program (PPP), under Division A, Title I of the CARES Act. The loan, which was set to mature in April 2022, bore interest at a rate of 1% per annum. The loan was uncollateralized and was fully guaranteed by the Federal government. The note could be prepaid at any time prior to maturity with no prepayment penalties.

In accordance with the terms of the PPP loan application, funds from the note could only be used for payroll costs, rent, mortgage interest, and certain covered operations expenditures as described in the CARES Act. Under the terms of the PPP, up to 100% of the loan could be forgiven if the funds were used for qualifying expenses as described in the CARES Act. During December 2020, the Organization submitted its application for forgiveness. On January 9, 2021, the Organization received notice from its lender that the note, including accrued interest, had been forgiven in full. The forgiveness, including accrued interest, was recorded within government grants and contracts during the fiscal year ended June 30, 2021.

During 2020, the Organization was also granted an Economic Injury Disaster Loan (EIDL) Supplemental Targeted Advance in the amount of \$10,000. This amount has been recorded within government grants and contracts revenue during the fiscal year ended June 30, 2021.

In February 2021, the Organization was granted a second PPP loan in the amount of \$170,100 under the same terms and conditions as the first PPP loan. The Organization submitted its application for forgiveness and was notified on December 8, 2021 that it had been granted forgiveness of the full principal and interest associated with the loan. The amount forgiven will be recorded as government grants and contracts revenue during the upcoming fiscal year ending June 30, 2022.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

11. Grants and Contracts

During the year ended June 30, 2021, the Organization had the following significant grants and contracts activity.

Treasury Emergency Rental Assistance (T-ERA1) Grant

The Organization was awarded a \$2,199,980 grant by the City of Spokane to implement a rental and utility assistance program for qualifying families living within the Spokane city limits. The Organization recognized revenue totaling \$258,226 during the year ended June 30, 2021 for activities associated with this grant.

Spokane County Homeless Housing and Assistance Act (HHAA) 2020 Grant

The Organization was awarded a \$593,466 capital grant through the Spokane County HHAA Grant. The purpose of this grant is to fund the expansion of one of the Organization's family emergency shelter facilities. The Organization recognized revenue totaling \$17,736 during the year ended June 30, 2021 for activities associated with this grant.

Spokane County Homeless Housing and Assistance Act (HHAA) 2021 Grant

The Organization was awarded a \$120,972 capital grant through the Spokane County HHAA Grant. The purpose of this grant is to fund the expansion of one of the Organization's family emergency shelter facilities. Through June 30, 2021, none of these funds had been expended or received.

Spokane County Coronavirus Aid Relief and Economic Security (CARES) Grant

The Organization was awarded a \$219,000 CARES grant from Spokane County. The purpose of this grant is to respond to the COVID-19 outbreak and cover related health, safety and sanitation costs across the Organization. Through June 30, 2021, the Organization had received the entire \$219,000 amount awarded under this grant. Of this amount, \$182,471 was recognized as government grants and contracts revenue and \$36,529 was included within unearned grant revenue.

Providence Healthcare Systems – Community Benefit Fund Grant

The Organization was awarded a \$150,000 grant from Providence Healthcare Systems that is restricted for opening the new Family Infant House (\$50,000) and a family respite facility (\$100,000). Through June 30, 2021, none of these funds had been expended or received.

Treasury Rental Assistance Project (T-RAP) Grant

The Organization was awarded a \$2,460,555 grant by the City of Spokane to implement a rental and utility assistance program for qualifying families living within the Spokane city limits utilizing the T-RAP grant. Through June 30, 2021, none of these funds had been expended or received.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

11. Grants and Contracts, Continued

Premera Blue Cross 2021 Grant

In December 2020, the Organization was awarded a \$218,000 grant from Premera Blue Cross that is restricted for opening the new Family Infant House and a family respite facility. The grant terms do not designate what portion of the grant is to be spent on the two restricted purposes. Through June 30, 2021, none of these funds had been expended or received.

Grant Audits and Adjustments

Costs charged to grant and contract programs are subject to audit and adjustment by the grantor and contracting agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants or contracts, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021 may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants and contracts; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

12. Special Fundraising Event Revenue

In the past, the Organization has hosted in-person fundraising events to raise funding for certain of its programs. During the fiscal years ended June 30, 2021 and 2020, these events were not held due to restrictions and precautions associated with COVID-19 and to comply with the proactive emergency declarations issued by the Governor of the State of Washington (see Note 15). In lieu of these in-person events, the Organization hosted virtual fundraisers. The donations received from the virtual fundraisers are included in contribution income in the Statement of Activities and Changes in Net Assets for both of the years ended June 30, 2021 and 2020.

13. In-Kind Contributions

The Organization receives donated property, supplies and services, the value of which totaled \$115,249 and \$24,407 for the years ended June 30, 2021 and 2020, respectively. These amounts have been recorded as in-kind contributions in the Statements of Activities and Changes in Net Assets.

14. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions include assets not subject to donor-imposed restrictions, either temporary or permanent, and consist of net assets received that are general in nature as to use and operating purposes. Gifts of long-lived assets without donor-imposed stipulations about how long the assets must be used are classified as unrestricted net assets. Board designated amounts are recorded as net assets without donor restrictions. At June 30, 2021 and 2020, the Organization had no Board designated amounts.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

14. Net Assets, Continued

Net Assets With Donor Restrictions

Net assets with donor restrictions are those net assets that either have temporary or permanent restrictions placed upon them. Temporarily restricted net assets include assets subject to donor-imposed time or use restrictions that have not been met at the reporting date. Contributions of cash and other assets with donor-imposed temporary restrictions, where the restrictions have been satisfied in the same reporting period as received, are reported as increases in net assets without donor restrictions. Permanently restricted net assets include assets subject to donor-imposed restrictions whereby the principal assets or amounts must be maintained in perpetuity.

Net assets with donor restrictions are restricted for the following purposes and/or periods:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| <i>Subject to expenditure for a specific purpose:</i> | | |
| Capital campaign: | | |
| Playground construction | \$ 10,000 | \$ 10,000 |
| Mental health program coordinator | -- | 30,407 |
| Client emergency assistance programs | 20,534 | -- |
| Infant House operations | 124,000 | -- |
| Respite House operations | 100,000 | -- |
| Other program donations | <u>44,454</u> | <u>--</u> |
| Total purpose restrictions | <u>298,988</u> | <u>40,407</u> |
| <i>Subject to passage of time:</i> | | |
| Property and equipment restricted for use (see Note 6) | <u>962,027</u> | <u>962,027</u> |
| Total passage of time restrictions | <u>962,027</u> | <u>962,027</u> |
| Total net assets with donor restrictions | <u>\$ 1,261,015</u> | <u>\$ 1,002,434</u> |

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows :

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Capital campaign | \$ -- | \$ 35,317 |
| Satisfaction of other purpose restrictions | <u>248,319</u> | <u>131,718</u> |
| | <u>\$ 248,319</u> | <u>\$ 167,035</u> |

15. Commitments and Contingencies

Professional Liability Insurance

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Organization maintains professional liability insurance coverage through a policy with a commercial insurance carrier, which provides protection on a claims-made basis. Settled claims did not exceed insurance coverage during any of the past three fiscal years.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

15. Commitments and Contingencies, Continued

Grants and Contracts

The Organization receives significant financial assistance from federal, state and local governmental agencies in the form of grants and contracts, which are governed by various rules and regulations of the grantor agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant and contract agreements and is subject to audit by the Organization's independent auditors and other governmental auditors. Therefore, to the extent that the Organization has not complied with the terms and conditions governing the grants, refunds of any money received may be required, and the collectability of any related receivables at June 30, 2021 may be impaired. Based on prior experience, management of the Organization believes such amounts, if any, would be immaterial.

Concentrations

Approximately 26% and 33% of the Organization's revenue for the years ended June 30, 2021 and 2020, respectively, was derived from grants and contracts from the City of Spokane (the City). Approximately 11% and 9% of the Organization's revenue for the years ended June 30, 2021 and 2020, respectively, was derived from grants and contracts from Spokane County (the County).

At June 30, 2021 and 2020, \$386,520 and \$70,093, respectively, of the Organization's grants and contracts receivable were due from the City or the County. As of the date of the report, the amounts due at June 30, 2021 had been collected.

The Organization's operations are dependent on continued support from grants and contracts.

COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, during March 2020, the Governor of the State of Washington issued proactive emergency declarations in response to the spread of COVID-19.

The extent of the impact of COVID-19 on the Organization's operational and financial performance has been minimal to date. If the severity of the economic disruptions increase as the duration of the COVID-19 pandemic continues, there is the potential that negative financial impacts could occur in the near future. However, any potential impacts to the Organization are unknown at this time and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Affiliated Agency

The Organization is a member of the national Family Promise, Inc. affiliate network and paid annual affiliate fees of \$8,500 for both of the years ended June 30, 2021 and 2020.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2021 and 2020

16. Subsequent Events

Emergency Solutions Grant

In December 2021, the Organization was awarded a \$291,974 grant restricted for expanding emergency shelter capacity for families by 19 beds. Ten of these beds will be added at the family emergency shelter and nine beds will be added in the City of Cheney, Washington. The period of availability for this grant is December 2021 through June 2022.

Providence Healthcare Systems – Community Benefit Fund Grant

In December 2021, the Organization was awarded an additional \$150,000 grant that is restricted for the family emergency shelters and a family respite facility. The grant terms do not designate what portion of the grant is to be spent on the two restricted purposes.

Housing Assistance Center and Administrative Office Lease

In September 2021, the Organization entered into a two-year facility lease to provide office space for the Housing Assistance Center and administrative functions of the Organization. The monthly lease rate is \$3,000 per month and the lease expires in September 2023.

Report on Internal Control

**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors
Family Promise of Spokane, Inc.
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Family Promise of Spokane, Inc. (“the Organization”), which are comprised of the statement of financial position at June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The sole purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeCoria, Blair & Teague, PS

DeCoria, Blair & Teague, P.S.
Spokane, Washington

February 28, 2022

**Family Promise of Spokane, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

The report of independent auditor expressed an unmodified opinion on the Organization’s financial statements.

The audit of the Organization’s financial statements disclosed no material weaknesses in internal control over financial reporting.

The audit disclosed no compliance findings material to the Organization’s financial statements.

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no matters reported for the year ended June 30, 2021.

**Family Promise of Spokane, Inc.
Status of Prior Year Findings
Year Ended June 30, 2021**

There were no matters reported for the year ended June 30, 2020.