

Family Promise of Spokane, Inc.

Financial Report

June 30, 2022

Family Promise of Spokane, Inc.
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Family Promise of Spokane, Inc. (a nonprofit organization), which are comprised of the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Family Promise of Spokane, Inc. (the Organization) as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023 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

January 23, 2023

Financial Statements

Family Promise of Spokane, Inc.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 363,763	\$ 437,048
Restricted cash and cash equivalents (Note 4)	396,243	278,988
Grants and contributions receivable	284,116	485,582
Prepaid expenses and other current assets	31,628	29,977
Tenant security deposits (Note 4)	2,050	2,050
Total current assets	<u>1,077,800</u>	<u>1,233,645</u>
Noncurrent assets:		
Foundation endowment fund (Note 5)	879	-
Property and equipment, net (Note 6)	2,447,462	1,319,868
Restricted property and equipment, net (Note 6)	950,000	962,027
Total noncurrent assets	<u>3,398,341</u>	<u>2,281,895</u>
Total assets	<u><u>\$ 4,476,141</u></u>	<u><u>\$ 3,515,540</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 203,903	\$ 132,375
Accrued payroll and related liabilities (Note 7)	152,691	94,482
Tenant security deposits	2,050	2,050
Unearned grant revenue	28,283	37,163
Long-term debt, due within one year (Note 9)	10,279	8,485
Total current liabilities	<u>397,206</u>	<u>274,555</u>
Noncurrent liabilities:		
Lines of credit (Note 8)	682,923	698,009
Long-term debt, due after one year (Note 9)	353,878	360,461
SBA notes payable and advance (Note 10)	-	170,100
Total noncurrent liabilities	<u>1,036,801</u>	<u>1,228,570</u>
Total liabilities	<u>1,434,007</u>	<u>1,503,125</u>
Commitments and contingencies (Note 15)		
Net assets (Note 14):		
Without donor restrictions	1,666,262	751,400
With donor restrictions	1,375,872	1,261,015
Total net assets	<u>3,042,134</u>	<u>2,012,415</u>
Total liabilities and net assets	<u><u>\$ 4,476,141</u></u>	<u><u>\$ 3,515,540</u></u>

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

Family Promise of Spokane, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
Support and revenue:			
Contributions	\$ 1,211,649	691,069	\$ 1,902,718
Government grants and contracts (Note 11)	6,054,545	-	6,054,545
In-kind contributions (Note 13)	106,827	-	106,827
Rental income	47,796	-	47,796
Miscellaneous income	40,950	-	40,950
Total support and revenue before release of restrictions	7,461,767	691,069	8,152,836
Net assets released from restrictions (Note 14)	576,212	(576,212)	-
Total support and revenue	8,037,979	114,857	8,152,836
Operating expenses:			
Program services	5,997,586	-	5,997,586
Support services	701,116	-	701,116
Fundraising	428,928	-	428,928
Total operating expenses	7,127,630	-	7,127,630
Changes in net assets from operating activities	910,349	114,857	1,025,206
Non-operating income:			
Interest and dividend income	64	-	64
Net depreciation of foundation endowments (Note 5)	(121)	-	(121)
Gain on disposal of property and equipment	4,570	-	4,570
Total non-operating income, net	4,513	-	4,513
Changes in net assets	914,862	114,857	1,029,719
Net assets, beginning of year	751,400	1,261,015	2,012,415
Net assets, end of year	\$ 1,666,262	\$ 1,375,872	\$ 3,042,134

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

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	\$ 506,900	\$ 1,206,898
Government grants and contracts	1,227,878	-	1,227,878
In-kind contributions (Note 13)	115,249	-	115,249
Rental income	46,387	-	46,387
Miscellaneous income	3,711	-	3,711
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)	-
Total support and revenue	2,341,542	258,581	2,600,123
Operating expenses:			
Program services	1,655,898	-	1,655,898
Support services	327,654	-	327,654
Fundraising	128,447	-	128,447
Total operating expenses	2,111,999	-	2,111,999
Changes in net assets from operating activities	229,543	258,581	488,124
Non-operating income:			
Interest and dividend income	403	-	403
Gain on disposal of property and equipment	2,400	-	2,400
Total non-operating income, net	2,803	-	2,803
Changes in net assets	232,346	258,581	490,927
Net assets, beginning of year	519,054	1,002,434	1,521,488
Net assets, end of year	\$ 751,400	\$ 1,261,015	\$ 2,012,415

Family Promise of Spokane, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Support Services	Fundraising	Total 2022
Salaries and wages	\$ 992,279	\$ 352,912	\$ 282,807	\$ 1,627,998
Employee benefits	63,374	22,724	28,689	114,787
Payroll taxes	104,399	37,827	27,778	170,004
Other employee-related expenses	9,026	20,838	3,319	33,183
Total payroll and related expenses	1,169,078	434,301	342,593	1,945,972
Client supportive services	4,333,334	-	-	4,333,334
Dues and subscriptions	3,960	10,756	10,338	25,054
Furniture and equipment	52,996	35,269	6,118	94,383
Insurance	1,488	18,791	-	20,279
Interest and bank fees	49,355	5,645	4,113	59,113
Miscellaneous	527	831	61	1,419
Office expense	2,155	21,440	17,849	41,444
Professional fees	84,596	65,998	38,623	189,217
Rent	52,716	28,334	-	81,050
Repair and maintenance	41,308	13,560	-	54,868
Taxes and licenses	14,735	2,903	-	17,638
Telephone	33,760	22,836	8,547	65,143
Training and travel	775	6,726	686	8,187
Utilities	73,882	10,004	-	83,886
National affiliate fees	-	8,500	-	8,500
Depreciation	82,921	15,222	-	98,143
Total functional expenses	\$ 5,997,586	\$ 701,116	\$ 428,928	\$ 7,127,630

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	\$ 1,655,898	\$ 327,654	\$ 128,447	\$ 2,111,999

Family Promise of Spokane, Inc.
Statements of Cash Flows
Year Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,029,719	\$ 490,927
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	98,143	82,693
Donated property and equipment	(3,500)	(41,621)
Gain on disposal of property and equipment	(4,570)	(2,400)
Forgiveness of CARES Act PPP and EIDL loans	(170,100)	(138,300)
Net depreciation of beneficial interest in foundation endowment	121	-
Change in:		
Grants receivable	201,466	(415,489)
Pledges receivable	-	844
Prepaid expenses and other current assets	(1,651)	(27,478)
Accounts payable and accrued expenses	71,528	122,383
Accrued payroll and related liabilities	58,209	38,624
Tenant security deposits	-	850
Unearned grant revenue	(8,880)	37,163
Net cash provided by operating activities	<u>1,270,485</u>	<u>148,196</u>
Cash flows from investing activities:		
Additions to beneficial interest in foundation endowment	(1,000)	-
Proceeds from disposal of property and equipment	5,750	6,839
Purchases of property and equipment	<u>(1,211,390)</u>	<u>(280,837)</u>
Net cash used by investing activities	<u>(1,206,640)</u>	<u>(273,998)</u>
Cash flows from financing activities:		
Borrowings (repayments) on lines of credit, net	(15,086)	-
Proceeds from CARES Act PPP loan	-	170,100
Proceeds from issuance of long-term debt	-	180,000
Principal payments on long-term debt	<u>(4,789)</u>	<u>(9,991)</u>
Net cash provided (used) by financing activities	<u>(19,875)</u>	<u>340,109</u>
Net increase in cash and cash equivalents	43,970	214,307
Cash and cash equivalents, beginning of year	<u>718,086</u>	<u>503,779</u>
Cash and cash equivalents, end of year	<u><u>\$ 762,056</u></u>	<u><u>\$ 718,086</u></u>
Reconciliation of cash and cash equivalents to the Statements of Financial Position:		
Cash and cash equivalents	\$ 363,763	\$ 437,048
Restricted cash and cash equivalents	396,243	278,988
Tenant security deposits	<u>2,050</u>	<u>2,050</u>
Cash and cash equivalents, end of year	<u><u>\$ 762,056</u></u>	<u><u>\$ 718,086</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 59,113</u></u>	<u><u>\$ 37,442</u></u>

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

Family Promise of Spokane, Inc.
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022, the Organization operated out of five facilities within the city limits of Spokane, Washington and two facilities within the city limits of Cheney, Washington. Additionally, the Organization has eight apartment units and is preparing to open a home for rent later this year in the City of Spokane.

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 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 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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

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 became effective for fiscal year ending June 30, 2022. Implementation of this standard did not have a material impact on the Organization's financial statements (see Note 13).

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.

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, 2022 receivables to be fully collectible and, therefore, no allowance for doubtful accounts has been provided as of that date.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, Continued

Pledges Receivable

Pledges receivable, if any, are recognized upon notification of a donor's unconditional promise to give, and are stated at the amount that management of the Organization expects to collect. Management provides for probable uncollectible amounts through an allowance for uncollectible pledges. Additions to the allowance for uncollectible pledges 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 uncollectible pledges and a credit to the applicable pledge receivable. Payments received subsequent to the time that a pledge is written off are considered bad debt recoveries.

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 and estimated useful lives greater than one year 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.

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, 2022 and 2021, no assets were considered to be impaired.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies, Continued

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, 2022 and 2021, 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.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's, if any, are not included in Level 1, 2 or 3, but are separately reported.

At June 30, 2022 and 2021, the only asset or liability of the Organization that was measured at fair value on a recurring basis was a beneficial interest in a foundation endowment fund held by Innovia. The fair value of the Organization's beneficial interest in the foundation endowment fund held by Innovia is based on the fair value of the investments as reported by Innovia. This is considered to be a Level 3 measurement. A reconciliation of the beginning and ending balance of the beneficial interest in the foundation endowment fund held by Innovia for the years ended June 30, 2022 is included in the table in Note 5.

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 2022 and 2021.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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 2022 and 2021.

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 2021 financial statements have been reclassified to conform with the 2022 financial statement presentation. These reclassifications 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, 2022 and 2021

2. Summary of Significant Accounting Policies, Continued

Subsequent Events

The Organization's management has evaluated subsequent events through January 23, 2023, the date as of which these financial statements were available to be issued. Subsequent events that have occurred since June 30, 2022 that require disclosure in these financial statements are disclosed in Notes 9 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>2022</u>	<u>2021</u>
Cash and cash equivalents (unrestricted)	\$ 363,763	\$ 437,048
Grants receivable	<u>284,116</u>	<u>485,582</u>
Financial assets available to meet general expenditures	<u>\$ 647,879</u>	<u>\$ 922,630</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 and savings 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 and savings 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, 2022 was \$762,056 and bank balances totaled \$774,545. 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, 2022.

A summary of the total insured and uninsured bank balances at June 30, 2022 is as follows:

Total bank balances	\$ 774,545
Portion insured by FDIC	<u>(340,211)</u>
Uninsured bank balances	<u>\$ 434,334</u>

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

5. Investments

Investments consist entirely of a beneficial interest in a foundation endowment held and managed by Innovia (formerly Inland Northwest Community Foundation). During 2022, the Organization's Board made a decision to establish the fund by contributing \$1,000 to Innovia pursuant to a reciprocal transfer. Under the terms of the fund agreement with Innovia, the Organization is the beneficiary of the fund and, subject to Innovia's spending policy, may receive distributions of investment earnings from the fund. In accordance with ASC 958, the fair value of the beneficial interest totaled \$879 at June 30, 2022. The following table shows the changes in the beneficial interest for the year ended June 30, 2022:

Balance at June 30, 2021	\$	--
Additions and contributions		<u>1,000</u>
Interest and dividend income		13
Realized and unrealized gains (losses), net		(133)
Investment management fees		<u>(1)</u>
Net depreciation in beneficial interest		<u>(121)</u>
Annual distributions		<u>--</u>
Balance at June 30, 2022	\$	<u>879</u>

6. Property and Equipment

Property and equipment at June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 2,568,212	\$ 2,206,542
Furniture and equipment	132,733	111,778
Vehicles	<u>12,200</u>	<u>9,200</u>
	2,713,145	2,327,520
Less accumulated depreciation	<u>(314,269)</u>	<u>(231,184)</u>
	2,398,876	2,096,336
Land	240,717	163,300
Construction in progress	<u>757,869</u>	<u>22,259</u>
	<u>\$ 3,397,462</u>	<u>\$ 2,281,895</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$98,143 and \$82,693, 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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

6. Property and Equipment, Continued

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 were restrictions on the disposal of these assets if they were no longer used for program or administrative purposes. The cost of these assets totaled \$12,027 at both June 30, 2022 and 2021. During 2022, the Organization satisfied the purpose restrictions related to the storage containers and lockers.

The combined total of restricted property and equipment at June 30, 2022 and 2021 reported in the Statements of Financial Position was \$950,000 and \$962,027, respectively.

7. Accrued Compensated Absences

Through June 30, 2021, the Organization offered three types of compensated time off: paid time off (PTO), vacation and sick time. Part-time staff earned one hour of PTO, which included their paid sick time, for every forty hours of work. Part-time employees were eligible to utilize this time upon being employed for at least 90 days. Full-time staff did not earn PTO, but rather earned separate amounts of vacation time and sick time. Full-time staff earned vacation time based on individual arrangements and sick time at the rate of one hour for every forty hours worked. Full-time staff were eligible to utilize their vacation and sick time upon being employed for at least 90 days.

During the fiscal year ended June 30, 2022, the Organization revised its compensated absences policies to eliminate PTO. Currently, all full-time employees earn the equivalent of three weeks of vacation for their first and second full years of employment, earn an additional two days of vacation in their third year of employment and earn an additional day per year of employment beginning in their fourth year up to a maximum of four weeks of vacation after five full years of employment. Part-time employees earn vacation time at the rate of one hour for every forty hours worked. Sick time continues to be earned by both part-time and full-time employees at the rate of one hour for every forty hours worked. All employees can carry over 40 hours of vacation time. If an employee wishes to carry over more than 40 hours of vacation time, Executive Director approval is required.

Accrued vacation time is payable to employees upon termination. Accrued sick time is not payable to employees upon termination. Accrued compensated absences totaling \$52,053 and \$28,785 are included in accrued payroll and related liabilities in the Statements of Financial Position at June 30, 2022 and 2021, respectively.

8. Lines of Credit

At June 30, 2022 and 2021, the Organization had two lines of credit with Washington Trust Bank (WTB), as follows:

	<u>2022</u>	<u>2021</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>286,630</u>	<u>301,716</u>
Amounts due after one year	<u>\$ 682,923</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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

9. Long-Term Debt

Long-term debt at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Mortgage contract payable in monthly installments of \$1,145, including interest at 4.00%, secured by real property, maturing November 1, 2029	\$ 190,154	\$ 194,248
Mortgage contract payable in monthly installments of \$859, including interest at 4.00%, secured by real property, maturing September 30, 2022 ⁽¹⁾	<u>174,004</u>	<u>174,698</u>
	364,158	368,946
Less amounts due within one year	<u>(10,279)</u>	<u>(8,485)</u>
Amounts due after one year	<u>\$ 353,879</u>	<u>\$ 360,461</u>

Scheduled principal maturities on long-term debt as of June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 10,279
2024	11,212
2025	11,806
2026	12,432
2027	13,091
Thereafter	<u>305,338</u>
	<u>\$ 364,158</u>

⁽¹⁾Effective September 26, 2022, this mortgage contract was refinanced with a \$200,000 loan repayable in monthly installments of \$1,413, including interest at a fixed rate of 5.740%, with a final balloon payment of approximately \$129,600 due on September 22, 2032. The new loan is secured by real property located at 227 East Mission Avenue in Spokane, Washington. The five-year maturity schedule shown above reflects the payments due under the new loan.

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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

10. CARES Act Note Payable and Forgiveness, Continued

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 was 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 has been recorded as government grants and contracts revenue during the fiscal year ended June 30, 2022.

11. Grants and Contracts

During the years ended June 30, 2022 and 2021, the Organization had the following significant grants and contracts activity.

Treasury Emergency Rental Assistance (T-ERA1) Grant

During the year ended June 30, 2021, 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 utilizing the T-ERA1 grant. During the years ended June 30, 2022 and 2021, the Organization recognized revenue totaling \$1,919,844 and \$271,586, respectively, for activities associated with this grant. At June 30, 2022, there is \$8,550 of unearned grant revenue associated with this award.

Treasury Rental Assistance Project (T-RAP) Grant

During the year ended June 30, 2021, 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. During the years ended June 30, 2022 and 2021, the Organization recognized revenue totaling \$2,443,007 and \$0, respectively, for activities associated with this grant. At June 30, 2022, there is \$17,548 of unearned grant revenue associated with this award.

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

During the year ended June 30, 2021, the Organization was awarded a \$593,466 capital grant through the Spokane County HHAA Grant, which was subsequently amended to increase the award amount to \$714,588. The purpose of this grant is to fund the expansion of one of the Organization's family emergency shelter facilities. During the years ended June 30, 2022 and 2021, the Organization recognized revenue totaling \$678,862 and \$17,736, respectively, for activities associated with this grant.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

11. Grants and Contracts, Continued

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

During the year ended June 30, 2021, 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. During the years ended June 30, 2022 and 2021, the Organization recognized revenue totaling \$120,972 and \$0, respectively, for activities associated with this grant.

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

During the year ended June 30, 2021, 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. The amount reported as unearned grant revenue at June 30, 2021 was recognized as governments grants and contract revenue during the year ended June 30, 2022.

Providence Healthcare Systems – Community Benefit Fund Grant

During the year ended June 30, 2021, 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. During the year ended June 30, 2022, the Organization recognized revenue totaling \$76,749 for activities associated with this grant.

Premiera Blue Cross 2021 Grant

In December 2020, the Organization was awarded a \$218,000 grant from Premiera 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. During the year ended June 30, 2022, the Organization recognized revenue totaling \$65,340 for activities associated with this grant.

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. During the year ended June 30, 2022, the Organization recognized revenue totaling \$290,080 for activities associated with this grant.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

11. Grants and Contracts, Continued

City of Spokane Open Doors Contract

During 2019, the Organization was awarded a five-year contract by the City of Spokane to operate a mass shelter for families with children. The cumulative award for the first three years of the contract period, covering the period from July 1, 2019 through June 30, 2022, totaled \$1,203,982. During the years ended June 30, 2022 and 2021, the Organization recognized revenue totaling \$328,901 and \$434,397, respectively.

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, 2022 and 2021, 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, 2022 and 2021.

13. In-Kind Contributions

The Organization receives donated property, supplies and services, the value of which totaled \$106,827 and \$115,249 for the years ended June 30, 2022 and 2021, respectively. These amounts have been recorded as in-kind contributions in the Statements of Activities and Changes in Net Assets. In-kind contributions for the year ended June 30, 2022 consisted of donated supplies, property and equipment, and services totaling \$95,827, \$3,500 and \$7,500, respectively. In-kind contributions for the year ended June 30, 2021 consisted of donated supplies, property and equipment, and services totaling \$72,253, \$41,621 and \$1,375, respectively.

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, 2022 and 2021, the Organization had no Board designated amounts.

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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

14. Net Assets, Continued

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

	<u>2022</u>	<u>2021</u>
<i>Subject to expenditure for a specific purpose:</i>		
Capital campaign:		
Playground construction	\$ 10,000	\$ 10,000
Client emergency assistance programs	57,385	20,534
Infant House operations	85,465	124,000
Respite House operations	172,854	100,000
Other program donations	<u>99,289</u>	<u>44,454</u>
Total purpose restrictions	<u>424,993</u>	<u>298,988</u>
<i>Subject to passage of time:</i>		
Property and equipment restricted for use (see Note 6)	<u>950,000</u>	<u>962,027</u>
Total passage of time restrictions	<u>950,000</u>	<u>962,027</u>
<i>Subject to external spending policy:</i>		
Beneficial interest in foundation endowment fund	<u>879</u>	<u>--</u>
Total spending policy restrictions	<u>879</u>	<u>--</u>
Total net assets with donor restrictions	<u>\$ 1,375,872</u>	<u>\$ 1,261,015</u>

Net assets were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ --	\$ --
Satisfaction of other purpose restrictions	<u>576,212</u>	<u>248,319</u>
	<u>\$ 576,212</u>	<u>\$ 248,319</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.

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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

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, 2022 may be impaired. Based on prior experience, management of the Organization believes such amounts, if any, would be immaterial.

Concentrations

Approximately 65% and 26% of the Organization's revenue for the years ended June 30, 2022 and 2021, respectively, was derived from grants and contracts from the City of Spokane (the City). These percentages include amounts received by the Organization as a subrecipient of Federal awards. Approximately 11% of the Organization's revenue for both of the years ended June 30, 2022 and 2021 was derived from grants and contracts from Spokane County (the County).

At June 30, 2022 and 2021, \$220,625 and \$386,520, respectively, of the Organization's grants and contracts receivable were due from the City or the County. As of the date of the report, substantially all of the amounts due at June 30, 2022 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, 2022 and 2021.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2022 and 2021

16. Subsequent Events

Amendment to City of Spokane Open Doors Contract

Subsequent to June 30, 2022, the contract with the City of Spokane to operate a mass shelter for families with children was amended to increase the contract amount by \$322,500 for the fiscal year ended June 30, 2023, resulting in a revised contract amount of \$1,526,482.

City of Spokane Eviction Rent Assistance Program 2.0 Grant

In June 2022, the Organization was awarded a \$900,000 grant by the City of Spokane pursuant to the Department of Commerce Eviction Rent Assistance Program (ERAP) 2.0 to continue providing assistance to qualifying families living within the Spokane city limits. The funding is for the period through June 2023 and is to prevent evictions by paying rental arrears, current and future rent and other costs. Through June 30, 2022, none of these funds had been expended or received.

Emergency Solutions Grant

On August 15, 2022, the Organization was awarded an additional \$250,263 to pursuant to an amendment to the Emergency Solutions Grant. The purpose of the grant is to provide funding for the Open Doors Shelter during the period from July 1, 2022 through December 31, 2022.

Compliance Reports

**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 statements of financial position at June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2023.

Internal Control over Financial Reporting

In planning and performing our audits 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

January 23, 2023

Family Promise of Spokane, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor Program Title	Federal AL Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of the Treasury:			
<i>Pass-through funds from City of Spokane Housing and Human Services Department</i>			
Emergency Rental Assistance Program (ERA1)	21.023	OPR 2021-0271	\$ 1,919,844
Emergency Rental Assistance Program (ERA2)	21.023	OPR 2021-0425	<u>2,443,007</u>
			<u>\$ 4,362,851</u>
Total U.S. Department of the Treasury			<u>4,362,851</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-through funds from City of Spokane Housing and Human Services Department</i>			
Emergency Solutions Grant Program - Coronavirus	14.231	2021-0831	290,080
<i>Pass-through funds from Spokane County Community Services, Housing, and Community Development</i>			
Community Development Block Grant - COVID IQ	14.218	21-25163	<u>32,295</u>
Total U.S. Department of Housing and Urban Development			<u>322,375</u>
Total Federal Financial Assistance			<u><u>\$ 4,685,226</u></u>

Family Promise of Spokane, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Family Promise of Spokane, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

2. Federal De Minimis Indirect Rate

With the exception of the (COPES) Core Services Case Management program, the Organization has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Program Costs and Matching Contributions

The amounts shown as current year expenditures represent only the federal grant portion of program costs. Entire program costs, including the Organization's local matching share, may be more than shown. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Family Promise of Spokane, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Family Promise of Spokane, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

Purpose of this Report

The sole purpose of this report on internal control over compliance is to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DeCoria, Blair & Teague, PS

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

January 23, 2023

Family Promise of Spokane, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results:

Financial Statements

The independent auditor’s report expressed an unmodified opinion on the basic financial statements of Family Promise of Spokane, Inc.

The audit of the financial statements of Family Promise of Spokane, Inc. disclosed no material weaknesses in internal control over financial reporting.

The audit disclosed no compliance findings material to the financial statements of Family Promise of Spokane, Inc.

Federal Awards

The independent auditor’s report expressed an unmodified opinion on compliance for major programs.

The audit identified no material weaknesses in internal control over compliance.

The audit disclosed no compliance findings that are required to be reported in accordance with the Uniform Guidance.

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
21.023	Emergency Rental Assistance Program

The dollar threshold used to distinguish type A and B programs was \$750,000.

The auditee did not qualify as a low-risk auditee.

Family Promise of Spokane, Inc.
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2022

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, 2022.

Section III – Federal Award Findings and Questioned Costs:

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs) related to federal awards that are required to be reported in accordance with the Uniform Guidance.

There were no matters reported for the year ended June 30, 2022.

Family Promise of Spokane, Inc.
Status of Prior Year Findings
Year Ended June 30, 2022

There were no matters reported in the prior year.