

CHRISTIAN AID CENTER
FINANCIAL STATEMENTS
December 31, 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees
Christian Aid Center
Walla Walla, Washington

We have reviewed the accompanying financial statements of Christian Aid Center (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Center management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of financial statement in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
April 18, 2018

New York Office:
230 Park Avenue, 10th
Floor New York, NY 10169
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:
400 North Washington Street
Second Floor
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

CHRISTIAN AID CENTER
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2017

ASSETS

Cash	\$ 1,853,089
Certificates of deposit	272,425
Beneficial interest in assets held by BMCF	438,990
Property and equipment - net	<u>1,204,452</u>

Total assets

\$ 3,768,956

LIABILITIES

Payroll taxes payable	\$ 841
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NET ASSETS

Unrestricted	1,376,722
Board designated	<u>1,504,145</u>

Total unrestricted 2,880,867

Temporarily restricted	701,043
Permanently restricted	<u>186,205</u>

Total restricted 887,248

Total net assets 3,768,115

Total liabilities and net assets

\$ 3,768,956

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES
IN NET ASSETS - MODIFIED CASH BASIS
Year ended December 31, 2017

UNRESTRICTED NET ASSETS

SUPPORT AND OTHER REVENUE

Individual donations	\$ 1,350,604
Business donations	134,087
Church donations	49,472
Civic group donations	37,045
Grants	117,024
Other donations	119,412
Investment return	<u>137,616</u>
 Total unrestricted support and other revenue	 1,945,260

EXPENSES

Program services	
Men's services	161,068
Women & children services	319,378
Meal program	376,223
Management and general	109,171
Fundraising	<u>90,258</u>
 Total expenses	 1,056,098
 Loss on demolition of property	 <u>51,407</u>

Change in unrestricted net assets

837,755

TEMPORARILY RESTRICTED NET ASSETS

Contributions	<u>174,293</u>
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Change in net assets 1,012,048

Net assets - beginning of year 2,756,067

Net assets - end of year \$ 3,768,115

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year ended December 31, 2017

	Men's Services	Women & Children Services	Meal Program	Total Program	Management and General	Fundraising	Total
Personnel	\$ 89,686	\$ 168,907	\$ 168,631	\$ 427,224	\$ 63,932	\$ 32,761	\$ 523,917
Program materials	11,185	5,777	130,475	147,437	-	205	147,642
Promotion and fundraising	19,613	34,851	6,274	60,738	2,187	31,663	94,588
Occupancy	31,865	30,229	24,042	86,136	8,334	52	94,522
Consultants	58	51,195	-	51,253	58	17,046	68,357
Insurance	1,352	1,352	21,640	24,344	14,298	-	38,642
Office	2,904	7,942	1,892	12,738	12,864	5,892	31,494
Depreciation	2,307	15,788	3,430	21,525	-	-	21,525
Travel and vehicle	1,336	943	11,185	13,464	2,050	811	16,325
Professional fees	368	368	5,886	6,622	3,520	368	10,510
Volunteer and board	94	978	2,444	3,516	831	460	4,807
Conference and education	300	1,048	324	1,672	1,097	1,000	3,769
Total expenses	\$ 161,068	\$ 319,378	\$ 376,223	\$ 856,669	\$ 109,171	\$ 90,258	\$ 1,056,098

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
Year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,012,048
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	21,525
Loss on demolition of property	51,407
Return on beneficial interest	(135,683)
Increase in payroll taxes payable	160
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Net cash flows from operating activities	949,457

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(822,221)
Interest and dividends reinvested in certificates of deposit	(1,016)
Distributions from beneficial interest	873,757
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Net cash flows from investing activities	50,520

Net change in cash and cash equivalents	999,977
Cash - beginning of year	853,112
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Cash - end of year	\$ 1,853,089
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See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

The Christian Aid Center (CAC) - Walla Walla Rescue Mission was founded in 1946 as a non-denominational ministry to serve those who suffer from chronic poverty, hunger, homelessness, chemical dependency, and mental illness. CAC provides emergency shelter for homeless women and children as well as single men in a safe caring environment. CAC also provides breakfast and dinner daily to the hungry in the community.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, support is recognized when received and expenses, other than payroll taxes, when they are paid for. The modified cash basis differs from accounting principles generally accepted in the United States of America primarily because the effects of promised support and obligations for expenses unpaid at the date of the financial statement are not included in the financial statements.

Basis of Presentation

CAC is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not restricted by donors. Designations are voluntary trustee approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets – Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets – Net assets that have been restricted by donors to be maintained by CAC in perpetuity.

Property and Equipment

Property and equipment have been recorded at cost if purchased or market value at time of donation if received as a gift. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the assets

Contributions

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and other changes in net assets – modified cash basis as net assets released from restrictions.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

A substantial number of volunteers have donated services to CAC's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills as defined by generally accepted accounting principles.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair values at the date of receipt.

Expense Allocation

The costs of providing CAC's various program services and supporting activities have been reported on a functional basis in the statement of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Financial Statement Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

CAC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition CAC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Date of Management's Review

Subsequent events have been evaluated through April 18, 2018, the date that the financial statements were available for issue.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

CAC maintains its cash and certificates of deposit at various financial institutions in Washington. Accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). CAC's uninsured balance at December 31, 2017 totaled approximately \$1,550,000.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 – INVESTMENTS

Investment return for 2017 consisted of the following:

Interest and dividends	\$ 1,933
Return on beneficial interest	<u>135,683</u>
Investment return	<u>\$ 137,616</u>

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY BLUE MOUNTAIN COMMUNITY FOUNDATION

CAC has established agency endowment funds with Blue Mountain Community Foundation (BMCF). CAC recognizes the fair value of contributions as support when received and recognizes transfers to the agency endowment as decreases in cash and increases in an asset called “Beneficial interest in assets held by BMCF” when the funds are transferred to BMCF.

CAC acknowledges that by virtue of the governing instrument of BMCF, the Foundation has the authority to modify any restriction or condition on the distribution of assets to protect those funds from obsolescence. The 2017 activity consisted of the following:

	Board Designated	CAC Unrestricted	CAC Endowment	Total
Beginning balance	\$ 961,709	\$ 29,150	\$ 186,205	\$ 1,177,064
Distributions	(863,808)	(9,949)	-	(873,757)
Net investment activity	<u>106,765</u>	<u>28,918</u>	<u>-</u>	<u>135,683</u>
Ending balance	<u>\$ 204,666</u>	<u>\$ 48,119</u>	<u>\$ 186,205</u>	<u>\$ 438,990</u>

NOTE 5 – AGENCY ENDOWMENT

CAC’s endowment consists of endowment funds held by Blue Mountain Community Foundation (BMCF). These funds include a donor endowment and amounts that have been designated by the Trustees to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Trustees have interpreted the Washington Prudent Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, CAC classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 – AGENCY ENDOWMENT (continued)

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted. At December 31, 2017 no gifts to the endowment had been received with donor stipulations.

Composition of the endowment of net assets was as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Permanently restricted	\$ -	\$ 186,205	\$ 186,205
Board designated	<u>252,785</u>	<u>-</u>	<u>252,785</u>
	<u>\$ 252,785</u>	<u>\$ 186,205</u>	<u>\$ 438,990</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held by BMCF	<u>\$ 438,990</u>	<u>\$ -</u>	<u>\$ -</u>
		<u>\$ -</u>	<u>\$ 438,990</u>

CAC's beneficial interest in assets held by BMCF represents an agreement between CAC and BMCF in which CAC transfers assets to BMCF in exchange for future distributions. The beneficial interest is not actively traded and significant observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as report to CAC by BMCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably estimated. The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

Beginning balance	\$ 1,177,064
Distributions	(873,757)
Change in value of beneficial interest included in change in net assets	<u>135,683</u>
Ending balance	<u>\$ 438,990</u>

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 consisted of the following:

Land	\$ 152,078
Buildings and improvements	434,774
Equipment	58,829
Vehicles	23,587
Construction in progress	786,714
Less: accumulated depreciation	<u>251,530</u>
Property and equipment - net	<u>\$ 1,204,452</u>

Depreciation expense charged to operations for 2017 was \$21,525.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 were available for the building project started in the last quarter of 2017.

NOTE 9 – BOARD DESIGNATED NET ASSETS

Board designated net assets at December 31, 2017 are available for the following purposes:

Property/equipment	\$ 1,027,054
Directors operating reserve	267,609
Board directed operating reserve endowment	104,448
Maintenance reserves	100,034
King shelter maintenance reserve	<u>5,000</u>
Designated net assets	<u>\$ 1,504,145</u>

NOTE 10 – RETIREMENT BENEFIT PLANS

CAC sponsors a 403(b) Pension Plan covering all eligible employees. CAC matches up to 5% for full time employees. Retirement expense for 2017 was \$14,607.

NOTE 11 – COMMITMENT

In October of 2017, CAC entered into a construction contract for \$4,104,561 to build a women and children facility.