

**CHRISTIAN AID CENTER**  
**FINANCIAL STATEMENTS**  
December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Christian Aid Center, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Christian Aid Center as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Adoption of New Accounting Pronouncements**

As discussed in Note 1 to the financial statements, Christian Aid Center adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
August 31, 2019

**CHRISTIAN AID CENTER**  
STATEMENT OF FINANCIAL POSITION  
December 31, 2018

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**ASSETS**

Cash	\$ 542,872
Certificates of deposit	274,139
Unconditional promises to give	162,101
Prepaid expense	7,369
Beneficial interest in assets held by BMCF	380,859
Property and equipment - net	<u>5,655,578</u>

**Total assets**

\$ 7,022,918

**LIABILITIES**

Accounts payable	\$ 236,346
Payroll taxes payable	1,148
Note payable	<u>945,156</u>

Total liabilities

1,182,650

**NET ASSETS**

Without donor restrictions	5,491,962
With donor restrictions	<u>348,306</u>

Total net assets

5,840,268

**Total liabilities and net assets**

\$ 7,022,918

See accompanying notes.

**CHRISTIAN AID CENTER**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2018

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**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

SUPPORT AND OTHER REVENUE

Individual donations	\$ 1,247,257
Business donations	144,547
Church donations	61,468
Civic group donations	25,717
Grants	1,604,825
Other donations	118,275
Miscellaneous revenue	1,955
Investment return, net	<u>(37,940)</u>

Total support and revenue without donor restrictions 3,166,104

EXPENSES

Program services	
Guest services	377,448
Men's services	193,799
Women & children services	<u>322,336</u>

Total program services 893,583

Management and general	134,022
Development	<u>166,080</u>

Total expenses 1,193,685

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of program restrictions	<u>143,156</u>
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Change in net assets without donor restrictions 2,115,575

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Contributions	99,734
Net assets released from restrictions	<u>(143,156)</u>

Change in net assets with donor restrictions (43,422)

**Change in net assets** 2,072,153

Net assets at beginning of year 3,768,115

**Net assets at end of year** \$ 5,840,268

See accompanying notes.

**CHRISTIAN AID CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2018

	Guest Services	Men's Services	Women & Children Services	Total Program	Management and General	Development	Total
Personnel	\$ 178,359	\$ 110,440	\$ 185,264	\$ 474,063	\$ 73,184	\$ 77,048	\$ 624,295
Supplies	137,436	11,755	15,057	164,248	4,979	1,923	171,150
Marketing and public relations	6,427	21,642	27,997	56,066	881	51,725	108,672
Occupancy	19,313	29,898	23,330	72,541	7,538	6,694	86,773
Consultants	204	2,697	2,698	5,599	-	23,570	29,169
Insurance	21,986	1,374	1,374	24,734	13,070	1,456	39,260
Office	3,398	1,087	2,000	6,485	13,954	1,518	21,957
Depreciation	2,018	13,221	56,114	71,353	1,509	-	72,862
Travel and vehicle	6,357	1,266	363	7,986	1,788	1,500	11,274
Professional fees	-	50	-	50	15,269	-	15,319
Interest expense	-	-	4,951	4,951	1,650	-	6,601
Volunteer and board	1,645	93	2,119	3,857	105	518	4,480
Conference and education	305	276	1,069	1,650	95	128	1,873
Total expenses	<u>\$ 377,448</u>	<u>\$ 193,799</u>	<u>\$ 322,336</u>	<u>\$ 893,583</u>	<u>\$ 134,022</u>	<u>\$ 166,080</u>	<u>\$ 1,193,685</u>

See accompanying notes.

**CHRISTIAN AID CENTER**  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2018

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 2,072,153
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	72,862
Change in value of beneficial interest in assets held by BMCF	40,052
Decrease (increase) in assets	
Unconditional promises to give	(162,101)
Prepaid expense	(7,369)
(Decrease) increase in liabilities	
Accounts payable	420
Payroll taxes payable	307
	307
<b>Net cash flows from operating activities</b>	<b>2,016,324</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(4,288,062)
Interest reinvested in certificates of deposit	(1,714)
Distributions from beneficial interest in assets held by BMCF	18,079
	18,079
<b>Net cash flows from investing activities</b>	<b>(4,271,697)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from note payable	1,159,156
Payments on note payable	(214,000)
	(214,000)
<b>Net cash flows from financing activities</b>	<b>945,156</b>

Net change in cash and cash equivalents	(1,310,217)
Cash at beginning of year	1,853,089
	1,853,089
<b>Cash at end of year</b>	<b>\$ 542,872</b>
	542,872

**SUPPLEMENTAL CASH FLOW INFORMATION**

Noncash investing and financing transactions	
Property acquisitions included in accounts payable	\$ 235,926
Cash paid for interest	57,779

See accompanying notes.



**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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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**

**Promises to Give**

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises to give are receivable in less than one year.

**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 property 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 net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

**Expense Allocation**

The financial statements report certain categories of expenses that are attributed to more than one program service or supporting activity. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, supplies, marketing and public relations, occupancy, consultants, insurance, office, depreciation, travel and vehicle, professional fees, volunteer and board, and conference and education which are allocated on the basis of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

*Guest services*-CAC provides breakfast and dinner daily to anyone in the community who is hungry. The meal ministry is volunteer-driven with more than 200 volunteers preparing and serving hot, nutritious meals each month.

**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Men's services*-CAC provides emergency shelter in a safe caring environment. CAC also provides programs to help guests make a positive personal life change. These include life-skill classes, counseling, mentoring, addiction recovery, job coaching, and spiritual guidance.

*Women & Children's Center*-CAC provides safe, supportive space for homeless women with children in flexible living-units.

*Management and general*-activities include accounting and production of financial reports, development and oversight of the annual budget, supervision of all departments, maintenance of personnel records, and representation of CAC within the community.

*Development*-activities include cultivation of new and major donors, direct mail appeals, planned giving activities, and media and public relations activities.

**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.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncement**

CAC has adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provide about expenses and investment return. The changes required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**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 August 31, 2019, 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, 2018 totaled approximately \$564,000.

NOTE 3 – 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 as endowment funds restricted in perpetuity, 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 net assets with restrictions.

**CHRISTIAN AID CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

NOTE 3 – AGENCY ENDOWMENT (continued)

Composition of the net assets with restrictions for the endowment were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	\$ -	\$ 186,205	\$ 186,205
Board designated endowment funds	194,654	-	194,654
	<u>\$ 194,654</u>	<u>\$ 186,205</u>	<u>\$ 380,859</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ 252,785	\$ 186,205	\$ 438,990
Distributions	(18,079)	-	(18,079)
Net investment activity	(40,052)	-	(40,052)
Ending balance	<u>\$ 194,654</u>	<u>\$ 186,205</u>	<u>\$ 380,859</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by BMCF	<u>\$ 380,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 380,859</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.

**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

Beginning balance	\$ 438,990
Distributions	(18,079)
Change in value of beneficial interest included in change in net assets	<u>(40,052)</u>
Ending balance	<u>\$ 380,859</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 consisted of the following:

Land	\$ 152,078
Buildings and improvements	5,418,041
Furnishings	278,613
Equipment	107,651
Vehicles	<u>23,587</u>
Property and equipment	5,979,970
Less: accumulated depreciation	<u>324,392</u>
Property and equipment - net	<u>\$ 5,655,578</u>

NOTE 6 – 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 2018 was \$18,093.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions of \$162,101 were available for the building project started in the last quarter of 2017 and \$186,205 was unavailable as endowment funds restricted in perpetuity.

**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 8 – NOTE PAYABLE

CAC has a variable rate mortgage note payable. The current rate is 5%. Monthly payments for the first three years are interest only with a lump-sum principal payment on December 31 of each year. Starting in year four, monthly payments will include principal and interest. Interest expense for the year ended December 31, 2018 was \$6,601. Future minimum payments are as follows for years ending December 31:

2019	\$ 75,000
2020	32,000
2021	20,000
2022	30,936
2023	32,541
Thereafter	<u>754,679</u>
Total	<u>\$ 945,156</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31, 2018 consist of the following:

Board designated	
Property/equipment	\$ 4,710,422
Board endowment	194,654
Directors operating reserve	201,142
Board directed operating reserve endowment	141,770
Maintenance reserves	103,791
King shelter maintenance reserve	2,500
King shelter operating reserve	2,500
Undesignated	<u>135,183</u>
Net assets without donor restrictions	<u>\$ 5,491,962</u>

**CHRISTIAN AID CENTER**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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NOTE 10 – LIQUIDITY AND AVAILABILITY

The following table reflects CAC's financial assets as of the date of the statement of financial position reduced by amounts that are not available to meet cash needs for general expenditures within one year of the date of the statement of financial position because of internal board designations.

Cash	\$ 542,872
Certificates of deposit	<u>274,139</u>
Financial assets at year end	817,011
Less those unavailable for general expenditures within one year due to: Board designations	<u>451,703</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 365,308</u>

As part of CAC'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. CAC also has amounts set aside for operating and other reserves that could be drawn upon if the board of directors approves that action.