

CHRISTIAN AID CENTER

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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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, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows 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 entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

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

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 accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2018 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated August 31, 2019. We have not performed any auditing procedures since that date.



Wegner CPAs, LLP
Madison, Wisconsin
May 11, 2020

CHRISTIAN AID CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 (Reviewed) and 2018 (Audited)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 331,605	\$ 542,872
Certificates of deposit	276,389	274,139
Unconditional promises to give	5,316	162,101
Prepaid expense	7,196	7,369
Beneficial interest in assets held by BMCF	428,868	380,859
Property and equipment - net	<u>5,475,909</u>	<u>5,655,578</u>
Total assets	<u>\$ 6,525,283</u>	<u>\$ 7,022,918</u>
LIABILITIES		
Accounts payable	\$ 10,036	\$ 236,346
Payroll taxes payable	1,402	1,148
Note payable	<u>870,156</u>	<u>945,156</u>
Total liabilities	881,594	1,182,650
NET ASSETS		
Without donor restrictions	5,452,168	5,491,962
With donor restrictions	<u>191,521</u>	<u>348,306</u>
Total net assets	<u>5,643,689</u>	<u>5,840,268</u>
Total liabilities and net assets	<u>\$ 6,525,283</u>	<u>\$ 7,022,918</u>

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 (Reviewed) and 2018 (Audited)

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND OTHER REVENUE		
Individual donations	\$ 774,742	\$ 1,247,257
Business donations	73,947	144,547
Church donations	65,038	61,468
Civic group donations	12,345	25,717
Grants	70,602	1,604,825
Other donations	34,789	7,970
In-kind donations	84,115	110,304
Miscellaneous revenue	8,112	1,956
Change in value of beneficial interest in assets held by BCMF	66,047	(40,052)
Investment return, net	5,316	2,112
Total support and revenue without donor restrictions	1,195,053	3,166,104
EXPENSES		
Program services		
Guest services	275,953	377,448
Men's services	255,105	193,799
Women & children services	564,513	322,336
Total program services	1,095,571	893,583
Management and general Development	140,394	134,022
	155,667	166,080
Total expenses	1,391,632	1,193,685
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	156,785	143,156
Change in net assets without donor restrictions	(39,794)	2,115,575
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	99,734
Net assets released from restrictions	(156,785)	(143,156)
Change in net assets with donor restrictions	(156,785)	(43,422)
Change in net assets	(196,579)	2,072,153
Net assets at beginning of year	5,840,268	3,768,115
Net assets at end of year	\$ 5,643,689	\$ 5,840,268

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Guest Services	Men's Services	Women & Children Services	Total Program	Management and General	Development	Total
Personnel	\$ 123,398	\$ 154,053	\$ 231,504	\$ 508,955	\$ 64,453	\$ 81,797	\$ 655,205
Supplies	107,712	14,574	16,712	138,998	5,256	183	144,437
Marketing and public relations	8,903	18,753	18,293	45,949	4,734	46,592	97,275
Occupancy	20,417	37,163	40,223	97,803	11,924	1,330	111,057
Consultants	-	8,750	11,828	20,578	2,847	16,500	39,925
Insurance	391	2,561	31,555	34,507	15,905	6,817	57,229
Office	4,716	657	1,458	6,831	12,859	206	19,896
Depreciation	2,018	13,222	162,920	178,160	1,509	-	179,669
Travel and vehicle	5,176	4,654	1,079	10,909	2,071	1,467	14,447
Professional fees	660	-	-	660	16,700	-	17,360
Interest expense	-	-	48,223	48,223	-	-	48,223
Volunteer and board	409	-	-	409	1,345	-	1,754
Conference and education	2,153	718	718	3,589	791	775	5,155
Total expenses	\$ 275,953	\$ 255,105	\$ 564,513	\$ 1,095,571	\$ 140,394	\$ 155,667	\$ 1,391,632

See accompanying notes and independent accountant's review report.

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	\$ 377,448	\$ 193,799	\$ 322,336	\$ 893,583	\$ 134,022	\$ 166,080	\$ 1,193,685

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 (Reviewed) and 2018 (Audited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (196,579)	\$ 2,072,153
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	179,669	72,862
Change in value of beneficial interest in assets held by BMCF	(66,047)	40,052
Decrease (increase) in assets		
Unconditional promises to give	156,785	(162,101)
Prepaid expense	173	(7,369)
Increase in liabilities		
Accounts payable	9,616	420
Payroll taxes payable	254	307
Net cash flows from operating activities	83,871	2,016,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(235,926)	(4,288,062)
Interest reinvested in certificates of deposit	(2,250)	(1,714)
Distributions from beneficial interest in assets held by BMCF	18,038	18,079
Net cash flows from investing activities	(220,138)	(4,271,697)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	1,159,156
Payments on note payable	(75,000)	(214,000)
Net cash flows from financing activities	(75,000)	945,156
Net change in cash and cash equivalents	(211,267)	(1,310,217)
Cash at beginning of year	542,872	1,853,089
Cash at end of year	\$ 331,605	\$ 542,872
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing transactions		
Property acquisitions included in accounts payable	\$ -	\$ 235,926
Cash paid for interest	48,223	57,779

See accompanying notes and independent accountant's review report.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

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 and Grants

Contributions and grants 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 and grants 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 statements 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 based on estimates of time and effort.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Services-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

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

contributions. The ASU also assists entities in determining whether a contribution is conditional. CAC adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

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 May 11, 2020, 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 a financial institution in Washington. The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000. CAC's uninsured balances at December 31, 2019 and 2018 totaled approximately \$329,000 and \$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

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 3 – AGENCY ENDOWMENT (continued)

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.

Composition of the net assets with restrictions for the endowment were as follows at December 31, 2019 and 2018:

	Without Donor Restriction	With Donor Restriction	2019 Total
Donor-restricted endowment funds	\$ -	\$ 186,205	\$ 186,205
Board designated endowment funds	242,663	-	242,663
	<u>\$ 242,663</u>	<u>\$ 186,205</u>	<u>\$ 428,868</u>
	Without Donor Restriction	With Donor Restriction	2018 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 years ended December 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Beginning balance	\$ 194,654	\$ 186,205	\$ 380,859
Distributions	(18,038)	-	(18,038)
Net investment activity	66,047	-	66,047
Ending balance	<u>\$ 242,663</u>	<u>\$ 186,205</u>	<u>\$ 428,868</u>
	Without Donor Restrictions	With Donor Restrictions	2018 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>

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	<u>2019 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>\$ 428,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,868</u>
	<u>2018 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>\$ 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.

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

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 380,859	\$ 438,990
Distributions	(18,038)	(18,079)
Change in value of beneficial interest included in change in net assets	<u>66,047</u>	<u>(40,052)</u>
Ending balance	<u>\$ 428,868</u>	<u>\$ 380,859</u>

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Subsequent to December 31, 2019, volatility experienced in the financial markets has resulted in a significant decline in the fair value of certain investments. As of May 11, 2020, the fair value of the investment portfolio declined approximately 20% from December 31, 2019.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Land	\$ 152,078	\$ 152,078
Buildings and improvements	5,418,041	5,418,041
Furnishings	278,613	278,613
Equipment	107,651	107,651
Vehicles	23,587	23,587
Property and equipment	5,979,970	5,979,970
Less: accumulated depreciation	504,061	324,392
Property and equipment - net	\$ 5,475,909	\$ 5,655,578

NOTE 6 – RETIREMENT EXPENSE

CAC sponsors a 403(b) Pension Plan covering all eligible employees. CAC matches up to 5% for full time employees. Retirement expense for 2019 and 2018 was \$20,885 and \$18,093.

NOTE 7 – NET ASSETS

Net assets with donor restrictions at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Promises to give due in future period	\$ 5,316	\$ 162,101
Endowment funds	186,205	186,205
	\$ 191,521	\$ 348,306

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 7 – NET ASSETS (continued)

Net assets without donor restrictions at December 31, 2019 consist of the following:

	<u>2019</u>	<u>2018</u>
Board designated		
Property and equipment	\$ 4,605,753	\$ 4,710,422
Board endowment	242,663	194,654
Directors operating reserve	212,769	201,142
Board directed operating reserve	153,503	141,770
Maintenance reserves	105,063	103,791
King shelter maintenance reserve	2,500	2,500
King shelter operating reserve	2,500	2,500
Undesignated	<u>127,417</u>	<u>135,183</u>
Net assets without donor restrictions	<u>\$ 5,452,168</u>	<u>\$ 5,491,962</u>

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, 2019 and 2018 was \$48,223 and \$6,601. Future minimum principal payments are as follows for years ending December 31:

2020	\$ 32,000
2021	20,000
2022	30,936
2023	32,541
2024	34,120
Thereafter	<u>720,559</u>
Total	<u>\$ 870,156</u>

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2020, the date which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the CAC's financial position, results of operations, and cash flows. Possible effects may include, but are not limited to, disruption to the CAC's donations, unavailability of products and supplies used in operations, and a decline in value of CAC's assets, including property and equipment, and marketable securities.

CHRISTIAN AID CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 (Reviewed) and 2018 (Audited)

NOTE 10 – LIQUIDITY AND AVAILABILITY

The following table reflects CAC's financial assets as of the dates of the statements 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 donor restrictions or internal board designations.

	2019	2018
Cash	\$ 331,605	\$ 542,872
Certificates of deposit	276,389	274,139
Unconditional promises to give	5,316	162,101
Beneficial interest in assets held by BMCF	428,868	380,859
Financial assets at year-end	1,042,178	1,359,971
Less those unavailable for general expenditures within one year due to:		
Donor-restricted endowment funds	186,205	186,205
Board designations	718,998	646,357
Financial assets available to meet cash needs for general expenditures within one year	\$ 136,975	\$ 527,409

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.