

Family Promise of Spokane, Inc.

Financial Report

June 30, 2024

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, 2024 and 2023, 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, 2024 and 2023, 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 opinion.

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 March 10, 2025 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

March 10, 2025

Financial Statements

Family Promise of Spokane, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 257,074	\$ 168,783
Grants and contributions receivable	1,163,024	1,165,962
Prepaid expenses and other current assets	14,906	496,709
Tenant security deposits (Note 4)	2,050	2,050
Total current assets	<u>1,437,054</u>	<u>1,833,504</u>
Noncurrent assets:		
Foundation endowment fund (Note 5)	1,080	983
Property and equipment, net (Note 6)	3,966,798	2,726,676
Restricted property and equipment, net (Note 6)	365,500	950,000
Right of use assets (Note 10)	13,281	24,309
Total noncurrent assets	<u>4,346,659</u>	<u>3,701,968</u>
Total assets	<u><u>\$ 5,783,713</u></u>	<u><u>\$ 5,535,472</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 191,773	\$ 91,840
Accrued payroll and related liabilities (Note 7)	186,818	140,274
Tenant security deposits	2,050	2,050
Unearned grant revenue	99,309	47,038
Lines of credit, due within one year (Note 8)	1,146,293	1,146,293
Long-term debt, due within one year (Note 9)	35,930	41,220
Operating lease liabilities, due within one year (Note 10)	5,208	5,147
Total current liabilities	<u>1,667,381</u>	<u>1,473,862</u>
Noncurrent liabilities:		
Long-term debt, due after one year (Note 9)	720,774	596,342
Operating lease liabilities, due after one year (Note 10)	8,346	13,554
Total noncurrent liabilities	<u>729,120</u>	<u>609,896</u>
Total liabilities	<u>2,396,501</u>	<u>2,083,758</u>
Commitments and contingencies (Note 15)		
Net assets (Note 14):		
Without donor restrictions	2,641,872	2,169,650
With donor restrictions	745,340	1,282,064
Total net assets	<u>3,387,212</u>	<u>3,451,714</u>
Total liabilities and net assets	<u><u>\$ 5,783,713</u></u>	<u><u>\$ 5,535,472</u></u>

Family Promise of Spokane, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2024
Support and revenue:			
Contributions of cash and other financial assets	\$ 888,507	704,017	\$ 1,592,524
Government grants and contracts	3,724,705	-	3,724,705
Special fundraising events, net (Note 12)	179,953	-	179,953
Contributions of nonfinancial assets (Note 13)	74,032	-	74,032
Rental income (Note 11)	42,992	-	42,992
Program income	130,175	-	130,175
Miscellaneous income	3,850	-	3,850
Total support and revenue before release of restrictions	5,044,214	704,017	5,748,231
Net assets released from restrictions (Note 14)	1,240,838	(1,240,838)	-
Total support and revenue	6,285,052	(536,821)	5,748,231
Operating expenses:			
Program services	4,103,440	-	4,103,440
Support services	897,754	-	897,754
Fundraising	729,553	-	729,553
Total operating expenses	5,730,747	-	5,730,747
Changes in net assets from operating activities	554,305	(536,821)	17,484
Non-operating income:			
Interest and dividend income	22	-	22
Net appreciation of foundation endowments (Note 5)	-	97	97
Loss on disposal of property and equipment	(82,105)	-	(82,105)
Total non-operating income, net	(82,083)	97	(81,986)
Changes in net assets	472,222	(536,724)	(64,502)
Net assets, beginning of year	2,169,650	1,282,064	3,451,714
Net assets, end of year	\$ 2,641,872	\$ 745,340	\$ 3,387,212

Family Promise of Spokane, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
Support and revenue:			
Contributions of cash and other financial assets	\$ 970,508	563,730	\$ 1,534,238
Government grants and contracts	3,113,862	-	3,113,862
Special fundraising events, net (Note 12)	182,139	-	182,139
Contributions of nonfinancial assets (Note 13)	495,661	-	495,661
Rental income (Note 11)	46,295	-	46,295
Program income	43,604	-	43,604
Miscellaneous income	5,678	-	5,678
Total support and revenue before release of restrictions	4,857,747	563,730	5,421,477
Net assets released from restrictions (Note 14)	657,591	(657,591)	-
Total support and revenue	5,515,338	(93,861)	5,421,477
Operating expenses:			
Program services	3,793,756	-	3,793,756
Support services	661,420	-	661,420
Fundraising	555,710	-	555,710
Total operating expenses	5,010,886	-	5,010,886
Changes in net assets from operating activities	504,452	(93,861)	410,591
Non-operating income:			
Interest and dividend income	151	-	151
Net depreciation of foundation endowments (Note 5)	-	53	53
Loss on disposal of property and equipment	(1,215)	-	(1,215)
Total non-operating income, net	(1,064)	53	(1,011)
Changes in net assets	503,388	(93,808)	409,580
Net assets, beginning of year	1,666,262	1,375,872	3,042,134
Net assets, end of year	\$ 2,169,650	\$ 1,282,064	\$ 3,451,714

Family Promise of Spokane, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	Support Services	Fundraising	Total 2024
Salaries and wages	\$ 1,527,240	\$ 328,077	\$ 410,065	\$ 2,265,382
Employee benefits	171,346	22,850	40,229	234,425
Payroll taxes	169,894	34,634	38,410	242,938
Other employee-related expenses	6,541	36,066	1,699	44,306
Total payroll and related expenses	1,875,021	421,627	490,403	2,787,051
Client supportive services	1,740,914	2,018	443	1,743,375
Dues and subscriptions	7,085	23,895	3,690	34,670
Fundraising events/direct mail campaign	-	-	32,322	32,322
Furniture and equipment	13,585	2,917	-	16,502
Insurance	6,010	27,045	-	33,055
Interest and bank fees	49,659	78,285	7,515	135,459
Marketing	-	448	7,610	8,058
Miscellaneous	821	2,129	83	3,033
Office expense	25,679	19,769	38,896	84,344
Professional fees	14,439	177,771	175,493	367,703
Rent	15,219	47,607	-	62,826
Repair and maintenance	84,368	9,539	-	93,907
Taxes and licenses	17,481	5,182	10	22,673
Telephone	28,792	19,221	4,761	52,774
Training and travel	3,307	7,164	449	10,920
Utilities	82,078	19,736	-	101,814
National affiliate fees	-	8,500	-	8,500
Depreciation (Note 6)	138,982	24,901	200	164,083
Total functional expenses	<u>\$ 4,103,440</u>	<u>\$ 897,754</u>	<u>\$ 761,875</u>	<u>\$ 5,763,069</u>
Expenses included with revenue on the				
Statement of Activities:				
Cost of direct benefits to donors (Note 14)	<u>-</u>	<u>-</u>	<u>(32,322)</u>	<u>(32,322)</u>
Total expenses per the Statement of Activities and Changes in Net Assets	<u>\$ 4,103,440</u>	<u>\$ 897,754</u>	<u>\$ 729,553</u>	<u>\$ 5,730,747</u>

Family Promise of Spokane, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Support Services	Fundraising	Total 2023
Salaries and wages	\$ 1,271,777	\$ 317,997	\$ 359,925	\$ 1,949,699
Employee benefits	115,238	14,277	32,768	162,283
Payroll taxes	140,893	27,616	35,824	204,333
Other employee-related expenses	8,354	14,956	2,177	25,487
Total payroll and related expenses	1,536,262	374,846	430,694	2,341,802
Client supportive services	1,706,091	379	-	1,706,470
Dues and subscriptions	6,494	11,469	4,753	22,716
Fundraising events/direct mail campaign	-	-	45,706	45,706
Furniture and equipment	26,476	5,335	158	31,969
Insurance	19,111	9,946	-	29,057
Interest and bank fees	46,361	17,625	6,312	70,298
Marketing	-	822	4,161	4,983
Miscellaneous	30	1,226	635	1,891
Office expense	28,302	27,029	24,365	79,696
Professional fees	47,044	95,413	79,730	222,187
Rent	41,475	26,206	-	67,681
Repair and maintenance	79,597	8,757	-	88,354
Taxes and licenses	11,810	2,337	-	14,147
Telephone	27,343	18,944	4,078	50,365
Training and travel	162	9,137	824	10,123
Utilities	82,393	19,455	-	101,848
National affiliate fees	-	17,000	-	17,000
Depreciation (Note 6)	134,805	15,494	-	150,299
Total functional expenses	<u>\$ 3,793,756</u>	<u>\$ 661,420</u>	<u>\$ 601,416</u>	<u>\$ 5,056,592</u>
Expenses included with revenue on the				
Statement of Activities:				
Cost of direct benefits to donors (Note 14)	<u>-</u>	<u>-</u>	<u>(45,706)</u>	<u>(45,706)</u>
Total expenses per the Statement of Activities and Changes in Net Assets	<u>\$ 3,793,756</u>	<u>\$ 661,420</u>	<u>\$ 555,710</u>	<u>\$ 5,010,886</u>

Family Promise of Spokane, Inc.
Statements of Cash Flows
Year Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ (64,502)	\$ 409,580
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation expense	164,083	150,299
Loss on disposal of property and equipment	82,105	1,215
Net (appreciation) depreciation of foundation endowments	(97)	(53)
Contributions to foundation endowments	-	(51)
Non-cash operating lease expense	5,881	(5,608)
Change in:		
Grants and contributions receivable	2,938	(881,846)
Prepaid expenses and other current assets	481,803	23,360
Accounts payable and accrued expenses	99,933	(112,063)
Accrued payroll and related liabilities	46,544	(12,417)
Unearned grant revenue	52,271	18,755
Contributions and donations restricted for long-term purposes	-	(11,135)
Net cash provided (used) by operating activities	<u>870,959</u>	<u>(419,964)</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	230,000	100
Purchases of property and equipment	<u>(1,131,810)</u>	<u>(919,269)</u>
Net cash used by investing activities	<u>(901,810)</u>	<u>(919,169)</u>
Cash flows from financing activities:		
Borrowings (repayments) on lines of credit, net	-	750,000
Proceeds from issuance of long-term debt	350,550	200,000
Principal payments on long-term debt	(231,408)	(213,225)
Contributions and donations restricted for long-term purposes	<u>-</u>	<u>11,135</u>
Net cash provided by financing activities	<u>119,142</u>	<u>747,910</u>
Net increase (decrease) in cash and cash equivalents	88,291	(591,223)
Cash and cash equivalents, beginning of year	<u>170,833</u>	<u>762,056</u>
Cash and cash equivalents, end of year	<u><u>\$ 259,124</u></u>	<u><u>\$ 170,833</u></u>
Reconciliation of cash and cash equivalents to the Statements of Financial Position:		
Cash and cash equivalents	\$ 257,074	\$ 168,783
Tenant security deposits	<u>2,050</u>	<u>2,050</u>
Cash and cash equivalents, end of year	<u><u>\$ 259,124</u></u>	<u><u>\$ 170,833</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 135,459</u></u>	<u><u>\$ 70,298</u></u>

Family Promise of Spokane, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

1. Organization

Family Promise of Spokane, Inc. (“the Organization”) is a Washington not-for-profit 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 two main categories of programs. Housing programs provide shelter for families that are currently experiencing homelessness. Case Management programs include rental assistance and diversion counseling to prevent families from becoming homeless, assistance to families currently residing in one of the shelters to transition to permanent housing and stabilization counseling to support families’ lives and livelihoods after moving into housing of their own. As of June 30, 2024, the Organization operated out of five facilities within the city limits of Spokane, Washington. Additionally, the Organization has eight apartment units of which five are utilized as low-income rentals as of June 30, 2024 and three are vacant and under renovation.

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.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities*, as amended, establishes standards for external financial statements of not-for-profit organizations. It requires classification of net assets and revenues, expenses, gains and losses into two categories, based on the existence or absence of donor-imposed restrictions (see Note 16) and disclosure on liquid resources and the availability of financial assets to meet cash needs for general expenditures (see Note 3). In addition, a statement of cash flows is required to be presented.

Recent Accounting Pronouncements

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

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 became effective for the Organization beginning in the fiscal year ended June 30, 2023. The Organization elected to record the effect of ASC 842 as of the beginning of the year of adoption, which is July 1, 2022 (see Note 10).

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In November 2021, the FASB issued ASU No. 2021-09, which amended ASC Topic 842, *Leases*. ASC Topic 842 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 had not yet adopted Topic 842 as of November 11, 2021 were required to adopt the amendments in ASU No. 2021-09 at the same time that they adopted 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 made 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, 2024 receivables to be fully collectible and, therefore, no allowance for doubtful accounts has been provided as of that date.

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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

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, 2024 and 2023, no assets were considered to be impaired.

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At June 30, 2024 and 2023, 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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

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, 2024 and 2023, 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 balances of the beneficial interest in the foundation endowment fund held by Innovia for the years ended June 30, 2024 and 2023 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 2024 and 2023.

Leases

At times, the Organization is a lessee in noncancelable operating and financing leases. If a contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Leases, Continued

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. The ROU asset for finance leases is amortized on a straight-line basis over the lease term.

The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease costs on a straight-line basis over the lease term.

In addition, under the standard, the Organization has adopted a policy which evaluates the material nature of long-term leases as a group. For group calculations which fall below the policy threshold for recording, the Organization will not recognize the ROU assets and lease liability, and will instead expense these costs as incurred.

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.

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:

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

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, if any, 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.

Contributions of Cash 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 financial 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.

Contributions of Nonfinancial Assets

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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Contributions of Nonfinancial Assets, Continued

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.

Functional Expenses

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 and have been detailed on a functional basis in the Statements of Functional Expenses. Most expenses can be directly allocated to one of the programs or supporting services. 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.

Advertising Expenses

Advertising costs are expensed as they are incurred.

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. Management of the Organization believes such amounts, if any, would be immaterial.

The Organization has not identified any uncertain income tax positions that would jeopardize its tax-exempt status. The Organization's tax returns are subject to review and possible examination by federal authorities. With few exceptions, the tax returns essentially remain open for possible examination 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 and receivables.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Credit Risk, Continued

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 and credit union 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 2023 financial statements have been reclassified to conform with the 2024 financial statement presentation. These reclassifications had no effect on changes in net assets or net assets as previously reported.

Subsequent Events

The Organization's management has evaluated subsequent events through March 10, 2025, the date as of which these financial statements were available to be issued. Subsequent events that have occurred since June 30, 2024 that require disclosure in these financial statements are disclosed in Notes 8 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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 257,074	\$ 168,783
Less: restricted cash and cash equivalents	(205,649)	(247,431)
Grants and accounts receivable	<u>1,163,024</u>	<u>1,165,962</u>
Financial assets available to meet general expenditures	<u>\$ 1,214,449</u>	<u>\$ 1,087,314</u>

The Organization's net assets with donor restrictions consist of restricted cash and cash equivalents, certain grants and contributions receivable, 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.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

4. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits held in checking and savings accounts with a local bank and credit union. Custodial credit risk is the risk that in the event of a bank or credit union failure, the Organization's deposits may not be returned to it. Deposits held in checking and savings accounts at the bank and credit union are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA), respectively, 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, 2024 was \$259,124 and bank and credit union balances totaled \$304,472. The differences between the carrying amount of cash and cash equivalents on the Organization's books and the bank and credit union balances consisted of outstanding checks and deposits not processed by the bank and credit union as of June 30, 2024.

A summary of the total insured and uninsured bank balances at June 30, 2024 is as follows:

Total bank and credit union balances	\$ 304,472
Portion insured by FDIC	<u>(250,250)</u>
Uninsured bank and credit union balances	<u>\$ 54,222</u>

The carrying amount of cash and cash equivalents at June 30, 2024 consisted of the following:

Unrestricted cash and cash equivalents	\$ 51,425
Restricted cash and cash equivalents	205,649
Tenant security deposits	<u>2,050</u>
	<u>\$ 259,124</u>

5. Investments

Investments consist entirely of a beneficial interest in a foundation endowment held and managed by Innovia. 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 \$1,080 and \$983 at June 30, 2024 and 2023, respectively. The following table shows the changes in the beneficial interest for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 983	\$ 879
Additions and contributions	<u>--</u>	<u>51</u>
Interest and dividend income	26	27
Realized and unrealized gains (losses), net	82	42
Investment management fees	<u>(11)</u>	<u>(16)</u>
Net appreciation (depreciation) in beneficial interest	<u>97</u>	<u>53</u>
Annual distributions	<u>--</u>	<u>--</u>
Balance at end of year	<u>\$ 1,080</u>	<u>\$ 983</u>

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

6. Property and Equipment

Property and equipment at June 30, 2024 and 2023 are summarized as follows:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 4,160,333	\$ 3,637,514
Furniture and equipment	130,197	130,516
Vehicles	<u>19,100</u>	<u>19,100</u>
	4,309,630	3,787,130
Less accumulated depreciation	<u>(615,236)</u>	<u>(458,239)</u>
	3,694,394	3,328,891
Land	481,487	345,117
Construction in progress	<u>156,417</u>	<u>2,668</u>
	<u>\$ 4,332,298</u>	<u>\$ 3,676,676</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$164,083 and \$150,299, respectively.

Certain assets included in property and equipment were purchased using grant funds. During the fiscal year ended June 30, 2019, the Organization purchased land and buildings totaling \$1,251,635 that was partially funded with a \$950,000 Community Development Block Grant. The terms of this grant include restrictions on the disposal of the property and prohibit encumbering the property. During the fiscal year ended June 30, 2024, the Organization purchased land and buildings totaling \$375,000 that was partially funded with a \$365,500 capital funding grant. The terms of this grant include restrictions on the use and disposal of the property.

The combined total of restricted property and equipment at June 30, 2024 and 2023 reported in the Statements of Financial Position was \$365,500 and \$950,000, respectively.

7. Accrued Compensated Absences

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. 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.

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. Accrued sick time is not payable to employees upon termination.

Accrued compensated absences totaling \$52,032 and \$42,283 are included in accrued payroll and related liabilities in the Statements of Financial Position at June 30, 2024 and 2023, respectively.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

8. Lines of Credit

At June 30, 2024 and 2023, the Organization had the following lines of credit with Washington Trust Bank:

	<u>2024</u>	<u>2023</u>
Unsecured line of credit, due October 15, 2024, interest rate was 9.00% at June 30, 2024, interest only due monthly ⁽¹⁾	\$ 396,293	\$ 396,293
Variable rate unsecured revolving line of credit, \$750,000 credit limit, due October 23, 2024, interest rate was 9.00% at June 30, 2024 ⁽¹⁾	750,000	300,000
Variable rate unsecured revolving line of credit, \$450,000 credit limit, due August 29, 2023, interest rate was 8.25% at June 30, 2023	<u>--</u>	<u>450,000</u>
	1,146,293	1,146,293
Less amounts due within one year	<u>(1,146,293)</u>	<u>(1,146,293)</u>
Amounts due after one year	<u>\$ --</u>	<u>\$ --</u>

⁽¹⁾ Subsequent to June 30, 2024, these two lines of credit were refinanced and replaced by a \$1,100,000 term loan, requiring monthly payments of \$8,969, including interest at 7.55%, with a final balloon payment due on October 8, 2029. This loan is secured by real property. In addition, a \$500,000 line of credit was established that initially bears interest at 9.00% and matures on October 8, 2025. Both the new term loan and the new line of credit are secured by real property. This refinancing has not been reflected in the scheduled principal maturities shown in Note 9.

9. Long-Term Debt

Long-term debt at June 30, 2024 and 2023 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Mortgage contract payable in monthly installments of \$1,145, including interest at 4.00%, secured by real property, with a final balloon payment of approximately \$144,000 due October 2029	\$ 179,867	\$ 185,254
Line of credit secured by real property, due July 19, 2031, bears interest at 4.00%, line of credit reduces by \$2,514 each month	226,287	256,459
Mortgage contract, bears interest at 5.12%, interest only payments due monthly, with the entire principal balance due on September 15, 2025	350,550	--

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

9. Long-Term Debt, Continued

	<u>2024</u>	<u>2023</u>
Note payable in monthly installments of \$1,413, including interest at 5.74%, secured by real property, with a final balloon payment of approximately \$129,000 due September 2032	--	195,849
	756,704	637,562
Less amounts due within one year	(35,930)	(41,220)
Amounts due after one year	<u>\$ 720,774</u>	<u>\$ 596,342</u>

Scheduled principal maturities on long-term debt as of June 30, 2024 are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 35,930
2026	386,754
2027	36,481
2028	36,771
2029	37,074
Thereafter	223,694
	<u>\$ 756,704</u>

10. Lessee Leasing Activities

Effective July 1, 2022, the Organization adopted ASC Topic 842, Leases (“ASC 842”), which requires the recording of lease right of use (“ROU”) assets and lease liabilities. Upon adoption of ASC 842, the Organization recognized ROU assets of \$62,860 and a corresponding lease liability of the same amount. Finance leases, if any, were not materially impacted by the adoption of ASC 842, as finance lease liabilities and the corresponding ROU assets were already required to be recorded in the Statements of Financial Position as property, plant and equipment under the previous accounting guidance.

The Organization has operating leases for a branch location and certain office equipment. The leases have remaining lease terms of approximately one to 4 years, some of which may include options to extend the leases. In addition to fixed lease payments, the Organization incurs variable lease charges that are recognized as incurred. These charges are primarily for real estate taxes on leased facilities. The Organization includes in the determination of the right of use assets and lease liabilities any renewal or termination options when the options are reasonably certain to be exercised. The leases are classified as operating leases and may provide for increases in future minimum rental payments each year.

The weighted-average discount rate is based on the discount rate implicit in the lease when readily determinable. The Organization has elected the option to use the risk-free rate as the discount rate for leases, determined using a period comparable to the lease terms, where the implicit rate is not readily determinable. This option has been applied to all classes of assets. Leases with an initial term of 12 months or less are not recorded in the Statements of Financial Position.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

10. Lessee Leasing Activities

The following summarizes the line items in the Statement of Financial Position which include amounts for operating leases as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Operating leases</u>		
Right-of-use assets	\$ 13,281	\$ 24,309
Operating lease liabilities, due within one year	\$ 5,208	\$ 5,147
Operating lease liabilities, due after one year	<u>8,346</u>	<u>13,554</u>
Total operating lease liabilities	<u>\$ 13,554</u>	<u>\$ 18,701</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Weighted average remaining lease term (in years)</u>		
Operating leases	2.59	3.59
<u>Weighted average discount rate</u>		
Operating leases	1.19%	1.18%

The scheduled future minimum lease payments due under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Operating</u>
2025	\$ 5,342
2026	5,342
2027	<u>3,091</u>
Total lease payments	13,775
Less: interest portion	<u>(221)</u>
Present value of lease liabilities	<u>\$ 13,554</u>

The following summarizes the line items in the Statement of Activities and Changes in Net Assets which include the components of lease expense for the year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
<u>Operating leases</u>		
Operating lease costs included in rent expense	\$ 11,222	\$ 39,155
Short-term costs included in rent expense	<u>51,604</u>	<u>28,526</u>
Total operating lease costs	<u>\$ 62,826</u>	<u>\$ 67,681</u>

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

10. Lessee Leasing Activities, Continued

The following summarizes cash flow information related to leases for the year ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,342	\$ 39,787
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ --	\$ --

11. Lessor Leasing Activities

The Organization owns eight apartments above the Shelter located at 2002 E. Mission Avenue, which it leases to tenants under various terms. The monthly rent on these apartments ranges from \$400 to \$900. As of June 30, 2024, five of the eight apartments were occupied and the remaining three were vacant. The total rental income recognized during the fiscal years ended June 30, 2024 and 2023 was \$42,992 and \$46,295, respectively.

12. Special Fundraising Event Revenue

During both of the years ended June 30, 2024 and 2023, the Organization hosted an in-person fundraising event, UnGala, to raise funding for certain of its programs. Gross receipts from special fundraising events recorded by the Organization in the Statements of Activities consist of exchange transaction revenue and contribution revenue. The components of this revenue, including in-kind donations of \$14,130 for the year ended June 30, 2023, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Contributions, including contributions of nonfinancial assets	\$ 192,090	\$ 191,721
Event revenue	<u>20,185</u>	<u>36,124</u>
Special fundraising events, gross	212,275	227,845
Less: cost of direct benefit	<u>(32,322)</u>	<u>(45,706)</u>
Special fundraising events, net	<u>\$ 179,953</u>	<u>\$ 182,139</u>

13. Contributions of Nonfinancial Assets

The Organization receives donated property, food, labor, material, miscellaneous supplies and services, the value of which totaled \$74,032 and \$495,661 for the years ended June 30, 2024 and 2023, respectively. These amounts have been recorded as contributions of nonfinancial assets in the Statements of Activities and Changes in Net Assets.

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

13. Contributions of Nonfinancial Assets, Continued

The estimated value of contributions of nonfinancial assets for the years ended June 30, 2024 and 2023, including amounts for special fundraising events, are summarized as follows:

	<u>2024</u>	<u>2023</u>
Property and equipment	\$ 500	\$ 290,000
Vehicles	2,998	--
Clothing and household goods	38,741	186,988
Food inventory	1,788	11,658
Other miscellaneous goods and supplies	7,288	6,715
Professional services	<u>22,717</u>	<u>300</u>
	74,032	495,661
Auction items for fundraising events (see Note 12)	<u>--</u>	<u>14,130</u>
Total contributions of nonfinancial assets	<u>\$ 74,032</u>	<u>\$ 509,791</u>

In addition to the amounts reflected above, some members of the Board 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 volunteer services since they did not meet the requirements for recognition as contributed services.

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, 2024 and 2023, 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, 2024 and 2023

14. Net Assets, Continued

Net Assets With Donor Restrictions, Continued

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

	<u>2024</u>	<u>2023</u>
<i>Subject to expenditure for a specific purpose:</i>		
Capital campaign	\$ 93,396	\$ 26,015
Client emergency assistance programs	162,028	141,170
Respite House operations	34,979	58,503
Other program donations	<u>88,357</u>	<u>105,393</u>
Total purpose restrictions	<u>378,760</u>	<u>331,081</u>
<i>Subject to passage of time:</i>		
Property and equipment restricted for use (see Note 6)	<u>365,500</u>	<u>950,000</u>
Total passage of time restrictions	<u>365,500</u>	<u>950,000</u>
<i>Subject to external spending policy:</i>		
Beneficial interest in foundation endowment fund	<u>1,080</u>	<u>983</u>
Total spending policy restrictions	<u>1,080</u>	<u>983</u>
Total net assets with donor restrictions	<u>\$ 745,340</u>	<u>\$ 1,282,064</u>

Net assets were released from donor restrictions during 2024 and 2023 by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Capital campaign	\$ 19,873	\$ 3,927
Satisfaction of other purpose restrictions	270,965	653,664
Property subject to passage of time	<u>950,000</u>	<u>--</u>
	<u>\$ 1,240,838</u>	<u>\$ 657,591</u>

15. Commitments and Contingencies

Professional Liability Insurance

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

Family Promise of Spokane, Inc.
Notes to Financial Statements, Continued
June 30, 2024 and 2023

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, 2024 may be impaired. Based on prior experience, management of the Organization believes such amounts, if any, would be immaterial.

Concentrations

Approximately 16% and 42% of the Organization's support and revenue for the years ended June 30, 2024 and 2023, 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 20% and 17% of the Organization's support and revenue for both of the years ended June 30, 2024 and 2023, respectively, was derived from grants and contracts from Spokane County (the County).

At June 30, 2024 and 2023, \$426,633 and \$939,587, 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, 2024 had been collected.

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

Affiliated Agency

The Organization is a member of the national Family Promise, Inc. affiliate network and paid annual affiliate fees of \$8,500 and \$17,000 for the years ended June 30, 2024 and 2023, respectively.

16. Subsequent Events

Sale of Real Estate

On January 7, 2025, the Organization sold the property located at 904 E Hartson Avenue in Spokane, Washington and received net proceeds of \$136,889 from the sale after paying off two loans that were secured by this property.

Bezos Foundation Day One Grant

In November 2025, the Organization was awarded a \$2,500,000 grant by the Bezos Day One Fund to pursue solutions to family homelessness with a strong focus on providing housing as well as social services, skills training, and job support to assist families in transitioning to and remaining in permanent housing. The funding for this grant is for the time period of January 1, 2025 through December 31, 2029.

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, 2024 and 2023, 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 March 10, 2025.

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 audits 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 audits 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

March 10, 2025

Family Promise of Spokane, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	OPR 2024-0221	\$ 524,161
Coronavirus State and Local Fiscal Recovery Funds	21.027	OPR 2022-0910	11,754
Coronavirus State and Local Fiscal Recovery Funds	21.027	OPR 2024-0076	9,791
			<u>\$ 545,706</u>
<i>Pass-through funds from Spokane County Community Services, Housing, and Community Development</i>			
Coronavirus State and Local Fiscal Recovery Funds	21.027	22ARP1136	102,662
Coronavirus State and Local Fiscal Recovery Funds	21.027	22ARP1184	11,565
			<u>114,227</u>
Total U.S. Department of the Treasury			<u>659,933</u>
U.S. Department of Housing and Urban Development:			
<i>Pass-through funds from Spokane County Community Services, Housing, and Community Development</i>			
COVID-19 Community Development Block Grant	14.218	23-25236	17,023
COVID-19 Community Development Block Grant	14.218	21-25163	38,684
			<u>55,707</u>
<i>Pass-through funds from City of Spokane Housing and Human Services Department</i>			
COVID-19 Community Development Block Grant	14.218	OPR 2023-1101	11,281
Youth Homeless Demonstration Program	14.276	OPR 2022-0840	101,164
			<u>112,445</u>
Total U.S. Department of Housing and Urban Development			<u>168,152</u>
U.S. Department of Health and Human Services:			
<i>Pass-through funds from Washington State Department of Health</i>			
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CBO27777-0	66,461
Total U.S. Department of Health and Human Services			<u>66,461</u>
Total Federal Financial Assistance			<u><u>\$ 894,546</u></u>

Family Promise of Spokane, Inc.
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

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

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, 2024. 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, 2024.

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

March 10, 2025

Family Promise of Spokane, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

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>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

The auditee did qualify as a low-risk auditee.

Family Promise of Spokane, Inc.
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2024

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, 2024.

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, 2024.

Family Promise of Spokane, Inc.
Status of Prior Year Findings
Year Ended June 30, 2024

There were no matters reported in the prior year.