

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

FINANCIAL STATEMENTS

Year Ended December 31, 2016

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

FINANCIAL STATEMENTS

Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oregon Community Warehouse, Inc.
dba Community Warehouse
Portland, Oregon

We have audited the accompanying financial statements of Oregon Community Warehouse, Inc. dba Community Warehouse (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

We did not observe the taking of the physical inventories at December 31, 2016 and 2015 (stated at \$102,871 and \$102,871, respectively) since those dates were prior to the time we were engaged as auditors for the organization. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Oregon Community Warehouse, Inc. dba Community Warehouse as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kern & Thompson, LLC
Portland, Oregon
December 13, 2017

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

Cash and cash equivalents	\$ 328,791
Investments	2,639
Accounts receivable	65,061
Contributions receivable	114,174
Inventory	102,871
Prepaid expenses	8,841
Property and equipment, net	<u>2,587,986</u>
Total assets	<u>\$ 3,210,363</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 76,257
Payroll liabilities	29,056
Deferred revenue	6,000
Notes payable, net	<u>1,481,434</u>
Total liabilities	<u>1,592,747</u>
Net assets	
Unrestricted	
Undesignated	291,135
Net property and equipment	<u>1,106,552</u>
Total unrestricted	<u>1,397,687</u>
Temporarily restricted	<u>219,929</u>
Total net assets	<u>1,617,616</u>
Total liabilities and net assets	<u>\$ 3,210,363</u>

See notes to financial statements.

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and other support			
Grants and contributions	\$ 297,182	\$ 366,893	\$ 664,075
Pickup and delivery fees	134,220	-	134,220
Sales of donated goods	460,541	-	460,541
Special event revenue, net of expenses of \$61,271	119,436	-	119,436
Interest income	296	-	296
Rental income	15,600	-	15,600
In-kind revenue	971,515	-	971,515
Other income	102,464	-	102,464
	2,101,254	366,893	2,468,147
Net assets released from restriction	174,158	(174,158)	-
	2,275,412	192,735	2,468,147
Expenses			
Program services	2,087,990	-	2,087,990
Supporting services			
Management and general	216,614	-	216,614
Fundraising	160,126	-	160,126
Total expenses	2,464,730	-	2,464,730
Change in net assets	(189,318)	192,735	3,417
Net assets, beginning of year, restated	1,587,005	27,194	1,614,199
Net assets, end of year	\$ 1,397,687	\$ 219,929	\$ 1,617,616

See notes to financial statements.

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	PROGRAM SERVICES	SUPPORTING SERVICES		Total
		Management and General	Fundraising	
Non-cash assistance - In-kind	\$ 971,515	\$ -	\$ -	\$ 971,515
Non-cash assistance - Expense	2,083	-	-	2,083
Salaries	647,268	149,377	103,675	900,320
Employee benefits	61,048	7,749	9,181	77,978
Professional fees	8,355	17,196	2,074	27,625
Advertising	3,030	1,288	678	4,996
Office expense	49,004	6,015	11,157	66,176
Information technology	23,454	7,293	25,495	56,242
Occupancy	63,108	87	54	63,249
Travel	32,289	213	399	32,901
Training, meetings, activities	3,269	6,406	5,656	15,331
Interest expense	67,676	5,905	705	74,286
Depreciation and amortization	45,121	4,204	499	49,824
Insurance	26,367	8,744	-	35,111
Other expenses	84,403	2,137	553	87,093
	\$ 2,087,990	\$ 216,614	\$ 160,126	\$ 2,464,730

See notes to financial statements.

OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 3,417
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	49,824
(Increase) decrease in:	
Accounts receivable	(64,011)
Contributions receivable	(85,479)
Prepaid expenses	(1,298)
Increase (decrease) in:	
Accounts payable	60,038
Payroll liabilities	25,548
Deferred revenue	(15,300)
Net cash provided by (used in) operating activities	<u>(27,261)</u>
Cash flows from investing activities:	
Purchase of investments	(61)
Purchase of property and equipment	(26,179)
Net cash provided by (used in) investing activities	<u>(26,240)</u>
Cash flows from financing activities:	
Repayment of notes payable	(25,950)
Net cash provided by (used in) financing activities	<u>(25,950)</u>
Net increase (decrease) in cash and cash equivalents	(79,451)
Cash and cash equivalents, beginning of the year	<u>408,242</u>
Cash and cash equivalents, end of year	<u><u>\$ 328,791</u></u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u><u>\$ 74,286</u></u>

See notes to financial statements.

**OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE**

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – DESCRIPTION OF ORGANIZATION

Oregon Community Warehouse, Inc. dba Community Warehouse (the Organization) was incorporated in 2001 to collect and distribute furniture and household items to low-income families and individuals in Oregon and SW Washington while preserving the dignity of clients, promoting community volunteerism and maintaining an environment of openness and transparency. The Organization is the only full-service furniture bank in the metro area.

From two warehouse locations in two distinct communities, the Organization provides essential furniture and household items to low-income people. After visiting the Community Warehouse, recipients have enough furniture, beds, kitchen items and linens to create a safe and stable home allowing families to devote their time and resources to meeting other needs such as employment, assistance, health care or food.

Support consists primarily of contributions of cash and donated goods. The Organization supplements its public support with successful enterprises: The Portland Estate Store and The Tualatin Estate Store. Largely staffed by volunteers, these unique enterprises raise nearly one-third of the Organization's revenues and provide several powerful opportunities to engage the community.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present fund balances and transactions in three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at December 31, 2016.

**OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

The Organization receives contributions of furnishings and household items that are distributed to low-income families or held for re-sale in its Estate Stores. Donated goods received for distribution to recipients are reflected as in-kind donations and recorded at fair value using guides published by Goodwill and other similar organizations. Estate Store inventory is valued at net realizable value.

Contributions

Contributions are considered unrestricted unless the contribution has been restricted to a specific purpose by the donor or to a future time period.

Property and Equipment

Property and equipment is recorded at cost when purchased, or fair market value when donated. Expenditures exceeding \$5,000 for additions, major renewals, and betterments are capitalized, and expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation of property and equipment has been calculated using the straight-line method over the following estimated useful lives:

Vehicles	3 years
Furniture and fixtures	5-15 years
Building and improvements	30-39 years

Allocation of Functional Expenses

The cost of providing the various programs and other activities has been summarized in the Statement of Activities. Certain costs, including salaries and administrative operating expenses, have been allocated among the programs and supporting services benefited.

OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and grants receivable. The Organization places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured. The Organization's accounts receivable are unsecured and generally are due within 30 days. The Organization has not experienced any losses on these accounts.

Income Taxes

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016:

Land	\$ 1,537,000
Building and building improvements	1,201,552
Vehicles	102,856
Furniture and fixtures	<u>8,680</u>
Total property and equipment	2,850,088
Less accumulated depreciation	<u>(262,102)</u>
Net property and equipment	\$ <u><u>2,587,986</u></u>

NOTE D – LINE OF CREDIT

The Organization had a \$150,000 line of credit with a financial institution that matures on January 1, 2017. There were no advances outstanding at December 31, 2016, and the line was not renewed for 2017.

**OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 2016

NOTE E – NOTES PAYABLE

Notes payable consist of funding to refinance the Westside building and are as follows:

Note payable to Premier Community Bank; payable in varying monthly installments including interest at 4.9% through December 2019 and 4.93% through December 2024; balloon payment due January 2025; secured by real property.	\$ 767,534
Note payable to Premier Community Bank; payable in varying monthly installments including interest at 4.9% through December 2019 and 4.85% through February 2025; balloon payment due February 2025; secured by real property.	747,731
	1,515,265
Less unamortized loan fees	(33,831)
	\$ 1,481,434

The Organization adopted the requirements of FASB 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the loan fees is reported as interest expense in the statement of functional expenses.

The future scheduled maturities of long-term debt, considering 2016 refinancing, are as follows:

Year Ending December 31,	
2017	\$ 100,235
2018	100,235
2019	100,235
2020	100,122
2021	100,140
Thereafter	980,467
	\$ 1,481,434

NOTE F – DONATED SERVICES

Certain individuals, including members of the Board of Directors, donate substantial time to the operations of the Organization. No amounts have been reflected in the financial statements related to these donated services since the appropriate criteria under accounting principles generally accepted in the United States were not met.

**OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS CONTINUED

December 31, 2016

NOTE G – RETIREMENT PLAN

The Organization has a SIMPLE IRA plan covering substantially all employees who meet certain eligibility requirements. In addition to employee elective deferrals, the Organization will make matching contributions of deferrals up to 3% of gross compensation. Contributions to the plan for the year ended December 31, 2016 were \$13,547.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Net assets in the amount of \$219,929 were restricted for purpose at December 31, 2016.

NOTE I – RESTATEMENT OF NET ASSETS

Prior to 2016, the Organization did not value inventory as it was determined that inventory was not material and of nominal value. Beginning in 2016, due to growth in its program activities, the Organization began maintaining logs of donated goods and valued the year-end inventory of goods passed through to recipients as well as inventory held for re-sale in its Estate Stores. To reflect inventory held at the beginning of the year, the Organization estimated the inventory value as of December 31, 2015 to be the same value as inventory held at December 31, 2016. As a result, beginning net assets have been restated as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets, beginning of the year, originally stated	\$ 1,484,134	\$ 27,194	\$ 1,511,328
Restated for beginning inventory	102,871	-	102,871
Net assets, beginning of the year, restated	\$ 1,587,005	\$ 27,194	\$ 1,614,199

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 13, 2017, which is the date the financial statements were available to be issued.