

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

FINANCIAL STATEMENTS

Year Ended December 31, 2017



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

FINANCIAL STATEMENTS

Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

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, 2017, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Community Warehouse, Inc. dba Community Warehouse as of December 31, 2017, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Oregon Community Warehouse, Inc. dba Community Warehouse's 2016 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
May 1, 2018

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

STATEMENT OF FINANCIAL POSITION

December 31, 2017

(With Comparative Totals as of December 31, 2016)

ASSETS

	2017	2016
Cash and cash equivalents	\$ 249,879	\$ 328,791
Investments	5,117	2,639
Accounts receivable	11,700	65,061
Contributions receivable	3,000	114,174
Inventory	105,477	102,871
Prepaid expenses	28,064	8,841
Property and equipment, net	2,656,404	2,587,986
Total assets	\$ 3,059,641	\$ 3,210,363

LIABILITIES AND NET ASSETS

Accounts payable	\$ 28,006	\$ 76,257
Payroll liabilities	37,513	29,056
Deferred revenue	13,800	6,000
Notes payable, net	1,466,006	1,481,434
Total liabilities	1,545,325	1,592,747
Net assets		
Unrestricted		
Undesignated	175,949	291,135
Net property and equipment	1,190,398	1,106,552
Total unrestricted	1,366,347	1,397,687
Temporarily restricted	147,969	219,929
Total net assets	1,514,316	1,617,616
Total liabilities and net assets	\$ 3,059,641	\$ 3,210,363

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Revenues and other support				
Grants and contributions	\$ 219,963	\$ 308,199	\$ 528,162	\$ 528,109
Program fees	327,054	-	327,054	270,186
Sales of donated goods	477,346	-	477,346	460,541
Special event revenue, net of expenses of \$78,004 and \$61,271, respectively	118,351	-	118,351	119,436
Interest income	364	-	364	296
Rental income	13,000	-	13,000	15,600
In-kind revenue	986,469	-	986,469	971,515
Other income	1,424	-	1,424	102,464
	<u>2,143,971</u>	<u>308,199</u>	<u>2,452,170</u>	<u>2,468,147</u>
Net assets released from restriction	<u>380,159</u>	<u>(380,159)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,524,130</u>	<u>(71,960)</u>	<u>2,452,170</u>	<u>2,468,147</u>
Expenses				
Program services	2,134,005	-	2,134,005	2,087,990
Supporting services				
Management and general	247,008	-	247,008	216,614
Fundraising	174,457	-	174,457	160,126
Total expenses	<u>2,555,470</u>	<u>-</u>	<u>2,555,470</u>	<u>2,464,730</u>
Change in net assets	<u>(31,340)</u>	<u>(71,960)</u>	<u>(103,300)</u>	<u>3,417</u>
Net assets, beginning of year	<u>1,397,687</u>	<u>219,929</u>	<u>1,617,616</u>	<u>1,614,199</u>
Net assets, end of year	<u>\$ 1,366,347</u>	<u>\$ 147,969</u>	<u>\$ 1,514,316</u>	<u>\$ 1,617,616</u>

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fundraising	2017	2016
Non-cash assistance - In-kind	\$ 986,469	\$ -	\$ -	\$ 986,469	\$ 971,515
Non-cash assistance - Expense	9,291	-	-	9,291	2,083
Salaries	718,377	170,597	112,953	1,001,927	900,320
Employee benefits	71,132	10,061	12,104	93,297	77,978
Contracted personnel	3,838	349	422	4,609	-
Professional fees	5,072	28,872	10,059	44,003	27,625
Advertising	6,595	900	369	7,864	4,996
Office expense	43,147	6,721	13,815	63,683	66,176
Information technology	22,940	3,007	18,201	44,148	56,242
Occupancy	55,318	3,608	342	59,268	63,249
Travel	33,131	279	317	33,727	32,901
Training, meetings, activities	10,944	6,786	3,836	21,566	15,331
Interest expense	77,053	7,015	737	84,805	74,286
Depreciation	59,151	5,304	753	65,208	49,824
Insurance	25,359	1,742	-	27,101	35,111
Other expenses	6,188	1,767	549	8,504	87,093
	\$ 2,134,005	\$ 247,008	\$ 174,457	\$ 2,555,470	\$ 2,464,730

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (103,300)	\$ 3,417
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	65,208	49,824
Amortization of debt issuance costs	10,011	-
(Increase) decrease in:		
Accounts receivable	53,361	(64,011)
Contributions receivable	111,174	(85,479)
Inventory	(2,606)	-
Prepaid expenses	(19,223)	(1,298)
Increase (decrease) in:		
Accounts payable	(48,251)	60,038
Payroll liabilities	8,457	25,548
Deferred revenue	7,800	(15,300)
Net cash provided by (used in) operating activities	82,631	(27,261)
Cash flows from investing activities:		
Purchase of investments	(2,478)	(61)
Purchase of property and equipment	(133,626)	(26,179)
Net cash provided by (used in) investing activities	(136,104)	(26,240)
Cash flows from financing activities:		
Repayment of notes payable	(25,439)	(25,950)
Net cash provided by (used in) financing activities	(25,439)	(25,950)
Net increase (decrease) in cash and cash equivalents	(78,912)	(79,451)
Cash and cash equivalents, beginning of the year	328,791	408,242
Cash and cash equivalents, end of year	\$ 249,879	\$ 328,791
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 74,795	\$ 74,286

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

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.
dba COMMUNITY WAREHOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

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, 2017:

Land	\$ 1,537,000
Building and building improvements	1,221,066
Vehicles	214,309
Furniture and fixtures	<u>11,340</u>
Total property and equipment	<u>2,983,715</u>
Less accumulated depreciation	<u>(327,311)</u>
Net property and equipment	\$ <u><u>2,656,404</u></u>

NOTE D – LINE OF CREDIT

The Organization had a \$100,000 line of credit with a financial institution that matures on January 1, 2019. There were no advances outstanding at December 31, 2017.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

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.	\$ 754,517
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.	735,309
	1,489,826
Unamortized debt issuance costs	(23,820)
	\$ 1,466,006

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 Organization was not in compliance with the lender's debt service coverage ratio covenant for the year ended December 31, 2017. The lender has agreed to waive the covenant requirement for 2017.

The future scheduled maturities of long-term debt, considering 2017 refinancing, are as follows:

Year Ending December 31,	
2018	\$ 100,235
2019	100,235
2020	100,122
2021	100,140
2022	100,140
Thereafter	988,954
	\$ 1,489,826

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.
dba COMMUNITY WAREHOUSE**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

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, 2017 were \$12,285.

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Net assets in the amount of \$147,969 were restricted for purpose at December 31, 2017.

NOTE I – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 1, 2018, which is the date the financial statements were available to be issued.