

OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE

FINANCIAL STATEMENTS

Year Ended December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2018, 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.

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

Other Matters

Report on Summarized Comparative Information

We have previously audited Oregon Community Warehouse, Inc. dba Community Warehouse's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 1, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Kern & Thompson, LLC

Portland, Oregon
August 6, 2019

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

STATEMENT OF FINANCIAL POSITION

December 31, 2018

(With Comparative Totals as of December 31, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 153,468	\$ 249,879
Investments	13,122	5,117
Accounts receivable	10,730	11,700
Contributions receivable	68,645	3,000
Inventory	99,031	105,477
Prepaid expenses	33,578	28,064
Property and equipment, net	2,642,629	2,656,404
Total assets	\$ 3,021,203	\$ 3,059,641

LIABILITIES AND NET ASSETS

Accounts payable	\$ 12,546	\$ 28,006
Payroll liabilities	41,623	37,513
Deferred revenue	20,300	13,800
Notes payable, net	1,443,723	1,466,006
Total liabilities	1,518,192	1,545,325
Net assets		
Net assets without donor restrictions		
Available for operations	59,250	175,949
Net investment in property and equipment	1,198,906	1,190,398
Total without donor restrictions	1,258,156	1,366,347
Net assets with donor restrictions	244,855	147,969
Total net assets	1,503,011	1,514,316
Total liabilities and net assets	\$ 3,021,203	\$ 3,059,641

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues and other support				
Grants and contributions	\$ 227,262	\$ 329,100	\$ 556,362	\$ 528,162
Program fees	337,918	-	337,918	327,054
Sales of donated goods	522,532	-	522,532	477,346
Special event revenue, net of expenses of \$84,042 and \$78,004, respectively	137,092	-	137,092	118,351
Interest income	625	-	625	364
Rental income	15,600	-	15,600	13,000
In-kind revenue	1,143,772	-	1,143,772	986,469
Other income	6,667	-	6,667	1,424
	2,391,468	329,100	2,720,568	2,452,170
Net assets released from restriction	232,214	(232,214)	-	-
Total revenues and other support	2,623,682	96,886	2,720,568	2,452,170
Expenses				
Program services	2,307,741	-	2,307,741	2,134,005
Supporting services				
Management and general	254,360	-	254,360	247,008
Fundraising	169,772	-	169,772	174,457
Total expenses	2,731,873	-	2,731,873	2,555,470
Change in net assets	(108,191)	96,886	(11,305)	(103,300)
Net assets, beginning of year	1,366,347	147,969	1,514,316	1,617,616
Net assets, end of year	\$ 1,258,156	\$ 244,855	\$ 1,503,011	\$ 1,514,316

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fundraising	2018	2017
Non-cash assistance - In-kind	\$ 1,143,772	\$ -	\$ -	\$ 1,143,772	\$ 986,469
Non-cash assistance - Expense	-	-	-	-	9,291
Assistance to organizations	-	-	235	235	-
Assistant to individuals	10,435	-	-	10,435	-
Salaries	741,302	174,151	121,853	1,037,306	1,001,927
Employee benefits	57,995	17,296	13,952	89,243	93,297
Contracted personnel	31,916	-	(25)	31,891	4,609
Professional fees	26,720	24,131	3,625	54,476	44,003
Advertising	8,508	1,051	1,032	10,591	7,864
Office expense	46,545	8,404	11,470	66,419	63,683
Information technology	20,976	1,770	11,849	34,595	44,148
Occupancy	53,670	3,452	476	57,598	59,268
Travel	24,005	345	149	24,499	33,727
Training, meetings, activities	13,464	8,248	1,542	23,254	21,566
Interest expense	63,020	5,575	685	69,280	84,805
Depreciation	27,236	2,498	301	30,035	55,198
Amortization Expense	3,066	284	34	3,384	10,010
Insurance	32,424	4,053	1,850	38,327	27,101
Other expenses	2,687	3,102	744	6,533	8,504
	\$ 2,307,741	\$ 254,360	\$ 169,772	\$ 2,731,873	\$ 2,555,470

See notes to financial statements.

**OREGON COMMUNITY WAREHOUSE, INC.
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STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (11,305)	\$ (103,300)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,035	65,208
Amortization of debt issuance costs	3,383	10,011
(Increase) decrease in:		
Accounts receivable	970	53,361
Contributions receivable	(65,645)	111,174
Inventory	6,446	(2,606)
Prepaid expenses	(5,514)	(19,223)
Increase (decrease) in:		
Accounts payable	(15,460)	(48,251)
Payroll liabilities	4,110	8,457
Deferred revenue	6,500	7,800
Net cash provided by (used in) operating activities	(46,480)	82,631
Cash flows from investing activities:		
Purchase of investments	(8,005)	(2,478)
Purchase of property and equipment	(16,260)	(133,626)
Net cash provided by (used in) investing activities	(24,265)	(136,104)
Cash flows from financing activities:		
Repayment of notes payable	(25,666)	(25,439)
Net cash provided by (used in) financing activities	(25,666)	(25,439)
Net increase (decrease) in cash and cash equivalents	(96,411)	(78,912)
Cash and cash equivalents, beginning of the year	249,879	328,791
Cash and cash equivalents, end of year	\$ 153,468	\$ 249,879
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 62,280	\$ 74,795

See notes to financial statements.

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

December 31, 2018

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.

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* ("ASU 2016-14"). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

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

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

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.

OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	10 years
Furniture and fixtures	5-15 years
Building and improvements	30-39 years

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.

OREGON COMMUNITY WAREHOUSE, INC.
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE C – PROPERTY AND EQUIPMENT

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

Land	\$ 1,537,000
Building and building improvements	1,235,347
Vehicles	214,317
Furniture and fixtures	<u>13,593</u>
Total property and equipment	<u>3,000,257</u>
Less accumulated depreciation	<u>(357,628)</u>
Net property and equipment	\$ <u><u>2,642,629</u></u>

NOTE D – LINE OF CREDIT

The Organization has a \$100,000 line of credit with a financial institution that matures on December 1, 2019. There were no advances outstanding at December 31, 2018.

NOTE E – NOTES PAYABLE

Notes payable consist of the following:

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.	\$ 740,170
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.	<u>724,272</u>
Unamortized debt issuance costs	<u>(20,719)</u>
Notes payable, net	\$ <u><u>1,443,723</u></u>

The Organization presents debt issuance costs as a reduction of the carrying amount of the debt. 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, 2018. The lender has agreed to waive the covenant requirement for 2018.

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

December 31, 2018

NOTE E – NOTES PAYABLE (CONTINUED)

The future scheduled maturities of long-term debt, considering 2018 refinancing, are as follows:

Year Ending December 31,	
2019	\$ 28,051
2020	29,323
2021	31,005
2022	32,577
2023	34,230
Thereafter	<u>1,309,256</u>
	<u>\$ 1,464,442</u>

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.

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, 2018 were \$12,458.

NOTE H – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2018:

Subject to purpose restrictions:	\$ 214,855
Subject to time restrictions:	<u>30,000</u>
Total net assets with donor restrictions	<u>\$ 244,855</u>

OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE I – LIQUIDITY

The following chart represents the Organization's financial assets available for general expenditures within one year of December 31, 2018:

Financial assets at year-end		
Cash and cash equivalents	\$	153,468
Contributions receivable		68,645
Other receivables		10,730
Investments		<u>13,122</u>
 Total financial assets	\$	<u><u>245,965</u></u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 6, 2019, which is the date the financial statements were available to be issued.