

OREGON COMMUNITY WAREHOUSE, INC.  
dba COMMUNITY WAREHOUSE

FINANCIAL STATEMENTS

Year Ended December 31, 2019



KERN ▲ THOMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

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

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2019**

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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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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, 2019, 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

***Report on Summarized Comparative Information***

We have previously audited Oregon Community Warehouse, Inc. dba Community Warehouse's 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern & Thompson, LLC*

Portland, Oregon  
November 12, 2020

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2019**

(With Comparative Totals as of December 31, 2018)

**ASSETS**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 266,300	\$ 153,468
Investments	25,335	13,122
Other receivables	22,098	10,730
Contributions receivable	112,412	68,645
Inventory	56,857	99,031
Prepaid expenses	35,321	33,578
Property and equipment, net	2,671,614	2,642,629
<b>Total assets</b>	<b>\$ 3,189,937</b>	<b>\$ 3,021,203</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 13,717	\$ 12,546
Payroll liabilities	58,901	41,623
Deferred revenue	26,160	20,300
Line of credit	50,000	-
Notes payable, net	1,419,435	1,443,723
<b>Total liabilities</b>	<b>1,568,213</b>	<b>1,518,192</b>
 <b>Net assets</b>		
Net assets without donor restrictions		
Available for operations	89,719	59,250
Net investment in property and equipment	1,202,179	1,198,906
Total without donor restrictions	1,291,898	1,258,156
Net assets with donor restrictions	329,826	244,855
<b>Total net assets</b>	<b>1,621,724</b>	<b>1,503,011</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,189,937</b>	<b>\$ 3,021,203</b>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>Revenues and other support</b>				
Grants and contributions	\$ 410,875	\$ 296,057	\$ 706,932	\$ 556,362
Program fees	416,505	-	416,505	337,918
Sales of donated goods	560,286	-	560,286	522,532
Special event revenue, net of expenses of \$93,228 and \$84,042, respectively	188,134	-	188,134	137,092
Interest income	1,842	-	1,842	625
Rental income	15,600	-	15,600	15,600
In-kind revenue	1,177,375	-	1,177,375	1,143,772
Other income	5,978	-	5,978	6,667
	2,776,595	296,057	3,072,652	2,720,568
Net assets released from restriction	211,086	(211,086)	-	-
<b>Total revenues and other support</b>	<b>2,987,681</b>	<b>84,971</b>	<b>3,072,652</b>	<b>2,720,568</b>
<b>Expenses</b>				
Program services	2,479,357	-	2,479,357	2,307,741
Supporting services				
Management and general	288,858	-	288,858	254,360
Fundraising	185,724	-	185,724	169,772
<b>Total expenses</b>	<b>2,953,939</b>	<b>-</b>	<b>2,953,939</b>	<b>2,731,873</b>
<b>Change in net assets</b>	<b>33,742</b>	<b>84,971</b>	<b>118,713</b>	<b>(11,305)</b>
Net assets, beginning of year	1,258,156	244,855	1,503,011	1,514,316
<b>Net assets, end of year</b>	<b>\$ 1,291,898</b>	<b>\$ 329,826</b>	<b>\$ 1,621,724</b>	<b>\$ 1,503,011</b>

See notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<b>PROGRAM SERVICES</b>	<b>SUPPORTING SERVICES</b>		<b>Total</b>	
		<b>Management and General</b>	<b>Fundraising</b>	<b>2019</b>	<b>2018</b>
Non-cash assistance - In-kind	\$ 1,177,375	\$ -	\$ -	\$ 1,177,375	\$ 1,143,772
Assistance to organizations	-	-	-	-	235
Assistant to individuals	13,410	-	-	13,410	10,435
Salaries	853,164	203,007	127,312	1,183,483	1,037,306
Employee benefits	89,020	17,226	20,939	127,185	89,243
Contracted personnel	-	-	-	-	31,891
Professional fees	14,015	21,021	3,622	38,658	54,476
Advertising	6,342	561	2,220	9,123	10,591
Office expense	52,054	8,883	11,077	72,014	66,419
Information technology	28,092	4,594	15,685	48,371	34,595
Occupancy	61,895	4,411	729	67,035	57,598
Travel	24,733	803	384	25,920	24,499
Training, meetings, activities	14,510	11,613	1,391	27,514	23,254
Interest expense	66,009	6,225	718	72,952	69,280
Depreciation	42,585	3,917	468	46,970	30,035
Amortization Expense	3,066	284	34	3,384	3,384
Insurance	30,511	3,319	691	34,521	38,327
Other expenses	2,576	2,994	454	6,024	6,533
	<b>\$ 2,479,357</b>	<b>\$ 288,858</b>	<b>\$ 185,724</b>	<b>\$ 2,953,939</b>	<b>\$ 2,731,873</b>

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2019**

(With Comparative Totals for the Year Ended December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 118,713	\$ (11,305)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	46,970	30,034
Amortization of debt issuance costs	3,384	3,384
(Increase) decrease in:		
Other receivables	(11,368)	970
Contributions receivable	(43,767)	(65,645)
Inventory	42,174	6,446
Prepaid expenses	(1,743)	(5,514)
Increase (decrease) in:		
Accounts payable	1,171	(15,460)
Payroll liabilities	17,278	4,110
Deferred revenue	5,860	6,500
<b>Net cash provided by (used in) operating activities</b>	<b>178,672</b>	<b>(46,480)</b>
<b>Cash flows from investing activities:</b>		
Purchase of investments	(12,213)	(8,005)
Purchase of property and equipment	(79,339)	(16,260)
<b>Net cash provided by (used in) investing activities</b>	<b>(91,552)</b>	<b>(24,265)</b>
<b>Cash flows from financing activities:</b>		
Borrowing on line of credit	50,000	-
Repayment of notes payable	(24,288)	(25,666)
<b>Net cash provided by (used in) financing activities</b>	<b>25,712</b>	<b>(25,666)</b>
Net increase (decrease) in cash and cash equivalents	112,832	(96,411)
Cash and cash equivalents, beginning of the year	153,468	249,879
<b>Cash and cash equivalents, end of year</b>	<b>\$ 266,300</b>	<b>\$ 153,468</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 72,952	\$ 69,280

See notes to financial statements.



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

**December 31, 2019**

**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, 2019, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")* and *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis in 2019. There was no resulting cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of December 31, 2018.

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

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of New Accounting Pronouncement (Continued)**

Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes are necessary to conform with the new standard, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

**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.

**Revenue Recognition**

Revenue streams applicable to the Organization that qualify as exchange transactions with “customers” (primarily service fees and sales of donated goods) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization’s performance obligations are satisfied.

**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.

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

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**NOTE C – PROPERTY AND EQUIPMENT**

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

Land	\$ 1,537,000
Building and building improvements	1,286,482
Vehicles	234,738
Furniture and fixtures	<u>17,993</u>
Total property and equipment	<u>3,076,213</u>
Less accumulated depreciation	<u>(404,599)</u>
Net property and equipment	<u>\$ 2,671,614</u>

**NOTE D – LINE OF CREDIT**

The Organization has a \$100,000 line of credit with Heritage Bank. The amount drawn on the line at December 31, 2019 totaled \$50,000.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**December 31, 2019**

**NOTE E – NOTES PAYABLE**

Notes payable consist of the following:

Note payable to Heritage 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.	\$ 725,977
Note payable to Heritage 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.	710,793
	1,436,770
Unamortized debt issuance costs	(17,335)
	\$ 1,419,435

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 in compliance with the lender's debt service coverage ratio covenant for the year ended December 31, 2019.

The future scheduled maturities of long-term debt, considering 2019 refinancing, are as follows:

Year Ending December 31,	
2020	\$ 29,323
2021	31,005
2022	32,577
2023	34,230
2024	35,783
Thereafter	1,273,852
	\$ 1,436,770

**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, 2019**

**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, 2019 were \$14,330.

**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, 2019:

Subject to purpose restrictions	\$ 259,826
Subject to time restrictions	<u>70,000</u>
Total net assets with donor restrictions	\$ <u><u>329,826</u></u>

**NOTE I – LIQUIDITY**

The following chart represents the Organization's financial assets available for general expenditures within one year of December 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 266,300
Contributions receivable	112,412
Other receivables	22,098
Investments	<u>25,335</u>
Total financial assets	426,145
Less amounts unavailable for general expenditure within one year:	
Net assets with donor restrictions	<u>(329,826)</u>
Financial assets available to meet cash needs within one year	\$ <u><u>96,319</u></u>

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.

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

**December 31, 2019**

**NOTE J – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 12, 2019, which is the date the financial statements were available to be issued.

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

On April 13, 2020, the Organization received a Paycheck Protection Program loan of \$216,800 that will be forgiven if certain conditions are satisfied. The Organization expects it will achieve satisfaction of those conditions during 2020.