

OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE

FINANCIAL STATEMENTS

Year Ended December 31, 2020



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
July 19, 2021

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

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Comparative Totals as of December 31, 2019)

ASSETS

	2020	2019
Cash and cash equivalents	\$ 161,019	\$ 266,300
Investments	2,623	25,335
Other receivables	57,482	22,098
Contributions receivable	148,330	112,412
Inventory	93,299	56,857
Prepaid expenses	33,700	35,321
Property and equipment, net	2,663,708	2,671,614
Total assets	\$ 3,160,161	\$ 3,189,937

LIABILITIES AND NET ASSETS

Accounts payable	\$ 40,251	\$ 13,717
Payroll liabilities	53,290	58,901
Deferred revenue	500	26,160
Line of credit	-	50,000
Notes payable, net	1,410,080	1,419,435
Total liabilities	1,504,121	1,568,213
Net assets		
Net assets without donor restrictions		
Available for operations	107,606	89,719
Net investment in property and equipment	1,253,628	1,202,179
Total without donor restrictions	1,361,234	1,291,898
Net assets with donor restrictions	294,806	329,826
Total net assets	1,656,040	1,621,724
Total liabilities and net assets	\$ 3,160,161	\$ 3,189,937

See notes to financial statements.

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

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	Without Donor	With Donor	Total	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2020</u>	<u>2019</u>
Revenues and other support				
Grants and contributions	\$ 734,002	\$ 218,965	\$ 952,967	\$ 706,932
Government contracts	100,000	-	100,000	-
Program fees	251,783	-	251,783	416,505
Sales of donated goods	337,893	-	337,893	560,286
Special event revenue, net of expenses of \$46,133 and \$93,228, respectively	200,849	-	200,849	188,134
Interest income	2,668	-	2,668	1,842
Rental income	7,800	-	7,800	15,600
In-kind revenue	357,185	-	357,185	1,177,375
Other income	(1,299)	-	(1,299)	5,978
	<u>1,990,881</u>	<u>218,965</u>	<u>2,209,846</u>	<u>3,072,652</u>
Net assets released from restriction	<u>253,985</u>	<u>(253,985)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>2,244,866</u>	<u>(35,020)</u>	<u>2,209,846</u>	<u>3,072,652</u>
Expenses				
Program services	1,667,973	-	1,667,973	2,479,357
Supporting services				
Management and general	301,581	-	301,581	288,858
Fundraising	205,976	-	205,976	185,724
Total expenses	<u>2,175,530</u>	<u>-</u>	<u>2,175,530</u>	<u>2,953,939</u>
Change in net assets	69,336	(35,020)	34,316	118,713
Net assets, beginning of year	<u>1,291,898</u>	<u>329,826</u>	<u>1,621,724</u>	<u>1,503,011</u>
Net assets, end of year	<u>\$ 1,361,234</u>	<u>\$ 294,806</u>	<u>\$ 1,656,040</u>	<u>\$ 1,621,724</u>

See notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management and General	Fundraising	2020	2019
Non-cash assistance - In-kind	\$ 312,964	\$ -	\$ -	\$ 312,964	\$ 1,177,375
Assistance to individuals	99,702	-	-	99,702	13,410
Salaries	678,079	192,401	121,828	992,308	1,067,474
Employee benefits/Payroll taxes	191,172	32,020	34,213	257,405	243,194
Contracted personnel	-	-	1,760	1,760	-
Professional fees	12,977	26,098	2,318	41,393	38,658
Advertising	54,724	589	4,205	59,518	9,123
Office expense	52,314	8,878	13,202	74,394	72,014
Information technology	28,239	4,701	18,992	51,932	48,371
Occupancy	64,014	3,167	952	68,133	67,035
Travel	10,005	237	204	10,446	25,920
Training, meetings, activities	7,412	8,941	1,338	17,691	27,514
Interest expense	57,718	6,533	633	64,884	72,952
Depreciation	44,525	7,429	492	52,446	46,970
Amortization Expense	18,092	1,777	201	20,070	3,384
Insurance	29,496	5,089	3,470	38,055	34,521
Other expenses	6,540	3,721	2,168	12,429	6,024
	\$ 1,667,973	\$ 301,581	\$ 205,976	\$ 2,175,530	\$ 2,953,939

See notes to financial statements.

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

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 34,316	\$ 118,713
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	52,447	46,970
Amortization of debt issuance costs	20,070	3,384
(Increase) decrease in:		
Other receivables	(35,384)	(11,368)
Contributions receivable	(35,918)	(43,767)
Inventory	(36,442)	42,174
Prepaid expenses	1,621	(1,743)
Increase (decrease) in:		
Accounts payable	26,534	1,171
Payroll liabilities	(5,611)	17,278
Deferred revenue	(25,660)	5,860
Net cash provided by (used in) operating activities	(4,027)	178,672
Cash flows from investing activities:		
Purchase of investments	22,712	(12,213)
Purchase of property and equipment	(44,541)	(79,339)
Net cash provided by (used in) investing activities	(21,829)	(91,552)
Cash flows from financing activities:		
Borrowing on line of credit	(50,000)	50,000
Repayment of notes payable	(29,425)	(24,288)
Net cash provided by (used in) financing activities	(79,425)	25,712
Net increase (decrease) in cash and cash equivalents	(105,281)	112,832
Cash and cash equivalents, beginning of the year	266,300	153,468
Cash and cash equivalents, end of year	\$ 161,019	\$ 266,300
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 64,883	\$ 72,952

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 serves the mid-upper Willamette Valley.

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.

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.

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

December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

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

December 31, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2019, from which the summarized information was derived.

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

December 31, 2020

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Land	\$ 1,537,000
Building and building improvements	1,331,022
Vehicles	234,738
Furniture and fixtures	<u>17,993</u>
Total property and equipment	3,120,753
Less accumulated depreciation	<u>(457,045)</u>
Net property and equipment	\$ <u><u>2,663,708</u></u>

NOTE D – LINE OF CREDIT

The Organization has a \$100,000 line of credit with Summit Bank that expires April, 2022. There is a zero balance at December 31, 2020.

NOTE E – NOTES PAYABLE

Notes payable consist of the following:

Note payable, dated April 6, 2020, to Summit Bank; payable in monthly installments including interest at 3.990% through April 2030; balloon payment due April 2030; secured by real property.	\$ 717,124
Note payable, dated April 6, 2020, to Summit Bank; payable in monthly installments including interest at 3.990% through April 2030; balloon payment due April 2030; secured by real property.	<u>712,404</u>
	1,429,528
Unamortized debt issuance costs	<u>(19,448)</u>
Notes payable, net	\$ <u><u>1,410,080</u></u>

Interest on the notes are indexed to the Five Year Labor Swap (index) using a rate of 2.5% over the index. The current interest rate being charged is scheduled to adjust after five years but will not be less than the current rate.

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, 2020.

OREGON COMMUNITY WAREHOUSE, INC.
dba COMMUNITY WAREHOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020

NOTE E – NOTES PAYABLE (CONTINUED)

The future scheduled maturities of long-term debt, considering 2020 refinancing, are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 35,517
2022	36,952
2023	38,453
2024	40,003
2025	41,650
Thereafter	<u>1,217,505</u>
	\$ <u><u>1,410,080</u></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 – CONDITIONAL GRANT

At December 31, 2020, the Organization had a remaining available award balance on a private conditional grant totaling \$60,000. This award balance is not recognized as an asset and will be recognized as revenue over a two year period as matching contributions are received.

NOTE H – 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, 2020 were \$14,949.

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

December 31, 2020

NOTE I – 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, 2020:

Subject to purpose restrictions	\$ 224,806
Subject to time restrictions	<u>70,000</u>
Total net assets with donor restrictions	\$ <u><u>294,806</u></u>

NOTE J – LIQUIDITY

The following chart represents the Organization's financial assets available for general expenditures within one year of December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 161,019
Contributions receivable	148,330
Other receivables	57,482
Investments	<u>2,623</u>
Total financial assets	369,454
Less amounts unavailable for general expenditure within one year:	
Net assets with donor restrictions	<u>(294,806)</u>
Financial assets available to meet cash needs within one year	\$ <u><u>74,648</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.

NOTE K – UNCERTAINTY

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measures. 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, if any, are unknown. (See Note M)

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

December 31, 2020

NOTE L – REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM)

The Organization was granted a \$216,800 loan under the Paycheck Protection Program "PPP" administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed.

The organization has recognized \$216,800 as grant revenue for the year ended December 31, 2020.

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 19, 2021, which is the date the financial statements were available to be issued.

On January 26, 2021, the Organization received a second 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 2021.

Effective June 30, 2021, all remaining COVID-19 health and safety restrictions that were issued under Oregon's emergency status were lifted.