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**BAYSIDE HOUSING & SERVICES**  
**A Washington Not For Profit Organization**

**Financial Statements**

**For the Years Ended December 31, 2020 and 2019**

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## **Independent Auditor's Report**

To the Board of Directors  
Bayside Housing and Services  
Port Hadlock, WA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bayside Housing and Services (the Organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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 the Organization, as of December 31, 2020 and 2019, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders, Inc., PS

A handwritten signature in cursive script that reads "Aiken & Sanders".

Certified Public Accountants  
& Consultants

April 20, 2021

Montesano, WA

**Bayside Housing & Services**  
A Washington Not For Profit Organization  
Statement of Financial Position  
As of December 31, 2020 and 2019

Assets	2020	2019
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 260,840	\$ 117,263
Accounts receivable	29,511	2,822
Current portion: pledges receivable	10,000	156,000
Prepaid expenses	14,623	19,797
Total Current Assets	314,974	295,882
<b>Fixed Assets:</b>		
Furniture and equipment	8,499	1,753
Office equipment	1,263	1,263
Buildings and improvements	160,529	1,172
Less: Accumulated depreciation	(3,611)	(2,662)
Fixed Assets, Net	166,680	1,526
<b>Other Assets:</b>		
Long term pledges receivable: net of discount	707,483	546,673
Total Other Assets	707,483	546,673
Total Assets	\$ 1,189,137	\$ 844,081
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 27,160	\$ 81,191
Payroll and related accrued expenses	4,167	3,122
Deferred revenue	7,528	-
Current portion: notes payable	80,283	84,092
Total Current Liabilities	119,138	168,405
<b>Long Term Liabilities:</b>		
Notes payable-net of current portion	205,000	55,000
Total Long Term Liabilities	205,000	55,000
<b>Net Assets:</b>		
With donor restrictions	72,512	-
Without donor restrictions	792,487	620,676
Total Net Assets	864,999	620,676
Total Liabilities and Net Assets	\$ 1,189,137	\$ 844,081

*The accompanying notes are an integral part of these financial statements.*

**Bayside Housing & Services**  
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>
<b>Support and Revenues:</b>			
Contributions	\$ 330,948	\$ 72,512	\$ 403,460
Inkind contributions	73,670	-	73,670
Grant revenue	202,914	-	202,914
Rental revenue	98,932	-	98,932
Special event revenue	5,541	-	5,541
Investment revenue	831	-	831
Service fees and other revenue	22,514	-	22,514
Total Support and Revenue	<u>735,350</u>	<u>72,512</u>	<u>807,862</u>
<b>Expenses:</b>			
Program services	456,025	-	456,025
Management and general	89,392	-	89,392
Fundraising	18,122	-	18,122
Total Expenses	<u>563,539</u>	<u>-</u>	<u>563,539</u>
<b>Change in Net Assets</b>	171,811	72,512	244,323
<b>Net Assets, Beginning of Year</b>	<u>620,676</u>	<u>-</u>	<u>620,676</u>
<b>Net Assets, End of Year</b>	<u>\$ 792,487</u>	<u>\$ 72,512</u>	<u>\$ 864,999</u>

*The accompanying notes are an integral part of these financial statements.*

**Bayside Housing & Services**  
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019

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	<b>2019</b>
	<b>Without Donor</b>
	<b>Restrictions</b>
<b>Support and Revenues:</b>	
Contributions	\$ 283,389
Rental revenue	69,643
Special event revenue	16,552
Less: direct donor benefits	(10,651)
Investment revenue	25
Service fees and other revenue	11,091
Total Support and Revenue	<u>370,049</u>
<b>Expenses:</b>	
Program services	346,012
Management and general	63,171
Fundraising	9,806
Total Expenses	<u>418,989</u>
<b>Change in Net Assets</b>	(48,940)
<b>Net Assets, Beginning of Year</b>	<u>669,616</u>
<b>Net Assets, End of Year</b>	<u>\$ 620,676</u>

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**Bayside Housing & Services**  
A Washington Not For Profit Organization

Statement of Functional Expenses  
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 84,291	\$ 9,365	\$ -	\$ 93,656
Payroll taxes	11,428	1,269	-	12,697
Bank fees and charges	-	382	910	1,292
Professional services	39,152	47,120	3,960	90,232
Repairs and maintenance	17,602	-	-	17,602
Office expenses	-	709	352	1,061
Property tax	2,214	-	-	2,214
Travel	734	-	-	734
Depreciation and amortization	696	253	-	949
Occupancy	236,366	26,252	-	262,618
Technology	4,507	501	-	5,008
Insurance	4,669	519	-	5,188
Interest	6,098	-	-	6,098
Dues & subscriptions	-	1,511	-	1,511
Advertising	-	437	11,105	11,542
Program expense	48,072	-	-	48,072
Miscellaneous expense	196	1,074	1,795	3,065
Total Expenses	<u>\$ 456,025</u>	<u>\$ 89,392</u>	<u>\$ 18,122</u>	<u>\$ 563,539</u>

*The accompanying notes are an integral part of these financial statements.*



**Bayside Housing & Services**  
A Washington Not For Profit Organization

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 78,638	\$ 8,737	\$ -	\$ 87,375
Payroll taxes	11,762	1,306	-	13,068
Benefits	4,143	461	-	4,604
Bank fees and charges	-	15,536	531	16,067
Professional services	24,378	12,202	-	36,580
Repairs and maintenance	15,874	-	-	15,874
Office expenses	-	196	745	941
Property tax	2,196	-	-	2,196
Travel	1,429	-	-	1,429
Depreciation and amortization	516	305	-	821
Occupancy	180,130	20,006	-	200,136
Technology	4,747	527	-	5,274
Insurance	4,665	518	-	5,183
Interest	6,598	-	-	6,598
Dues & subscriptions	-	1,819	-	1,819
Advertising	1,717	227	8,530	10,474
Program expense	9,107	-	-	9,107
Miscellaneous expense	112	1,331	-	1,443
Total Expenses	<u>\$ 346,012</u>	<u>\$ 63,171</u>	<u>\$ 9,806</u>	<u>\$ 418,989</u>

*The accompanying notes are an integral part of these financial statements.*

**Bayside Housing & Services**  
A Washington Not For Profit Organization

Statement of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Cash received from grantors, donors and customers	\$ 698,506	\$ 484,810
Cash paid to vendors and suppliers	(498,996)	(266,732)
Cash paid to and on behalf of employees	(105,308)	(106,018)
Cash received from interest	831	25
Net cash provided (used) by operating activities	<u>95,033</u>	<u>112,085</u>
<b>Cash flows from investing activities:</b>		
Cash paid for capital assets	(92,433)	-
Net cash provided (used) by investing activities	<u>(92,433)</u>	<u>-</u>
<b>Cash flows from financing activities:</b>		
Cash received from loans	150,000	-
Cash paid to loans	(9,023)	(8,335)
Net cash provided (used) by financing activities	<u>140,977</u>	<u>(8,335)</u>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	143,577	103,750
Cash & cash equivalents at beginning of year	<u>117,263</u>	<u>13,513</u>
<b>Cash &amp; cash equivalents at end of year</b>	<u>\$ 260,840</u>	<u>\$ 117,263</u>
<b>Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:</b>		
Increase (decrease) in net assets:	\$ 244,323	\$ (48,940)
<b>Adjustments:</b>		
Depreciation and amortization	949	821
Capitalized in kind donations	(73,670)	-
Change in pledge discount	(4,810)	-
Interest expense additions to loans payable	5,214	6,598
<b>Changes in assets and liabilities:</b>		
(Increase) decrease in accounts receivable	(26,688)	4,136
(Increase) decrease in pledges receivable	(10,000)	100,000
(Increase) decrease in prepaid expense	5,173	(18,656)
Increase (decrease) in accounts payable	(54,031)	69,097
Increase (decrease) in payroll and related expense	1,045	(971)
Increase (decrease) in deferred revenue	7,528	-
Net cash provided (used) by operating activities	<u>\$ 95,033</u>	<u>\$ 112,085</u>

*The accompanying notes are an integral part of these financial statements.*

**Bayside Housing & Services**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2020 and 2019**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Activities--**

Bayside Housing & Services (The Organization) is a not-for-profit corporation organized in 2014. The Organization's mission is to provide transformative services to people in need as they improve their quality of life.

The Organization primarily meets its mission by providing interim housing to individuals as they transition into permanent living situations at a leased facility in Port Hadlock, WA. Priority for housing is given to seniors, veterans, and underemployed/low wage workers who need housing to retain employment.

**Basis of Accounting--**

The Organization's policy is to prepare its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred. If an expenditure results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.

**Financial Statement Presentation--**

The Organization follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

**With Donor Restrictions:** Net assets that result from contributions whose use by The Organization is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of The Organization.

**Without Donor Restrictions:** Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

**Property and Equipment--**

Purchased furniture, equipment, and leasehold improvements are stated at cost. Donated furniture, equipment, or property is recognized as revenue and capitalized at its estimated fair value on the date of receipt. The Organization capitalizes assets that have a useful life greater than one year. Depreciation is computed using the straight-line method based on estimated useful lives.

**Bayside Housing & Services**  
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**Notes to Financial Statements**

**December 31, 2020 and 2019**

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**Estimates--**

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

**Expense Allocation--**

The Organization records its expenses by function. Program expenses represent expenses incurred to fulfill The Organization's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

**Cash and Cash Equivalents--**

For purposes of the statement of cash flows, The Organization considers all checking and savings accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

**Advertising--**

The Organization's policy is to expense advertising costs as they are incurred.

**Inventory--**

Inventory is composed of linens for use in housing and is recorded at cost.

**Contributions--**

Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

If the restrictions on a contribution are met in the same year that the contribution is received, it is The Organization's policy to record the contribution as without donor restriction on the statement of activities and changes in net assets.

**Bayside Housing & Services**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2020 and 2019**

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**B. ACCOUNTS RECEIVABLE:**

Accounts receivable are recorded to the extent of qualifying amounts to be received after year end.

Historically, bad debts have been immaterial. The Organization uses the direct write-off method. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2020 and 2019 there were bad debts of \$0. As of December 31, 2020, management estimated that all accounts receivable were collectible.

The Organization considers accounts more than 90 days outstanding as past due. No interest is charged on past due receivables. The Organization had \$0 past due at December 31, 2020.

**C. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:**

The Organization, although it expects to receive current support to fund operations for 2020 and later years, has \$227,839 and \$276,085 of financial assets available within one year of the statement of financial position dates on December 31, 2020 and 2019, respectively, to meet cash needs for general operating expenditures of The Organization.

		<u>2020</u>		<u>2019</u>	
Financial assets at year end	\$	300,351	\$	276,085	
Donor restricted		(72,512)		-	
Financial assets available to meet cash needs within one year	\$	<u>227,839</u>	\$	<u>276,085</u>	

**D. DEPRECIATION EXPENSE:**

Depreciation is provided as follows for 2020 and 2019:

	<u>Method</u>	<u>Life</u>	<u>2020</u>	<u>2019</u>
			<u>Depreciation</u>	<u>Depreciation</u>
Buildings and Improvements	Straight Line	5-10 years	\$ 234	\$ 234
Equipment	Straight Line	3-5 years	715	587
<b>Totals:</b>			<u>\$ 949</u>	<u>\$ 821</u>

**Bayside Housing & Services**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2020 and 2019**

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**E. LEASES AGREEMENT:**

The Organization leases rooms in the Tower Building: a four story, thirty one (31) room building located at the Historic Old Alcohol Plant in Port Hadlock, WA, from Inn Properties, LLC (Inn Properties). Inn Properties ownership includes several members who are also board members of the Organization. The Organization is also entitled to use the top floor of the Tower Building for food preparation and a room in a separate building on the site for an Organization employee.

The Organization signed a ten (10) year lease with Inn Properties effective January 1, 2016. The lease terms require monthly payments of \$5,000 for the first six months (6), monthly payments of \$7,500 for the next twelve months (12), and \$10,000 per month for the remaining one hundred and two months (102) with an annual increase of 3%. The lease contains an Organization option to extend the lease for one additional ten (10) year term. The Organization was leasing up to 15 total rooms in 2019. The lease was formally amended in January of 2020 to increase the total number of rooms being leased to 20 and the base lease cost to \$14,570 per month. The Organization recognized \$230,642 and \$169,744 as rent expense on this lease for 2020 and 2019, respectively.

The lease also requires the Organization to pay a prorated share of maintenance, utility, insurance, and property tax costs. The Organization is also reimbursing Inn Properties for use of housekeeping and maintenance staff, preparation of meals used in program activities, and other operating costs. The Organization recognized \$121,618 and \$54,892 in reimbursed expenses during 2020 and 2019, respectively.

Future minimum rents, prior to any inkind reductions, for the next five years to be paid under currently executed leases are as follows for the years ending December 31:

2021	180,084
2022	185,487
2023	191,052
2024	195,784
2025	201,658
Total:	<u>\$ 954,065</u>

**Bayside Housing & Services**  
**A Washington Not For Profit Organization**

**Notes to Financial Statements**

**December 31, 2020 and 2019**

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**F. SUBSEQUENT EVENTS:**

On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. COVID-19 has required the Organization to make adjustments to operating practice and delivery of services. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population.

No events have occurred through April 20, 2021, which is the date the financial statements were available to be issued based on The Organization's facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020.

**G. INCOME TAX & UNCERTAIN TAX POSITIONS:**

The Organization is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Organization adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2015. As of December 31, 2020, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

**H. NOTES PAYABLE AND RELATED PARTY TRANSACTIONS:**

The Organization, detailed in Note E, paid rent and reimbursed costs to Inn Properties.

The Organization received \$136,130 and \$66,537 in contributions from board members and affiliated individuals during 2020 and 2019, respectively, which represented approximately 28% and 23% of total contributions received.

The Organization, in addition to cash contributions from board members and affiliated individuals, also received pledges from the same group in the year ended December 31, 2018. Pledges receivable from 2018 were reaffirmed by these individuals during the year ended December 31, 2020 with payment expected in 2022.

**Bayside Housing & Services**  
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**Notes to Financial Statements**

**December 31, 2020 and 2019**

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A separate pledge of \$100,000 was also due and paid in 2019. The future pledge collections have been discounted to present value using a discount rate of 5%. Future collections of pledges are as follows:

2021	\$	10,000
2022		780,000
Discount		<u>(72,517)</u>
Total:	\$	<u>717,483</u>

Board members and affiliated organizations have also provided, as of December 31, 2020 and 2019, \$135,283 and 139,092 in unsecured loans to The Organization. Notes payable from related parties was the following at December 31, 2020:

**Notes Payable To Christopher Eagan (Board Past President)**

Note dated May 8, 2015. 6% annual interest, due quarterly.

Note due on demand after 5 years from issuance	\$	20,000
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Three separate notes, all at 5% annual interest, due on demand. Interest due on January 1 of each year.	35,000
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Accrued interest payable:	<u>14,229</u>
Total Due to Christopher Eagan	<u>\$ 69,229</u>

**Notes Payable To Vincent Verneuil (Board Secretary/Treasurer)**

Note dated May 20, 2015. 6% annual interest, due quarterly.

Note due on demand after 5 years from issuance	\$	20,000
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Two separate notes, both at 5% annual interest, due on demand. Interest due on January 1 of each year.	20,000
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Accrued interest payable:	<u>11,054</u>
Total Due to Vincent Verneuil	<u>\$ 51,054</u>

**The GK & SK Living Trust (Living Trust of One Original Founder and Board Member and Spouse Who is a Current Board Member)**

Note dated December 31, 2017. 5% interest. Due December 21, 2020	\$	15,000
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Accrued interest payable:	-
Total Due to GK & SK Living Trust	<u>\$ 15,000</u>
<b>Total Related Party Notes Payable</b>	<b><u>\$ 135,283</u></b>



**Bayside Housing & Services**  
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**Notes to Financial Statements**

**December 31, 2020 and 2019**

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Future maturities of notes payable from related parties are as follows for the years ending December 31:

2021	80,283
2022	-
2023	-
2024	-
2025	-
Thereafter	<u>55,000</u>
Total:	<u>\$ 135,283</u>

During 2020, the Organization entered into two loan arrangements with the United States Small Business Administration (SBA).

The Organization received a loan for \$19,800 guaranteed by the SBA, funded by Sound Community Bank, under the paycheck protection loan program, a government loan program implemented to address the Covid-19 pandemic. The loan carried an initial term of 24 months, with a stated interest rate of 1%. The loan is eligible for forgiveness if used for payroll and related costs. The Organization used the loan proceeds for costs that qualify for loan forgiveness and has recorded the \$19,800 as grant revenue, pending forgiveness in 2021.

The Organization received a loan from the SBA under the Economic Impact Disaster Loan program in June of 2020. The loan amount was \$150,000 with a stated interest rate of 2.75% per year on the outstanding balance. Monthly payments of \$641 are due starting June 17, 2021, with a maturity date of June 17, 2050. The loan is secured by future revenue and assets of the Organization. Future principal maturities for the next five years under this loan arrangement are as follows:

2021	-
2022	3,562
2023	3,662
2024	3,764
2025	3,868
Thereafter	<u>135,144</u>
Total:	<u>\$ 150,000</u>