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

**Financial Statements**

**For the Year Ended December 31, 2016**

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

## TABLE OF CONTENTS

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Independent Accountant's Review Report .....	1
Financial Statements:	
Statement of Financial Position .....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6

To the Board of Directors of:  
Bayside Housing & Services  
Port Townsend, WA

We have reviewed the accompanying financial statements of Bayside Housing & Services (The Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### **Management's Responsibility for the Financial Statements**

Management of The Organization 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.

#### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

#### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Aiken & Sanders*

Aiken & Sanders, Inc., PS  
Certified Public Accountants  
& Management Consultants

April 28, 2017

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

Statement of Financial Position  
As of December 31, 2016

Assets	2016
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 13,806
Accounts receivable	2,866
Inventory	2,118
Prepaid expenses	378
Total Current Assets	19,168
 <b>Fixed Assets:</b>	
Furniture and equipment	1,753
Office equipment	1,263
Less: Accumulated depreciation	(463)
Fixed assets, net	2,553
Total Assets	\$ 21,721
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 46,362
Payroll and related accrued expenses	2,228
Current portion: notes payable	4,871
Total Current Liabilities	53,461
 <b>Long Term Liabilities:</b>	
Notes payable-net of current portion	95,000
Total Long Term Liabilities	95,000
 <b>Net Assets:</b>	
Unrestricted	(126,740)
Total Net Assets	(126,740)
Total Liabilities and Net Assets	\$ 21,721

*See accompanying notes and independent accountant's review report*

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

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2016

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	<u><b>Total Unrestricted</b></u>
<b>Support and Revenues:</b>	
Contributions	\$ 91,846
Inkind contributions	15,000
Rental revenue	18,585
Special event revenue	444
Less: direct donor benefits	(306)
Investment revenue	5
Other revenue	<u>6,376</u>
Total Support and Revenue	<u>131,950</u>
<b>Expenses:</b>	
Program services	184,404
Management and general	<u>30,894</u>
Total Expenses	<u>215,298</u>
<b>Change in Net Assets</b>	(83,348)
<b>Net Assets, Beginning of Year</b>	<u>(43,392)</u>
<b>Net Assets, End of Year</b>	<u>\$ (126,740)</u>

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*See accompanying notes and independent accountant's review report*

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

Statement of Functional Expenses  
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 55,491	\$ 6,166	\$ 61,657
Payroll taxes	5,753	639	6,392
Benefits	3,741	416	4,157
Professional services	25,406	11,748	37,154
Repairs and maintenance	3,283	-	3,283
Office expenses	-	1,025	1,025
Property tax	2,561	-	2,561
Travel	569	-	569
Depreciation and amortization	210	253	463
Occupancy	58,896	6,544	65,440
Insurance	10,209	1,136	11,345
Interest	3,922	-	3,922
Technology	811	91	902
Dues & subscriptions	-	700	700
Advertising	52	-	52
Inkind expense	13,500	1,500	15,000
Miscellaneous expense	-	676	676
Total Expenses	<u>\$ 184,404</u>	<u>\$ 30,894</u>	<u>\$ 215,298</u>

*See accompanying notes and independent accountant's review report*

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

Statement of Cash Flows  
For the Year Ended December 31, 2016

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	<u>2016</u>
<b>Cash flows from operating activities:</b>	
Cash received from grantors, donors and customers	\$ 114,385
Cash paid to vendors and suppliers	(80,064)
Cash paid to and on behalf of employees	(70,355)
Cash received from interest	<u>5</u>
Net cash provided (used) by operating activities	<u>(36,029)</u>
 <b>Cash flows from investing activities:</b>	
Cash paid for equipment	<u>(3,016)</u>
Net cash provided (used) by investing activities	<u>(3,016)</u>
 <b>Cash flows from financing activities:</b>	
Cash received from loans	47,700
Cash paid to loans	<u>(8,895)</u>
Net cash provided (used) by financing activities	<u>38,805</u>
 <b>Net increase (decrease) in cash &amp; cash equivalents</b>	(240)
 Cash & cash equivalents at beginning of year	<u>14,046</u>
 <b>Cash &amp; cash equivalents at end of year</b>	<u><u>\$ 13,806</u></u>
 <b>Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:</b>	
Increase (decrease) in net assets:	\$ (83,348)
<b>Adjustments:</b>	
Depreciation and amortization	463
 <b>Changes in assets and liabilities:</b>	
(Increase) decrease in accounts receivable	(2,866)
(Increase) decrease in inventory	(2,118)
(Increase) decrease in prepaid expense	(378)
Increase (decrease) in accounts payable	49,990
Increase (decrease) in payroll and related expense	<u>2,228</u>
Net cash provided (used) by operating activities	<u><u>\$ (36,029)</u></u>

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*See accompanying notes and independent accountant's review report*

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

**Notes to Financial Statements**

**December 31, 2016**

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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.

**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.

**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 costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expense. Accordingly, certain costs have been allocated among the programs and supporting services in line with benefits received.

**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.

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

**Notes to Financial Statements**

**December 31, 2016**

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.):**

**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 accounted for as unrestricted, temporarily restricted or permanently restricted as directed by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used or if an understanding is reached with the donor regarding an obligation to permanently protect donated property. Gifts of long-lived assets having explicit restrictions specifying how the assets are to be used or requiring permanent protection of the underlying asset, and gifts of cash or other assets to be used to acquire long-lived assets are reported as restricted support. Long lived depreciable assets are released from restriction ratably as depreciation is recorded.

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 unrestricted on the statement of activities and changes in net assets.

**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 2016, there were bad debts of \$0. As of December 31, 2016, 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, 2016.

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

**December 31, 2016**

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**C. ACCUMULATED DEPRECIATION:**

Depreciation is provided as follows for 2016:

	<u>Method</u>	<u>Life</u>	<u>Current Depreciation</u>	<u>Accumulated Total</u>
Equipment	Straight Line	3-5 years	\$ 463	\$ 463

**D. LEASES AND INKIND REVENUE:**

The Organization leases one floor of 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). The lease contains an Organization option to extend the lease for one additional ten (10) year term. During 2016, the Organization and Inn Properties reached agreement to forgo the increase in rent for the final six months of 2016. This forgone increase totaling \$15,000 has been recognized as inkind revenue and expense in the financial statements. The Organization recognized \$60,000 as rent expense on this lease for 2016.

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 and other operating costs. The Organization paid \$41,588 in reimbursed costs during 2016.

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:

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

**Notes to Financial Statements**

**December 31, 2016**

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**D. LEASES AND INKIND REVENUE (CONT.):**

2017	105,000
2018	120,000
2019	120,000
2020	120,000
2021	120,000
Total:	<u>\$ 585,000</u>

**E. SUBSEQUENT EVENTS:**

No events have occurred through April 28, 2017, 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, 2016.

**F. 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 2014. 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, 2016, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

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

The Organization, as detailed in Note D, paid \$60,000 in rent expense and received inkind donations of \$15,000 under a lease arrangement with Inn Properties.

The Organization received \$80,000 in contributions from board members during 2016, which represented approximately 87% of total contributions received.

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

**Notes to Financial Statements**

**December 31, 2016**

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**G. NOTES PAYABLE AND RELATED PARTY TRANSACTIONS (CONT.):**

Board members have also provided, as of December 31, 2016, 99,871 in unsecured loans to The Organization.

Notes payable from related parties was the following at December 31, 2016:

**Notes Payable To Christopher Eagan (Board 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:		2,417
Total Due to Christopher Eagan	\$	57,417

**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:		2,454
Total Due to Vincent Verneuil	\$	42,454

<b>Total Related Party Notes Payable</b>	<b>\$</b>	<b>99,871</b>
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Future maturities of notes payable are as follows for the years ending December 31:

2017		4,871	
2018		-	
2019		-	
2020		40,000	
2021		-	
Thereafter		55,000	
Total:	\$	99,871	