
BAYSIDE HOUSING & SERVICES
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2018 and 2017

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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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, 2018 and 2017, 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

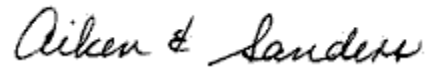
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 2017, 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.

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

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

August 5, 2019

Bayside Housing & Services
A Washington Not For Profit Organization
Statement of Financial Position
As of December 31, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 13,513	\$ 35,263
Accounts receivable	6,957	2,847
Current portion: pledges receivable	256,000	-
Inventory	-	2,118
Prepaid expenses	1,142	857
Total Current Assets	277,612	41,085
Fixed Assets:		
Furniture and equipment	1,753	1,753
Office equipment	1,263	1,263
Leasehold improvements	1,172	-
Less: Accumulated depreciation	(1,841)	(1,143)
Fixed Assets, Net	2,347	1,873
Other Assets:		
Long term pledges receivable: net of discount	546,673	-
Total Other Assets	546,673	-
Total Assets	\$ 826,632	\$ 42,958
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 12,094	\$ 3,710
Payroll and related accrued expenses	4,093	3,780
Current portion: notes payable	16,869	10,021
Total Current Liabilities	33,056	17,511
Long Term Liabilities:		
Notes payable-net of current portion	123,960	128,960
Total Long Term Liabilities	123,960	128,960
Net Assets:		
Without donor restrictions	669,616	(103,513)
Total Net Assets	669,616	(103,513)
Total Liabilities and Net Assets	\$ 826,632	\$ 42,958

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 Years Ended December 31, 2018 and 2017

	2018	2017
	Without Donor Restrictions	Without Donor Restrictions
	<u> </u>	<u> </u>
Support and Revenues:		
Contributions	\$ 995,355	\$ 203,153
Inkind contributions	114,319	35,750
Grant revenue	10,000	2,787
Rental revenue	66,748	33,302
Special event revenue	43,068	69,714
Less: direct donor benefits	(15,113)	(17,992)
Investment revenue	9	6
Service fees and other revenue	18,595	13,960
Total Support and Revenue	<u>1,232,981</u>	<u>340,680</u>
 Expenses:		
Program services	397,387	275,660
Management and general	62,465	41,793
Total Expenses	<u>459,852</u>	<u>317,453</u>
 Change in Net Assets	 773,129	 23,227
 Net Assets, Beginning of Year	 <u>(103,513)</u>	 <u>(126,740)</u>
 Net Assets, End of Year	 <u>\$ 669,616</u>	 <u>\$ (103,513)</u>

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

Bayside Housing & Services
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Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 80,890	\$ 8,987	\$ 89,877
Payroll taxes	12,169	1,352	13,521
Benefits	6,400	711	7,111
Professional services	18,497	19,496	37,993
Repairs and maintenance	16,720	-	16,720
Office expenses	-	1,910	1,910
Property tax	2,733	-	2,733
Travel	399	-	399
Depreciation and amortization	446	253	699
Occupancy	139,545	15,498	155,043
Technology	3,558	395	3,953
Insurance	3,567	397	3,964
Interest	6,848	-	6,848
Dues & subscriptions	-	1,617	1,617
Advertising	1,888	-	1,888
Inkind expense	103,328	10,991	114,319
Miscellaneous expense	400	857	1,257
Total Expenses	<u>\$ 397,387</u>	<u>\$ 62,465</u>	<u>\$ 459,852</u>

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Bayside Housing & Services
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Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program	Management and General	Total
Salaries and wages	\$ 72,263	\$ 8,029	\$ 80,292
Payroll taxes	11,451	1,272	12,723
Benefits	4,966	552	5,518
Professional services	17,850	13,278	31,128
Repairs and maintenance	14,496	-	14,496
Office expenses	-	900	900
Property tax	3,083	-	3,083
Travel	85	-	85
Depreciation and amortization	427	252	679
Occupancy	105,831	11,754	117,585
Insurance	5,983	665	6,648
Interest	5,713	-	5,713
Dues & subscriptions	-	707	707
Advertising	1,016	-	1,016
Inkind expense	32,175	3,575	35,750
Miscellaneous expense	321	809	1,130
Total Expenses	\$ 275,660	\$ 41,793	\$ 317,453

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Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 326,983	\$ 321,977
Cash paid to vendors and suppliers	(232,374)	(242,656)
Cash paid to and on behalf of employees	(110,196)	(96,981)
Cash received from interest	9	6
Net cash provided (used) by operating activities	<u>(15,578)</u>	<u>(17,654)</u>
Cash flows from investing activities:		
Cash paid for leasehold improvements	(1,172)	-
Net cash provided (used) by investing activities	<u>(1,172)</u>	<u>-</u>
Cash flows from financing activities:		
Cash received from loans	-	39,111
Cash paid to loans	(5,000)	-
Net cash provided (used) by financing activities	<u>(5,000)</u>	<u>39,111</u>
Net increase (decrease) in cash & cash equivalents	(21,750)	21,457
Cash & cash equivalents at beginning of year	<u>35,263</u>	<u>13,806</u>
Cash & cash equivalents at end of year	<u>\$ 13,513</u>	<u>\$ 35,263</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 773,129	\$ 23,227
Adjustments:		
Depreciation and amortization	699	679
Interest expense additions to loans payable	6,848	10,021
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,110)	19
(Increase) decrease in pledges receivable	(802,673)	-
(Increase) decrease in inventory	2,118	-
(Increase) decrease in prepaid expense	(286)	(479)
Increase (decrease) in accounts payable	8,384	(52,673)
Increase (decrease) in payroll and related expense	313	1,552
Net cash provided (used) by operating activities	<u>\$ (15,578)</u>	<u>\$ (17,654)</u>

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

Bayside Housing & Services
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Notes to Financial Statements

December 31, 2018 and 2017

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, 2018 and 2017

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
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Notes to Financial Statements

December 31, 2018 and 2017

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 2018 and 2017 there were bad debts of \$0. As of December 31, 2018, 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, 2018.

C. NEW ACCOUNTING PRONOUNCEMENT:

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)–Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to 2017. The new standards change the following aspects of The Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Classes:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ (103,513)	\$ -
Without donor restrictions	<u>-</u>	<u>(103,513)</u>
Total:	\$ <u>(103,513)</u>	\$ <u>(103,513)</u>

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Notes to Financial Statements

December 31, 2018 and 2017

D. DEPRECIATION EXPENSE:

Depreciation is provided as follows for 2018 and 2017:

			2018	2017
	Method	Life	Depreciation	Depreciation
Leasehold Improvements	Straight Line	5 years	\$ 20	\$ -
Equipment	Straight Line	3-5 years	679	679
Totals:			\$ 699	\$ 679

E. LEASES AND INKIND REVENUE:

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). The lease contains an Organization option to extend the lease for one additional ten (10) year term. The Organization is also leasing some additional rooms in 2018. During 2018 and 2017, Inn Properties forgave \$33,833 and \$35,750, respectively, in rent payments. The Organization recognized \$123,678 and \$82,675 as rent expense on this lease for 2018 and 2017, 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 and other operating costs. The Organization paid \$52,112 and \$60,206 in reimbursed costs during 2018 and 2017, respectively. Inn Properties also forgave \$76,088 in housekeeping, maintenance, and other operating costs in 2018. This forgiveness has been recognized as inkind revenue and expense in the financial statements.

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:

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Notes to Financial Statements

December 31, 2018 and 2017

2019	120,000
2020	120,000
2021	120,000
2022	120,000
2023	120,000
Total:	<u>\$ 600,000</u>

F. SUBSEQUENT EVENTS:

No events have occurred through August 5, 2019, 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, 2018.

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 2015. 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, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

H. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization, although it expects to receive current support to fund operations for 2019 and later years, has \$20,470 and \$38,110 of financial assets available within one year of the statement of financial position dates on December 31, 2018 and 2017, respectively, to meet cash needs for general operating expenditures of The Organization.

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Notes to Financial Statements

December 31, 2018 and 2017

		<u>2018</u>		<u>2017</u>
Financial assets at year end	\$	<u>20,470</u>	\$	<u>38,110</u>
Financial assets available to meet cash needs within one year	\$	<u>20,470</u>	\$	<u>38,110</u>

I. NOTES PAYABLE AND RELATED PARTY TRANSACTIONS:

The Organization, as detailed in Note E, paid rent and reimbursed costs and received in-kind donations under a lease arrangement with Inn Properties.

The Organization received \$175,445 and \$231,142 in contributions from board members and affiliated individuals during 2018 and 2017, respectively, which represented approximately 64% and 85% 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 are due in installments of \$156,000 starting in October of 2019, with subsequent installments of \$156,000 due in January of the following four years. A separate pledge of \$100,000 is also due 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:

2019		256,000
2020		156,000
2021		156,000
2022		156,000
2023		156,000
Discount		<u>(77,327)</u>
Total:	\$	<u>802,673</u>

Board members and affiliated organizations have also provided, as of December 31, 2018 and 2017, \$140,829 and 138,981 in unsecured loans to The Organization.

Notes payable from related parties was the following at December 31, 2018:

Bayside Housing & Services
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

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

Three separate notes, all at 5% annual interest, due 35,000
on demand. Interest due on January 1 of each year.

Accrued interest payable: 8,328

Total Due to Christopher Eagan \$ 63,328

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

Two separate notes, both at 5% annual interest, due 20,000
on demand. Interest due on January 1 of each year.

Accrued interest payable: 6,654

Total Due to Vincent Verneuil \$ 46,654

Notes Payable To Wescom Capital (Common Ownership with Inn Properties and Owned by Spouse of Board Member)

Note dated December 31, 2017. 5% interest. Due December 21, 2019 \$ 18,960

Note dated October 1, 2017. 5% interest. Due December 31, 2019 10,000

Accrued interest payable: 1,887

Total Due to Wescom Capital \$ 30,847

Total Related Party Notes Payable \$ 140,829

Bayside Housing & Services
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Notes to Financial Statements

December 31, 2018 and 2017

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

2019	16,869
2020	28,960
2021	40,000
2022	-
2023	-
Thereafter	55,000
Total:	<u>\$ 140,829</u>