
BAYSIDE HOUSING & SERVICES
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2017 and 2016

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, 2017, and the related statements of activities and changes in net assets, 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.

Auditor's 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 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, 2017, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2016 financial statements were reviewed by us and our report thereon, dated April 28, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

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

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

March 26, 2018

Bayside Housing & Services
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash and cash equivalents	\$ 35,263	\$ 13,806
Accounts receivable	2,847	2,866
Inventory	2,118	2,118
Prepaid expenses	857	378
Total Current Assets	41,085	19,168
Fixed Assets:		
Furniture and equipment	1,753	1,753
Office equipment	1,263	1,263
Less: Accumulated depreciation	(1,143)	(463)
Fixed assets, net	1,873	2,553
Total Assets	\$ 42,958	\$ 21,721
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,710	\$ 46,362
Payroll and related accrued expenses	3,780	2,228
Current portion: notes payable	10,021	4,871
Total Current Liabilities	17,511	53,461
Long Term Liabilities:		
Notes payable-net of current portion	128,960	95,000
Total Long Term Liabilities	128,960	95,000
Net Assets:		
Unrestricted	(103,513)	(126,740)
Total Net Assets	(103,513)	(126,740)
Total Liabilities and Net Assets	\$ 42,958	\$ 21,721

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

Bayside Housing & Services
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Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	2017	2016
	<u>Unrestricted</u>	<u>Unrestricted</u>
Support and Revenues:		
Contributions	\$ 203,153	\$ 91,846
Inkind contributions	35,750	15,000
Grant revenue	2,787	-
Rental revenue	33,302	18,585
Special event revenue	69,714	444
Less: direct donor benefits	(17,992)	(306)
Investment revenue	6	5
Service fees and other revenue	13,960	6,376
Total Support and Revenue	<u>340,680</u>	<u>131,950</u>
Expenses:		
Program services	275,660	184,404
Management and general	41,793	30,894
Total Expenses	<u>317,453</u>	<u>215,298</u>
Change in Net Assets	23,227	(83,348)
Net Assets, Beginning of Year	<u>(126,740)</u>	<u>(43,392)</u>
Net Assets, End of Year	<u>\$ (103,513)</u>	<u>\$ (126,740)</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, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
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	<u>\$ 275,660</u>	<u>\$ 41,793</u>	<u>\$ 317,453</u>

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Bayside Housing & Services
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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>

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

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Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 321,977	\$ 114,385
Cash paid to vendors and suppliers	(242,656)	(80,064)
Cash paid to and on behalf of employees	(96,981)	(70,355)
Cash received from interest	<u>6</u>	<u>5</u>
Net cash provided (used) by operating activities	<u>(17,654)</u>	<u>(36,029)</u>
Cash flows from investing activities:		
Cash paid for equipment	<u>-</u>	<u>(3,016)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(3,016)</u>
Cash flows from financing activities:		
Cash received from loans	39,111	47,700
Cash paid to loans	<u>-</u>	<u>(8,895)</u>
Net cash provided (used) by financing activities	<u>39,111</u>	<u>38,805</u>
Net increase (decrease) in cash & cash equivalents	21,457	(240)
Cash & cash equivalents at beginning of year	<u>13,806</u>	<u>14,046</u>
Cash & cash equivalents at end of year	<u>\$ 35,263</u>	<u>\$ 13,806</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 23,227	\$ (83,348)
Adjustments:		
Depreciation and amortization	679	463
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	19	(2,866)
(Increase) decrease in inventory	-	(2,118)
(Increase) decrease in prepaid expense	(479)	(378)
Increase (decrease) in accounts payable	(42,652)	49,990
Increase (decrease) in payroll and related expense	<u>1,552</u>	<u>2,228</u>
Net cash provided (used) by operating activities	<u>\$ (17,654)</u>	<u>\$ (36,029)</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, 2017 and 2016

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.

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Notes to Financial Statements

December 31, 2017 and 2016

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 2017 and 2016, there were bad debts of \$0. As of December 31, 2017, 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, 2017.

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Notes to Financial Statements

December 31, 2017 and 2016

C. ACCUMULATED DEPRECIATION:

Depreciation is provided as follows for 2017 and 2016:

	<u>Method</u>	<u>Life</u>	<u>2017</u> <u>Depreciation</u>	<u>2016</u> <u>Depreciation</u>
Equipment	Straight Line	3-5 years	\$ 679	\$ 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 2017 and 2016, Inn Properties forgave \$35,750 and \$15,000, respectively, in rent payments. This forgiveness has been recognized as inkind revenue and expense in the financial statements. The Organization recognized \$82,675 and \$60,000 as rent expense on this lease for 2017 and 2016, 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 \$60,206 and \$41,588 in reimbursed costs during 2017 and 2016, 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:

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Notes to Financial Statements

December 31, 2017 and 2016

D. LEASES AND INKIND REVENUE (CONT.):

2018	120,000
2019	120,000
2020	120,000
2021	120,000
2022	120,000
Total:	<u>\$ 600,000</u>

E. SUBSEQUENT EVENTS:

No events have occurred through March 26, 2018, 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, 2017.

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, 2017, 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 rent and reimbursed costs and received inkind donations under a lease arrangement with Inn Properties.

The Organization received \$231,142 and \$80,000 in contributions from board members and affiliated individuals during 2017 and 2016, respectively, which represented approximately 85% and 87% of total contributions received.

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Notes to Financial Statements

December 31, 2017 and 2016

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

Board members and affiliated organizations have also provided, as of December 31, 2017 and 2016, \$138,981 and 99,871 in unsecured loans to The Organization.

Notes payable from related parties was the following at December 31, 2017:

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

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

Accrued interest payable: 5,378

Total Due to Christopher Eagan \$ 60,378

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 on demand. Interest due on January 1 of each year. 20,000

Accrued interest payable: 4,454

Total Due to Vincent Verneuil \$ 44,454

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 15,000

Accrued interest payable: 189

Total Due to Wescom Capital \$ 34,149

Total Related Party Notes Payable \$ 138,981

Bayside Housing & Services
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Notes to Financial Statements

December 31, 2017 and 2016

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

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

2018	10,021
2019	-
2020	33,960
2021	40,000
2022	-
Thereafter	55,000
Total:	<u>\$ 138,981</u>