

**Spokane Valley Partners  
(A Nonprofit Organization)**

**Financial Statements and  
Independent Auditors' Report**

**December 31, 2019 and 2018**



# Spokane Valley Partners

December 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Spokane Valley Partners  
(A Nonprofit Organization)  
Spokane, Washington

We have audited the accompanying financial statements of Spokane Valley Partners (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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 Spokane Valley Partners as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses, 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 blue ink, appearing to read "Arasaci: [unclear] [unclear], PLLC".

Spokane, Washington  
June 22, 2020

# Spokane Valley Partners

## Statements of Financial Position

December 31, 2019 and 2018

Assets	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 77,688	\$ 94,624
Receivables:		
Grants	2,325	2,667
Other	615	862
Inventories	104,603	92,900
Prepaid expenses	6,702	7,037
Restricted cash, emergency assistance	61,947	42,993
Restricted cash, protective payee	117,646	126,266
Total current assets	<u>371,526</u>	<u>367,349</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Buildings and improvements	3,045,003	3,036,292
Vehicles	11,000	11,000
Furniture and equipment	50,474	57,961
	<u>3,106,477</u>	<u>3,105,253</u>
Less accumulated depreciation	<u>(1,194,141)</u>	<u>(1,122,044)</u>
	1,912,336	1,983,209
Land	23,800	23,800
Net property and equipment	<u>1,936,136</u>	<u>2,007,009</u>
<b>OTHER ASSETS:</b>		
Beneficial interest in Innovia Foundation	31,300	27,547
	<u>31,300</u>	<u>27,547</u>
	<u>\$ 2,338,962</u>	<u>\$ 2,401,905</u>

See accompanying notes to financial statements.

## Statements of Financial Position

December 31, 2019 and 2018

Liabilities and Net Assets	2019	2018
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 19,567	\$ 19,563
Accrued payroll	21,299	11,867
Protective payee deposits	117,646	126,266
Current maturities of capital lease obligation	867	725
Total current liabilities	159,379	158,421
<b>LONG-TERM LIABILITIES, less current maturities</b>		
Capital lease obligation	2,390	3,257
Total liabilities	<u>161,769</u>	<u>161,678</u>
<b>NET ASSETS:</b>		
Without donor restrictions	2,113,333	2,193,920
With donor restrictions	63,860	46,307
Total net assets	<u>2,177,193</u>	<u>2,240,227</u>
	<u>\$ 2,338,962</u>	<u>\$ 2,401,905</u>

**Spokane Valley Partners**  
**Statement of Activities and Changes in Net Assets**  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS</b>			
<b>REVENUES AND GAINS:</b>			
General support	\$ 219,937	\$ 17,586	\$ 237,523
Fundraising	92,638	-	92,638
Grants	64,000	93,721	157,721
In-kind donations	3,145,330	-	3,145,330
Protective payee fees	60,943	3,520	64,463
Interest income	299	-	299
Change in beneficial interest Innovia Foundation	3,753	-	3,753
Rental income	33,324	-	33,324
Other revenues	1,659	-	1,659
	<u>3,621,883</u>	<u>114,827</u>	<u>3,736,710</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>97,274</u>	<u>(97,274)</u>	<u>-</u>
Total revenues and gains	<u>3,719,157</u>	<u>17,553</u>	<u>3,736,710</u>
<b>EXPENSES:</b>			
Program services	3,589,678	-	3,589,678
Management and general	124,433	-	124,433
Fundraising and development	85,633	-	85,633
	<u>3,799,744</u>	<u>-</u>	<u>3,799,744</u>
<b>CHANGES IN NET ASSETS WITH AND WITHOUT DONOR RESTRICTION</b>	(80,587)	17,553	(63,034)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,193,920</u>	<u>46,307</u>	<u>2,240,227</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,113,333</u>	<u>\$ 63,860</u>	<u>\$ 2,177,193</u>

See accompanying notes to financial statements.

**Spokane Valley Partners**  
**Statement of Activities and Changes in Net Assets**  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>CHANGES IN NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS</b>			
<b>REVENUES AND GAINS:</b>			
General support	\$ 156,763	\$ 288,275	\$ 445,038
Fundraising	79,750	20,037	99,787
Grants	23,813	115,582	139,395
In-kind donations	2,580,611	12,916	2,593,527
Protective payee fees	60,969	3,465	64,434
Interest income	1,034	-	1,034
Change in beneficial interest Innovia Foundation	(3,632)	-	(3,632)
Rental income	31,542	-	31,542
Other revenues	124	-	124
	<u>2,930,974</u>	<u>440,275</u>	<u>3,371,249</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
	<u>416,182</u>	<u>(416,182)</u>	<u>-</u>
Total revenues and gains	<u>3,347,156</u>	<u>24,093</u>	<u>3,371,249</u>
<b>EXPENSES:</b>			
Program services	3,020,212	-	3,020,212
Management and general	131,303	-	131,303
Fundraising and development	100,770	-	100,770
	<u>3,252,285</u>	<u>-</u>	<u>3,252,285</u>
<b>CHANGES IN NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS</b>			
	94,871	24,093	118,964
<b>NET ASSETS, BEGINNING OF YEAR</b>			
	<u>2,099,049</u>	<u>22,214</u>	<u>2,121,263</u>
<b>NET ASSETS, END OF YEAR</b>			
	<u>\$ 2,193,920</u>	<u>\$ 46,307</u>	<u>\$ 2,240,227</u>

See accompanying notes to financial statements.



**Spokane Valley Partners**  
**Statement of Functional Expenses**  
Year Ended December 31, 2019

	Program Services	Management and General	Fundraising and Development	Total
Food	\$ 2,942,754	\$ -	\$ -	\$ 2,942,754
Salaries	205,098	78,133	42,322	325,553
Clothing	184,327	-	-	184,327
Depreciation and amortization	74,255	4,125	4,125	82,505
Payroll taxes and employee benefits	32,961	12,557	6,801	52,319
Emergency assistance	35,307	-	-	35,307
Diaper Bank	29,796	-	-	29,796
Repairs and maintenance	19,823	3,482	3,482	26,787
Utilities and telephone	19,478	3,075	3,075	25,628
Fundraising events	-	-	22,312	22,312
Other supplies	13,775	-	-	13,775
Insurance	9,960	2,490	-	12,450
Other	8,653	2,769	115	11,537
Janitorial	6,606	1,554	1,554	9,714
Professional fees	-	9,332	-	9,332
Dues and subscriptions	3,852	4,098	245	8,195
Postage	1,775	568	23	2,366
Networking and publicity	-	1,128	1,127	2,255
Security	847	147	136	1,130
Interest	-	659	-	659
Property taxes	411	96	96	603
Printing	-	220	220	440
	<u>\$ 3,589,678</u>	<u>\$ 124,433</u>	<u>\$ 85,633</u>	<u>\$ 3,799,744</u>

See accompanying notes to financial statements.

**Spokane Valley Partners**  
**Statement of Functional Expenses**  
Year Ended December 31, 2018

	Program Services	Management and General	Fundraising and Development	Total
Food	\$ 2,402,906	\$ -	\$ -	\$ 2,402,906
Salaries	196,087	74,700	40,463	311,250
Clothing	161,563	-	-	161,563
Depreciation and amortization	73,368	4,076	4,076	81,520
Payroll taxes and employee benefits	28,629	10,906	5,908	45,443
Fundraising events	-	-	36,719	36,719
Diaper Bank	36,671	-	-	36,671
Emergency assistance	33,123	-	-	33,123
Repairs and maintenance	21,708	3,814	3,814	29,336
Utilities and telephone	22,149	3,497	3,497	29,143
Other supplies	12,805	-	-	12,805
Insurance	9,960	2,490	-	12,450
Professional fees	-	11,359	-	11,359
Janitorial	7,607	1,790	1,790	11,187
Other	8,277	2,648	110	11,035
Interest	-	8,300	-	8,300
Networking and publicity	-	3,968	3,968	7,936
Dues and subscriptions	2,940	3,128	188	6,256
Postage	1,242	397	17	1,656
Security	750	130	120	1,000
Property taxes	427	100	100	627
	<u>\$ 3,020,212</u>	<u>\$ 131,303</u>	<u>\$ 100,770</u>	<u>\$ 3,252,285</u>

See accompanying notes to financial statements.

# Spokane Valley Partners

## Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (63,034)	\$ 118,964
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	82,505	81,520
Unrealized and realized (gain) loss on investments	(3,871)	4,249
Loss on disposal of asset	-	980
Donated investments	(10,321)	(10,008)
Donated property	(5,990)	(2,339)
(Increase) decrease in operating assets:		
Cash restricted for emergency assistance	(18,954)	(40,896)
Inventories	(11,703)	(26,875)
Grants receivable	342	(200)
Other receivables	247	(862)
Prepaid expenses	335	(107)
Increase (decrease) in operating liabilities:		
Accounts payable	4	18,134
Accrued payroll	9,432	1,081
Accrued interest	-	(734)
Net cash provided by (used in) operating activities	<u>(21,008)</u>	<u>142,907</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(5,642)	(5,217)
Proceeds from the sale of investments	10,439	18,809
Net cash provided by investing activities	<u>4,797</u>	<u>13,592</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Extinguishment of long-term debt	-	(197,903)
Principal payments on capital lease	(725)	(518)
Principal payments on long-term debt	-	(6,767)
Net cash used in financing activities	<u>(725)</u>	<u>(205,188)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(16,936)	(48,689)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>94,624</u>	<u>143,313</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 77,688</u>	<u>\$ 94,624</u>

See accompanying notes to financial statements.

**Statements of Cash Flows**  
Years Ended December 31, 2019 and 2018

	<b>2019</b>	<b>2018</b>
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**Supplemental Disclosure of Cash Flow Information**

Cash paid during the year for interest	\$ 659	\$ 8,300
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**Supplemental Disclosure of Noncash Activity:**

In-kind contributions of food, clothing, and diapers	\$ 3,145,330	\$ 2,593,527
Proceeds from donation to payoff STCU loan	-	197,903
Donated investments	10,321	10,008
Donated property	5,990	2,339
Capital lease obligation	3,257	3,982

# **Spokane Valley Partners (A Nonprofit Organization)**

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## **Notes to Financial Statements**



# Spokane Valley Partners

## Notes to Financial Statements

### Note 1 – Organization and Nature of Activities

Spokane Valley Partners (the Organization) is a nonprofit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's mission is to prevent hunger and poverty alongside great community partners. To address this mission, the Organization operates a comprehensive array of social and emergency services including a food bank, clothing bank, emergency assistance programs, life skills cooking/nutrition classes, and seasonal programs. In October 2017, the Organization maintained a diaper bank program in order to continue the diaper distribution services originally started by (the now dissolved 501(c)(3)) NW Baby. Distribution of diapers to partner organizations began in February 2018.

The Organization is primarily supported by donations, fundraising events, grants, and building rents.

### Note 2 – Summary of Significant Accounting Policies

- a. **Basis of accounting** – The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.
- b. **Basis of presentation** – Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:
  - **Without donor restriction** amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and investments.
  - **With donor restriction** amounts are those whose use has been limited by donors to a specified time period or purpose. Net assets with donor restrictions during the years ended December 31, 2019 and 2018, are \$63,860 and \$46,307, respectively.
- c. **Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates include, among others, the fair value of in-kind clothing, food, and diaper donations. Actual results could differ from those estimates.

# Spokane Valley Partners

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (Continued)

- d. **Donor-restricted gifts** – Donor-restricted gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.
- e. **Cash and cash equivalents** – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.
- f. **Promises to give** – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions.
- g. **Investments** – The Organization accounts for investments in accordance with the provisions of ASC 958-320, *Not-for-Profit Entities – Investments*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets.

The Organization is the designated beneficiary of an endowment fund held at the Innovia Foundation (Innovia). The donors of the endowment fund granted variance power to Innovia. Variance power gives Innovia complete control and ownership of the asset. The Organization has also chosen to invest its own dollars in the endowment fund, which are Innovia Agency funds. In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, only the portion of the endowment in which Innovia has variance power is included as an asset in the Innovia statements of financial position and the portion of the endowment in which it acts as agent is included in the Organization's statements of financial position. 100% of the earnings on the endowment fund held at Innovia are paid to the Organization in accordance with Innovia policy. The endowment agency funds included in the Organization's statements of financial position are \$31,300 and \$27,547 for the years ended December 31, 2019 and 2018, respectively.

- h. **Property and equipment** – Property and equipment purchased are carried at cost, net of accumulated depreciation. Donated property and equipment are carried at estimated fair value at date of donation, net of accumulated depreciation. Equipment acquisitions of \$500 or less are charged to expense. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years. Depreciation expense pertaining to property used in operations for the years ended December 31, 2019 and 2018, totaled \$82,505 and \$81,520, respectively.

# Spokane Valley Partners

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (Continued)

- i. **Valuation of long-lived assets** – Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. No impairments were recognized during the years ended December 31, 2019 and 2018.
- j. **In-kind donations** – The Organization receives in-kind donations that consist primarily of donated food, clothing, and diapers. These items are provided to the Organization’s food, clothing, and diaper banks and are used to support these programs. Gifts in-kind revenue is recognized in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with ASC 958-605. Accordingly, the recognition of gifts in-kind revenue is limited to circumstances in which the Organization takes constructive possession of the gifts in-kind and the Organization is the recipient of the gift, rather than an agent or intermediary. Gifts in-kind received through donations are valued and recorded as revenue at their fair value. For the years ended 2019 and 2018, donated food was valued and recorded at \$1.70 per pound received, and donated diapers were valued and recorded at \$0.30 each. For the years ended 2019 and 2018, donated clothing was valued and recorded at \$2.00 and \$1.00 per pound received, respectively.

In circumstances in which the Organization functions as an agent or intermediary with respect to the gifts in-kind, the Organization reports an asset and corresponding liability measured at the fair value at the earlier of the time the goods are promised or received from the resource provider, and until the Organization remits the gifts in-kind to the ultimate beneficiary.

In circumstances in which the Organization distributes gifts in-kind as part of its own programs, it reports an expense, which is reported in the functional classification for the program in which the gifts in-kind were used. While it is the Organization’s policy to distribute gifts in-kind as promptly as possible, the Organization may hold some gifts in-kind at year end. Undistributed gifts in-kind at year end are reported as inventory, which is valued at the lower of cost or net realizable value. Cost is determined as fair value at the date of gift plus any costs incurred.

- k. **Income taxes** – The Organization is a not-for-profit that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. The Organization files Form 990, *Return of Organization Exempt from Income Tax*.
- l. **Inventory** – Inventory consists of donated and purchased food, clothing, and diapers. Purchased food and diapers are stated at cost, and donated food, clothing, and diapers are stated at lower of cost or net realizable value. At December 31, 2019 and 2018, the Organization had \$104,603 and \$92,900 of gifts in-kind inventory.



# Spokane Valley Partners

## Notes to Financial Statements

### Note 2 – Summary of Significant Accounting Policies (Continued)

- m. **Protective payee deposits** – The Organization operates as a fiscal agent to collect Social Security funds, Social Security Disability Insurance funds, and the Department of Social and Health Services funds on behalf of specified individuals identified as needing a protective payee. The Organization remits payments for those individuals for specific expenses, such as rent, utilities, medicine, and other. The Organization is required to maintain a separate bank account for these transactions. At December 31, 2019 and 2018, the protective payee deposit balance was \$117,646 and \$126,266, respectively.
- n. **Emergency assistance** – The Organization has developed working relationships with several local utility companies in order to provide resources to individuals and families needing assistance in meeting household utility expenses. Avista, Modern Electric Water Company, and Vera Water and Power provide funding to the Organization in the form of specific use grants. These grants are treated as with donor restrictions at the time the funds are received and released from donor restrictions at the time of expenditure. The Organization has elected to maintain a separate bank account for these transactions. At December 31, 2019 and 2018, the emergency assistance balance was \$61,947 and \$42,993, respectively.
- o. **Recently issued accounting standards** – In February 2016, the FASB issued *Accounting Standards Update (ASU) 2016-02, Leases (Topic 842)*. This standard will require all leases with durations greater than 12 months to be recognized on the balance sheet and is effective for annual reporting periods beginning after December 15, 2021, although early adoption is permitted. The Organization is currently evaluating how the adoption will impact the Organization’s financial statements.
- p. **Reclassifications** – Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform with the 2019 presentation with no effect on previously reported changes in net assets.
- q. **Subsequent events** – Subsequent events have been evaluated through June 22, 2020, which is the date the financial statements were available to be issued.

### Note 3 – Fair Value Measurements

The Organization follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for the financial assets and liabilities which were measured at fair value on a recurring basis. The standard establishes a framework for measuring fair value in the form of fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy per the standard are as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

# Spokane Valley Partners

## Notes to Financial Statements

### Note 3 – Fair Value Measurements (Continued)

*Level 2* – Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Unobservable inputs due to the fact that there is little or no market activity. This entails using assumptions in models of the fair value hierarchy.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2019.

*Level 1* – The Organization had no investments that are classified as Level 1 for the years ended December 31, 2019 and 2018.

*Level 2* – The Organization had no investments that are classified as Level 2 for the years ended December 31, 2019 and 2018.

*Level 3* – The fair value of the Organization's beneficial interest in the Innovia Foundation is valued as reported by the organization holding the endowment fund. The pooled assets consist of a variety of mutual funds, real estate, alternative investments, fixed income, and real return strategies.

The beneficial interest in Innovia is classified as a Level 3 investment within the fair value hierarchy. Significant assumptions used in determining the fair value of this investment are credit rates, ability to pay, and other factors.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Spokane Valley Partners

## Notes to Financial Statements

### Note 3 – Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in Innovia Foundation	-	-	31,300	31,300
Total investments, at fair value	\$ -	\$ -	\$ 31,300	\$ 31,300

  

	Investments at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in Innovia Foundation	-	-	27,547	27,547
Total investments, at fair value	\$ -	\$ -	\$ 27,547	\$ 27,547

The following table provides a reconciliation of the beginning and ending balances of the financial assets measured at fair value using significant unobservable inputs (Level 3):

	Beneficial Interest in Innovia Foundation
Balance, December 31, 2018	\$ 27,547
Realized and unrealized gain, net of expenses	3,753
Balance, December 31, 2019	\$ 31,300

### Note 4 – Inventories

Following is a summary of inventories:

	Years Ended December 31,	
	2019	2018
Food bank	\$ 83,618	\$ 69,083
Clothing bank	15,466	13,917
Diapers	5,519	9,900
	\$ 104,603	\$ 92,900

# Spokane Valley Partners

## Notes to Financial Statements

### Note 5 – Grants

Grants consisted of the following:

	Years Ended December 31,	
	2019	2018
Emergency Assistance		
Avista	\$ 27,000	\$ 54,000
Modern Electric	10,000	-
Seniors in Need	10,000	-
Vera	2,954	2,622
Other		
City of Spokane Valley	35,000	17,623
Modern Electric	25,000	-
Community Development Block Grant	18,767	16,150
Women Helping Women	10,000	10,000
Multi Care	10,000	-
Avista	5,000	-
Banner Bank	2,500	-
Windermere	1,500	3,000
Greater SV Rotary	-	16,000
Greenstone	-	5,000
Horizons Foundation	-	5,000
TransCanada Pipeline	-	5,000
Innovia	-	3,500
Other	-	1,500
	<u>\$ 157,721</u>	<u>\$ 139,395</u>

### Note 6 – In-kind Donations

In-kind donations consisted of the following:

	Years Ended December 31,	
	2019	2018
Food	\$ 2,936,502	\$ 2,396,520
Clothing	185,596	168,822
Diapers	9,889	25,156
Other	13,343	3,029
	<u>\$ 3,145,330</u>	<u>\$ 2,593,527</u>

# Spokane Valley Partners

## Notes to Financial Statements

### Note 7 – Leases

#### Leases as Lessor

The Organization owns commercial real estate and has several lease agreements with the current tenants. The Organization has leases that are operating on a month-to-month basis, as well as long-term leases.

Future minimum lease income from long-term leases is \$14,786 for the year ending December 31, 2019.

Gross receipts from rental income totaled \$33,324 and \$31,542 for the years ended December 31, 2019 and 2018, respectively.

#### Capital Lease

Capital leases consisted of the following:

	December 31,	
	2019	2018
Canon copier lease payable, payments of \$115, due monthly, including interest at 17.99%, maturing January 2023	\$ 3,257	\$ 3,982
Less current portion of capital lease	(867)	(725)
	<u>\$ 2,390</u>	<u>\$ 3,257</u>

The future payments due under the finance lease are as follows:

Years ending December 31,	
2020	\$ 1,384
2021	1,384
2022	1,384
2023	125
	<u>4,277</u>
Less interest portion	(1,020)
Amount representing principal	<u>\$ 3,257</u>

### Note 8 – Risks and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents balances occasionally exceed Federal Deposit Insurance Corporation insured limits.

# Spokane Valley Partners

## Notes to Financial Statements

### Note 9 – Functional Expenses

During the year ended December 31, 2018, the Organization adopted FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*. As a result the Organization has identified methods used to allocate functional expenses during the years ended December 31, 2019 and 2018.

Certain expenses are reported according to natural classification; however, other expenses may be attributable to program services, management and general, and fundraising and development functions and are allocated on a reasonable and consistently applied basis. Salaries and wages and payroll tax expense were allocated using estimated time spent; depreciation, repairs and maintenance, office and administrative, and telephone and utilities were allocated using square footage; and remaining expenses were allocated using estimated costs expended.

### Note 10 – Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not immediately available for expenditure. These amounts include cash restricted in purpose, beneficial interest in investments, property and equipment net of depreciation, and finance lease right-of-use asset at fair value.

	December 31,	
	2019	2018
Financial assets at year end	\$ 2,338,962	\$ 2,401,905
Less those unavailable for general expenditure within one year due to designation or liquidity:		
Restricted cash	179,593	169,259
Beneficial interest in Innovia foundation	31,300	27,547
Net property and equipment	1,936,136	2,007,009
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 191,933</u>	<u>\$ 198,090</u>

# Spokane Valley Partners

## Notes to Financial Statements

### Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2019	2018
Emergency Assistance	\$ 60,366	\$ 41,213
Community Development Block Grant	2,325	3,900
Catholic Charities - Community Garden	1,169	1,194
	<u>\$ 63,860</u>	<u>\$ 46,307</u>

### Note 12 – Risks and Uncertainties

The Organization has ownership of various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit, political, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities and changes in net assets.

### Note 13 – Subsequent Event

The recent outbreak of the coronavirus has disrupted operations of the Organization, and neither the duration nor scope of the disruption can be predicted. While this matter is expected to negatively impact the Organization's operating results, the related financial impact cannot be reasonably estimated at this time. Additionally, the Organization is assessing how, if at all, the programs and initiatives in the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, passed by the United States Congress, will benefit it.