

WILLIAM TEMPLE HOUSE

Audited Financial Statements

For the Year Ended September 30, 2021



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
William Temple House

We have audited the accompanying financial statements of William Temple House (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, 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 organization'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 organization'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 William Temple House as of September 30, 2021, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited William Temple House's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
January 25, 2022

WILLIAM TEMPLE HOUSE
STATEMENT OF FINANCIAL POSITION
September 30, 2021
(With comparative totals for 2020)

| | 2021 | 2020 |
|--|------------------|------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 561,339 | \$ 528,327 |
| Prepaid expenses and other assets | 71,545 | 67,584 |
| Inventory | 42,115 | 46,740 |
| Investments | 3,244,443 | 3,042,759 |
| Property and equipment, net | 464,058 | 487,510 |
| TOTAL ASSETS | \$ 4,383,500 | \$ 4,172,920 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 31,821 | \$ 28,930 |
| Accrued personnel expenses | 85,366 | 182,905 |
| Deferred gain on sale lease-back of property | 982,146 | 1,125,003 |
| Total liabilities | 1,099,333 | 1,336,838 |
| Net assets: | | |
| Without donor restrictions: | | |
| Undesignated | 513,892 | 241,717 |
| Board designated | 2,034,004 | 1,724,180 |
| Net property and equipment | 464,058 | 487,510 |
| Total without donor restrictions | 3,011,954 | 2,453,407 |
| With donor restrictions: | | |
| Expiring restrictions | 88,435 | 198,897 |
| Perpetual restrictions | 183,778 | 183,778 |
| Total with donor restrictions | 272,213 | 382,675 |
| Total net assets | 3,284,167 | 2,836,082 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,383,500 | \$ 4,172,920 |

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2021
(With comparative totals for 2020)

| | 2021 | | | 2020 Total |
|--|-------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Support and revenue: | | | | |
| Thrift store sales | \$ 925,777 | \$ - | \$ 925,777 | \$ 660,849 |
| In-kind donation of goods | 894,112 | - | 894,112 | 637,562 |
| Less inventory sold | <u>(925,933)</u> | <u>-</u> | <u>(925,933)</u> | <u>(660,560)</u> |
| Net sales of donated merchandise | 893,956 | - | 893,956 | 637,851 |
| Contributions | 514,455 | 139,031 | 653,486 | 647,657 |
| Program service revenue | 24,957 | - | 24,957 | 22,922 |
| Donated materials and services | 1,412,054 | - | 1,412,054 | 1,335,230 |
| Special event revenue, net of direct benefit costs of \$27,446 for 2021 and \$38,501 for 2020 | 243,601 | (69,354) | 174,247 | 309,476 |
| Government grant | - | - | - | 235,508 |
| Other income | 6,134 | - | 6,134 | 8,040 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restrictions | 214,956 | (214,956) | - | - |
| Appropriation of endowment earnings | <u>10,514</u> | <u>(10,514)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>3,320,627</u> | <u>(155,793)</u> | <u>3,164,834</u> | <u>3,196,684</u> |
| Expenses: | | | | |
| Program services | 2,882,238 | - | 2,882,238 | 2,724,305 |
| Administration | 404,016 | - | 404,016 | 423,687 |
| Fundraising | 254,168 | - | 254,168 | 270,015 |
| Total expenses | <u>3,540,422</u> | <u>-</u> | <u>3,540,422</u> | <u>3,418,007</u> |
| Change in net assets before non-operating activities | <u>(219,795)</u> | <u>(155,793)</u> | <u>(375,588)</u> | <u>(221,323)</u> |
| Non-operating activities: | | | | |
| Investment income, net | 635,485 | 45,331 | 680,816 | 150,939 |
| Amortization of deferred sale lease-back gain | 142,857 | - | 142,857 | 142,402 |
| Total non-operating activities | <u>778,342</u> | <u>45,331</u> | <u>823,673</u> | <u>293,341</u> |
| Change in net assets | 558,547 | (110,462) | 448,085 | 72,018 |
| Net assets: | | | | |
| Beginning of year | <u>2,453,407</u> | <u>382,675</u> | <u>2,836,082</u> | <u>2,764,064</u> |
| End of year | <u>\$ 3,011,954</u> | <u>\$ 272,213</u> | <u>\$ 3,284,167</u> | <u>\$ 2,836,082</u> |

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2021
(With comparative totals for 2020)

| | Program Services | | | | Supporting Services | | 2021 Total | 2020 Total |
|---|---------------------|-------------------|-------------------|------------------------------|---------------------|-------------------|---------------------|---------------------|
| | Social Services | Counseling | Thrift Store | Total Program Services | Admin- istration | Fundraising | | |
| Salaries and payroll taxes | \$ 223,922 | \$ 209,905 | \$ 476,384 | \$ 910,211 | \$ 223,351 | \$ 163,998 | \$ 1,297,560 | \$ 1,237,104 |
| Employee benefits | 18,340 | 16,715 | 60,782 | 95,837 | 41,712 | 17,210 | 154,759 | 152,383 |
| Professional fees | 24,472 | 449,492 | 24,180 | 498,144 | 80,978 | 21,642 | 600,764 | 656,203 |
| Direct assistance | 1,036,888 | - | 5,037 | 1,041,925 | - | - | 1,041,925 | 956,588 |
| Thrift store cost of sales | - | - | 925,933 | 925,933 | - | - | 925,933 | 660,560 |
| Rent | 58,291 | 48,092 | - | 106,383 | 14,829 | 12,727 | 133,939 | 133,453 |
| Telephone | 3,598 | 13,953 | 2,282 | 19,833 | 2,583 | 696 | 23,112 | 23,519 |
| Utilities | 9,170 | 9,204 | 38,478 | 56,852 | 7,237 | 4,093 | 68,182 | 55,232 |
| Repairs and maintenance | 8,947 | 7,263 | 20,087 | 36,297 | 5,719 | 3,447 | 45,463 | 38,608 |
| Equipment rental | 743 | 827 | 550 | 2,120 | 1,078 | 547 | 3,745 | 3,917 |
| Insurance | 4,440 | 4,790 | 8,291 | 17,521 | 6,176 | 3,397 | 27,094 | 26,450 |
| Security | 2,593 | 3,334 | 2,977 | 8,904 | 1,311 | 755 | 10,970 | 7,175 |
| Supplies | 4,614 | 5,889 | 7,643 | 18,146 | 4,757 | 8,023 | 30,926 | 35,554 |
| Printing, postage and publications | 239 | 109 | 967 | 1,315 | 398 | 882 | 2,595 | 8,615 |
| Travel, entertainment and training | 18,237 | 1,796 | 2,677 | 22,710 | 2,876 | 31,062 | 56,648 | 61,820 |
| Financial fees | - | 690 | 21,175 | 21,865 | 362 | 7,348 | 29,575 | 21,470 |
| Depreciation | 5,814 | 6,155 | 10,523 | 22,492 | 8,088 | 4,938 | 35,518 | 33,902 |
| Miscellaneous | 630 | 691 | 362 | 1,683 | 2,561 | 849 | 5,093 | 4,515 |
| | <u>1,420,938</u> | <u>778,905</u> | <u>1,608,328</u> | <u>3,808,171</u> | <u>404,016</u> | <u>281,614</u> | <u>4,493,801</u> | <u>4,117,068</u> |
| Less costs of goods sold netted with revenue | - | - | (925,933) | (925,933) | - | - | (925,933) | (660,560) |
| Less direct benefit costs netted with revenue | - | - | - | - | - | (27,446) | (27,446) | (38,501) |
| Total expenses reported in the statement of activities | <u>\$ 1,420,938</u> | <u>\$ 778,905</u> | <u>\$ 682,395</u> | <u>\$ 2,882,238</u> | <u>\$ 404,016</u> | <u>\$ 254,168</u> | <u>\$ 3,540,422</u> | <u>\$ 3,418,007</u> |

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF CASH FLOWS
For the year ended September 30, 2021
(With comparative totals for 2020)

| | 2021 | 2020 |
|---|-------------|-------------|
| Cash flows from operating activities: | | |
| Cash receipts: | | |
| Thrift store sales | \$ 925,777 | \$ 660,849 |
| Contributions and events | 855,179 | 1,161,758 |
| Program service, investment, and other revenue | 101,527 | 119,835 |
| Cash disbursements: | | |
| Payroll and related expenses | (1,549,858) | (1,288,523) |
| Other operating expenses | (696,243) | (728,028) |
| Net cash flows from operating activities | (363,618) | (74,109) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (12,066) | (22,491) |
| Proceeds from the sale of investments | 479,031 | 148,731 |
| Purchase of investments | (70,335) | (84,785) |
| Net cash flows from investing activities | 396,630 | 41,455 |
| Net change in cash and cash equivalents | 33,012 | (32,654) |
| Cash and cash equivalents - beginning of year | 528,327 | 560,981 |
| Cash and cash equivalents - end of year | \$ 561,339 | \$ 528,327 |

See notes to financial statements.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

1. NATURE OF ACTIVITIES

Established in 1965, William Temple House is a nonprofit community-based organization in Northwest Portland serving support a diverse population, including older adults, immigrants, families with children, people with disabilities, and people experiencing housing insecurity.. Its mission is to provide food, counseling, clothing, and household items to Portland-area neighbors to strengthen our community. William Temple House envisions a future where everyone is fully nourished—emotionally, physically, and spiritually. In addition, they operate the William Temple House Thrift Store that helps support their services.

The Organization's programs are as follows:

Social Services

- Health Food Pantry
 - Shopping style pantry open three days a week to anyone seeking support
 - Offers free groceries, including fresh produce, proteins, dairy, bread, staple ingredients, hygiene products, clothing, and more
 - Partner Agency of Oregon Food Bank
 - Helps people boost their food security and meet their basic needs
 - Serves 300+ people every week
- Navigation/Referrals
 - Assistance for connecting to resources beyond William Temple House (clothing, rent/utility assistance, emergency shelter, SNAP, legal aid, etc)
 - Offers personalized one-on-one support guided by client's unique situation

Counseling

- Teletherapy and on-site sessions available with masters-level counseling interns and licensed clinicians
- Pay-what-you-can fees averaging \$4 paid per session - no insurance required
- Offers client-led care to individuals, people in relationships, and families of all kinds (usually weekly for 20-50 sessions)
- Common concerns addressed include anxiety, grief, substance use recovery, life transitions, relationship tensions, and more
- Helps people who face barriers to mental health support due to high cost and insurance coverage
- Serves 100+ people every week

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

1. NATURE OF ACTIVITIES, Continued

Thrift Store

- Offers low-cost, gently used clothing, furniture, and household items for purchase
- 100% of proceeds from sales support our community services (1/4 of our funding)
- Open 7 days a week
- Accepts donations of gently used items - pick up service available
- Promotes sustainable reuse and reduces landfill waste

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash and short-term investments held in endowment accounts are reported as investments.

Inventory

Inventory consisting of donated clothing and household and other items is stated at the lower of average rolling price of items sold or net realizable value.

Investments

Investments are carried at fair value. Investment income earned on endowment investments is reported as an increase in net assets with donor restrictions until appropriated for expenditure.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Revenue Recognition

Revenues from various sources are recognized as follows:

Thrift Store Sales: Thrift store sales are recorded at point of sale, net of discounts given.

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Program Service Revenue: Program revenue represents fees paid for counseling and other services and are recognized when services are provided at the actual amount received.

Donated Materials and Services: Donations of equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donation to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Donated materials and services for the years ended September 30, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Thrift store donations | \$ 894,112 | \$ 637,562 |
| Donated materials and services: | | |
| Food and supplies, included in program services | 1,011,178 | 886,370 |
| Professional counseling and dental services, included in program services | 368,350 | 431,823 |
| Accounting, legal and professional services, included in administration | 31,800 | 12,192 |
| Development donated goods and services | <u>726</u> | <u>4,845</u> |
| Total donated materials and services | <u>1,412,054</u> | <u>1,335,230</u> |
| Total donated assets and services | <u>\$ 2,306,166</u> | <u>\$ 1,972,792</u> |

In addition, the Organization receives contributed services from a large number of unpaid volunteers who assist with a range of program, fundraising, and administrative activities. During the years ended September 30, 2021 and 2020, the volunteers donated approximately 8,000 and 7,200 hours of their time, respectively. These contributions have not been recognized in the accompanying financial statements since they do not meet the criteria described above.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Government Grant: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue. The Organization received a PPP loan of \$235,508 during the year ended September 30, 2020 and satisfied the qualified expense conditions. The loan was forgiven by the SBA in 2021.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include:

- Estimates of time and effort - salaries and payroll taxes, employee benefits, professional fees, supplies, insurance, and miscellaneous
- Square footage – rent, utilities, repairs and maintenance, and depreciation

Income Tax Status

William Temple House is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

The Organization implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2021. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. See Note 15.

Subsequent Events

The Organization has evaluated all subsequent events through January 25, 2022, the date the financial statements were available to be issued.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2020

The financial information as of September 30, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Future Accounting Standards

Effective for financial statements for the year ending September 20, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The primary change in US GAAP addressed by ASU 2020-07 is the requirement for contributed nonfinancial assets to be presented on their own line within the statement of activities and additional disclosures to be added to the notes to the financial statements. These disclosures include a disaggregation of the amount of contributed nonfinancial assets by type and qualitative information about any donor-imposed restrictions on, any uses of, and the valuation techniques utilized when determining the fair value of contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Entities must apply a retrospective transition approach for the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2020-07 will have on its financial statements and related disclosure.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at September 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 561,339 | \$ 528,327 |
| Investments | <u>3,244,443</u> | <u>3,042,759</u> |
| | 3,805,782 | 3,571,086 |
| Less amounts unavailable for general expenditure: | | |
| Net assets with donor restrictions | 272,213 | 382,675 |
| Board designations | <u>3,016,150</u> | <u>2,849,183</u> |
| Financial assets available for general expenditure | <u>\$ 517,419</u> | <u>\$ 339,228</u> |

The board designated fund is held as a quasi-endowment and is available for spending when approved by the board of directors. See Note 8 regarding board designated net assets and Note 12 regarding endowment spending policies.

4. INVENTORY

Inventory consists of the following at September 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|------------------|------------------|
| Clothing and accessories | \$ 19,802 | \$ 24,679 |
| Household goods | <u>22,313</u> | <u>22,061</u> |
| Total inventory | <u>\$ 42,115</u> | <u>\$ 46,740</u> |

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

5. INVESTMENTS

Investments are held in the Organization's endowment (see Note 12, Endowment) at the Episcopal Diocese and consist of the following at September 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 6,187 | \$ 3,894 |
| Master trust | <u>3,238,256</u> | <u>3,038,865</u> |
| Total investments | <u>\$ 3,244,443</u> | <u>\$ 3,042,759</u> |

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Land | \$ 160,725 | \$ 160,725 |
| Buildings | 781,912 | 776,412 |
| Furniture and fixtures | <u>128,221</u> | <u>121,655</u> |
| Total property and equipment | 1,070,858 | 1,058,792 |
| Less accumulated depreciation | <u>606,800</u> | <u>571,282</u> |
| Net property and equipment | <u>\$ 464,058</u> | <u>\$ 487,510</u> |

See Note 7 regarding the sale-leaseback of certain property.

7. SALE LEASE-BACK TRANSACTION

During the year ended September 30, 2019, the Organization entered into a sale-leaseback agreement for real estate property for the main office. The sale-leaseback agreement was with unrelated buyers at a sale price of \$2,000,000. Under the provision of ASC Topic 842, *Leases*, the resulting gain of \$1,388,905 is deferred and amortized on a straight-line basis over the initial 10-year term of the lease. The Organization recognized a gain of \$142,857 and \$142,402 during the years ended September 30, 2021 and 2020, respectively. The deferred gain at September 30, 2021 and 2020 is \$982,146 and 1,125,003, respectively.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

8. BOARD DESIGNATED ASSETS

Board designated net assets at September 30, 2021 and 2020 consist of funds without donor restrictions held as an endowment for use in future operations. Proceeds from the sale-leaseback of property was added to the board designated endowment and is reported net of the deferred gain on sale-leaseback of property as follows:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Board designated endowment (Note 12) | \$ 3,016,150 | \$ 2,849,183 |
| Deferred gain on sale-leaseback of property | (982,146) | (1,125,003) |
| Board designated net assets | <u>\$ 2,034,004</u> | <u>\$ 1,724,180</u> |

9. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Expiring Donor Restrictions

Net assets with expiring donor restrictions at September 30, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|------------------|-------------------|
| Direct Service Needs | \$ 13,018 | \$ 85,575 |
| Social Service Vision Program | - | 5,270 |
| Counseling, Social Service, Clothing Closet | 21,665 | 9,910 |
| Community Partners Outreach | 2,952 | 12,685 |
| Spiritual Care Program | 6,185 | 6,305 |
| Special Event | - | 69,354 |
| | <u>43,820</u> | <u>189,099</u> |
| Endowment earnings (Note 12) | 44,615 | 9,798 |
| Total net assets with expiring donor restrictions | <u>\$ 88,435</u> | <u>\$ 198,897</u> |

Net Assets with Perpetual Donor Restrictions

Net assets with perpetual donor restrictions consist of endowment fund net assets to be held in perpetuity. The income from the endowment fund can be used to support the Organization's general activities. Unexpended endowment income is reported as net assets with expiring restrictions until appropriated for expenditure. See Note 12 for additional information.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

10. LEASE COMMITMENTS

The Organization leases its administrative offices as part of a sale-leaseback agreement (see Note 7). Monthly rent is \$11,167, subject to annual increases, expiring November 2028, with one option to renew for an additional 5 years.

The Organization leases telephone and other office equipment under operating leases with monthly payments totaling approximately \$1,700, expiring February 2022 through May 2022.

Total rent expense approximated \$154,000 and \$153,500 the years ended September 30, 2021 and 2020, respectively.

Approximate future minimum lease payments under operating leases are as follows:

| | |
|--------------------------------|-------------------|
| Year ending September 30, 2022 | \$ 146,900 |
| 2023 | 134,900 |
| 2024 | 135,400 |
| 2025 | 135,900 |
| 2026 | 136,400 |
| Thereafter | <u>297,300</u> |
| | <u>\$ 986,800</u> |

11. RETIREMENT PLAN

The Organization maintains the William Temple House 401(k) Plan, under which eligible employees may elect to contribute up to 50 percent of their annual compensation to the plan subject to statutory limitations. The plan guidelines state that the Organization may make discretionary matching and non-matching contributions to the plan. The Organization made matching contributions of approximately \$12,700 and \$10,300 for the years ended September 30, 2021 and 2020, respectively.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

12. ENDOWMENT

The Organization's endowment consists of funds established for long-term support of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions or Board designations.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions, (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

12. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of September 30, 2021 and 2020 is as follows:

| | <u>Without Donor Restrictions</u> | <u>Expiring Donor Restrictions</u> | <u>Perpetual Donor Restrictions</u> | <u>Total</u> |
|-------------------------------|---|--|---|---------------------|
| September 30, 2021 | | | | |
| Donor-restricted | \$ - | \$ 44,615 | \$ 183,778 | \$ 228,393 |
| Board-designated | <u>3,016,150</u> | <u>-</u> | <u>-</u> | <u>3,016,150</u> |
| | <u>\$ 3,016,150</u> | <u>\$ 44,615</u> | <u>\$ 183,778</u> | <u>\$ 3,244,543</u> |
| September 30, 2020 | | | | |
| Donor-restricted | \$ - | \$ 9,798 | \$ 183,778 | \$ 193,576 |
| Board-designated | <u>2,849,183</u> | <u>-</u> | <u>-</u> | <u>2,849,183</u> |
| | <u>\$ 2,849,183</u> | <u>\$ 9,798</u> | <u>\$ 183,778</u> | <u>\$ 3,042,759</u> |

The changes in endowment net assets for the year ended September 30, 2021 are as follows:

| | <u>Without Donor Restrictions</u> | <u>Expiring Donor Restrictions</u> | <u>Perpetual Donor Restrictions</u> | <u>Total</u> |
|---------------------------------|---|--|---|---------------------|
| Endowment net assets - | | | | |
| September 30, 2020 | \$ 2,849,183 | \$ 9,798 | \$ 183,778 | \$ 3,042,759 |
| Investment income, net | 635,485 | 45,331 | - | 680,816 |
| Appropriated for expenditure | <u>(468,518)</u> | <u>(10,514)</u> | <u>-</u> | <u>(479,032)</u> |
| Endowment net assets - | | | | |
| September 30, 2021 | <u>\$ 3,016,150</u> | <u>\$ 44,615</u> | <u>\$ 183,778</u> | <u>\$ 3,244,543</u> |

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

12. ENDOWMENT, Continued

The changes in endowment net assets for the year ended September 30, 2020 are as follows:

| | Without Donor Restrictions | Expiring Donor Restrictions | Perpetual Donor Restrictions | Total |
|---------------------------------|----------------------------------|-----------------------------------|------------------------------------|---------------------|
| Endowment net assets - | | | | |
| September 30, 2019 | \$ 2,851,370 | \$ 9,946 | \$ 183,778 | \$ 3,045,094 |
| Investment income, net | 139,853 | 6,542 | - | 146,395 |
| Appropriated for expenditure | <u>(142,040)</u> | <u>(6,690)</u> | <u>-</u> | <u>(148,730)</u> |
| Endowment net assets - | | | | |
| September 30, 2020 | <u>\$ 2,849,183</u> | <u>\$ 9,798</u> | <u>\$ 183,778</u> | <u>\$ 3,042,759</u> |

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board designated funds.

Strategies Employed for Achieving Objectives

The Diocesan Investment Fund (DIF) relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds held with DIF are invested in a reasonably stable distribution of assets among major asset classes. The Organization believes that investment and spending policy is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. The Organization has adopted a distribution policy of 5% of the market value calculated on a 12 quarter rolling average.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

13. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at September 30, 2021 and 2020 are the master trust investments (as shown in Note 5) and are considered Level 3 in the fair value hierarchy.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Investments held in the Diocesan Investment Fund (DIF) are in pooled funds and valued at the net asset value per unit as provided by DIF. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include:

| Diocesan Investment Fund (Master trust): | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Balance at beginning of year | \$ 3,038,865 | \$ 3,041,200 |
| Interest and dividends | 72,765 | 84,784 |
| Net investment gain | 605,658 | 61,611 |
| Distributions and investment management fees | <u>(479,032)</u> | <u>(148,730)</u> |
| Balance at end of year | <u>\$ 3,238,256</u> | <u>\$ 3,038,865</u> |

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2021

14. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in two financial institutions. Balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$273,800 and \$181,500 at September 30, 2021 and 2020, respectively.

Investment securities, including funds held in the DIF master trust, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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 statement of financial position.

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in contract assets from billed accounts receivable or unbilled accounts receivable and contract liabilities, including deferred revenue on the statement of financial position.

- Revenue from thrift store sales is recognized at a point in time at the time of sale.
- Revenue from counseling fees is recognized at a point in time when the service is performed

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services:

| | 2021 | 2020 |
|---|------------|------------|
| Point in Time: | | |
| Thrift store sales (at time of sale) | \$ 925,777 | \$ 660,849 |
| Counseling fees (when service is provided) | 24,957 | 22,922 |
| Total revenue from contracts with customers | \$ 950,734 | \$ 683,771 |

There are no accounts receivable (contract asset) or deferred revenue (contract liability) associated with these revenue streams.