

WILLIAM TEMPLE HOUSE

Audited Financial Statements

For the Year Ended September 30, 2023



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
William Temple House

Opinion

We have audited the accompanying financial statements of William Temple House (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of William Temple House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about William Temple House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 William Temple House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about William Temple House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter

As disclosed in Note 8, William Temple House adopted ASC 842, *Leases*, which resulted in an adjustment to beginning net assets to de-recognize a deferred gain under a previous sale-lease back transaction. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited William Temple House's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
January 18, 2024

WILLIAM TEMPLE HOUSE
STATEMENT OF FINANCIAL POSITION
September 30, 2023
(With comparative totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 136,664	\$ 855,380
Accounts receivable	-	8,533
Contributions receivable	23,000	111,500
Prepaid expenses and other assets	74,575	76,216
Inventory	73,240	64,245
Investments	2,930,675	2,481,060
Operating lease right-of-use assets	693,110	-
Property and equipment, net	559,921	473,034
 TOTAL ASSETS	 \$ 4,491,185	 \$ 4,069,968
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 34,383	\$ 87,683
Accrued personnel expenses	81,722	87,868
Deferred gain on sale lease-back of property	-	839,289
Operating lease liabilities	697,094	-
Total liabilities	813,199	1,014,840
Net assets:		
Without donor restrictions:		
Undesignated	306,890	695,757
Board designated	2,548,884	1,467,933
Net property and equipment	559,921	473,034
Total without donor restrictions	3,415,695	2,636,724
With donor restrictions:		
Expiring restrictions	78,513	234,626
Perpetual restrictions	183,778	183,778
Total with donor restrictions	262,291	418,404
Total net assets	3,677,986	3,055,128
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,491,185	 \$ 4,069,968

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023
(With comparative totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Thrift store sales	\$ 1,088,799	\$ -	\$ 1,088,799	\$ 1,093,659
In-kind donation of goods	1,080,202	-	1,080,202	1,071,933
Less inventory sold	<u>(1,083,327)</u>	<u>-</u>	<u>(1,083,327)</u>	<u>(1,078,892)</u>
Net sales of donated merchandise	1,085,674	-	1,085,674	1,086,700
Contributions and grants	655,641	118,302	773,943	1,227,242
Donated materials and services	1,977,339	-	1,977,339	1,701,539
Special event revenue, net of direct benefit costs of \$28,788 in 2023 and \$23,191 in 2022	13,605	-	13,605	112,927
Program service revenue	18,195	-	18,195	28,644
Other income	42,365	-	42,365	878
Net assets released from restrictions:				
Satisfaction of purpose restrictions	292,318	(292,318)	-	-
Appropriation of endowment earnings	<u>10,107</u>	<u>(10,107)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,095,244</u>	<u>(184,123)</u>	<u>3,911,121</u>	<u>4,157,930</u>
Expenses:				
Program services	3,757,130	-	3,757,130	3,331,185
Administration	532,332	-	532,332	383,844
Fundraising	<u>250,565</u>	<u>-</u>	<u>250,565</u>	<u>295,298</u>
Total expenses	<u>4,540,027</u>	<u>-</u>	<u>4,540,027</u>	<u>4,010,327</u>
Change in net assets before non-operating activities	<u>(444,783)</u>	<u>(184,123)</u>	<u>(628,906)</u>	<u>147,603</u>
Non-operating activities:				
Insurance proceeds	-	-	-	121,640
Investment income (loss), net	384,465	28,010	412,475	(641,139)
Amortization of deferred sale lease-back gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,857</u>
Total non-operating activities	<u>384,465</u>	<u>28,010</u>	<u>412,475</u>	<u>(376,642)</u>
Change in net assets	(60,318)	(156,113)	(216,431)	(229,039)
Net assets:				
Beginning of year	2,636,724	418,404	3,055,128	3,284,167
Recognition of deferred gain (Note 8)	<u>839,289</u>	<u>-</u>	<u>839,289</u>	<u>-</u>
End of year	<u>\$ 3,415,695</u>	<u>\$ 262,291</u>	<u>\$ 3,677,986</u>	<u>\$ 3,055,128</u>

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2023
(With comparative totals for 2022)

	Program Services			Supporting Services			2023 Total	2022 Total
	Social Services	Counseling	Thrift Store	Total Program Services	Admin- istration	Fundraising		
Salaries and payroll taxes	\$ 252,497	\$ 262,712	\$ 559,659	\$ 1,074,868	\$ 306,594	\$ 157,732	\$ 1,539,194	\$ 1,397,348
Employee benefits	25,562	16,916	68,910	111,388	34,782	2,675	148,845	140,867
Professional fees	18,559	820,270	30,597	869,426	87,599	59,042	1,016,067	726,096
Direct assistance	1,245,102	-	7,059	1,252,161	-	-	1,252,161	1,247,310
Thrift store cost of sales	-	-	1,083,327	1,083,327	-	-	1,083,327	1,078,892
Rent	59,134	49,263	-	108,397	33,974	4,071	146,442	134,449
Telephone	4,585	10,078	3,667	18,330	4,526	906	23,762	24,234
Utilities	16,437	14,015	49,814	80,266	9,079	1,295	90,640	75,030
Repairs and maintenance	14,439	9,106	29,136	52,681	5,691	1,439	59,811	60,360
Equipment rental	574	630	46	1,250	701	399	2,350	3,236
Insurance	5,521	8,093	14,500	28,114	12,140	3,431	43,685	32,004
Security	3,265	4,234	7,070	14,569	4,494	1,274	20,337	17,279
Supplies	18,532	13,672	10,285	42,489	9,220	5,961	57,670	37,978
Printing, postage and publications	317	348	3,026	3,691	1,492	4,218	9,401	6,556
Travel, entertainment and training	19,932	3,766	1,512	25,210	6,217	25,254	56,681	45,495
Financial fees	-	339	29,767	30,106	711	2,862	33,679	32,572
Depreciation	9,234	10,904	20,619	40,757	13,280	7,794	61,831	42,068
Miscellaneous	654	339	2,434	3,427	1,832	1,000	6,259	10,636
	1,694,344	1,224,685	1,921,428	4,840,457	532,332	279,353	5,652,142	5,112,410
Less costs of goods sold netted with revenue	-	-	(1,083,327)	(1,083,327)	-	-	(1,083,327)	(1,078,892)
Less direct benefit costs netted with revenue	-	-	-	-	-	(28,788)	(28,788)	(23,191)
Total expenses reported in the statement of activities	\$ 1,694,344	\$1,224,685	\$ 838,101	\$ 3,757,130	\$ 532,332	\$ 250,565	\$ 4,540,027	\$ 4,010,327

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF CASH FLOWS
For the year ended September 30, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Thrift store sales	\$ 1,088,799	\$1,093,659
Contributions, grants, and events	904,836	1,251,860
Program service, investment, and other revenue	147,895	87,456
Insurance proceeds	-	121,640
Cash disbursements:		
Payroll and related expenses	(1,693,833)	(1,535,712)
Other operating expenses	(758,245)	(729,595)
Operating leases	(143,508)	-
Net cash flows from operating activities	(454,056)	289,308
 Cash flows from investing activities:		
Purchase of property and equipment	(148,718)	(51,044)
Proceeds from the sale of investments	346,923	156,177
Purchase of investments	(462,865)	(100,400)
Net cash flows from investing activities	(264,660)	4,733
 Net change in cash and cash equivalents	(718,716)	294,041
 Cash and cash equivalents - beginning of year	855,380	561,339
Cash and cash equivalents - end of year	\$ 136,664	\$ 855,380
 Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	\$ 814,090	\$ -

See notes to financial statements.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

I. NATURE OF ACTIVITIES

Established in 1965, William Temple House (the Organization) 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, 2023

1. NATURE OF ACTIVITIES, Continued

Thrift Store

- Offers low-cost, gently used clothing, furniture, and household items for purchase
- 100% of net 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.

Receivables

Accounts and contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary. Contributions receivable at September 30, 2023 and 2022 are receivable within one year.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, Leases, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 and Grants: Contributions and grants, 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.

Donated Assets, Materials and Services: Donations of equipment, materials and other goods for resale 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.

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.

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.

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

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

New Accounting Standard

Effective October 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities totaling \$814,090 in its statement of financial position as of October 1, 2022. The adoption resulted in a cumulative-effect adjustment to beginning net assets relating to a previous sale-leaseback under ASC Topic 840, *Leases*. See Note 8.

Subsequent Events

The Organization has evaluated all subsequent events through January 18, 2024, the date the financial statements were available to be issued.

Summarized Financial Information for 2022

The financial information as of September 30, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 136,664	\$ 855,380
Accounts receivable	-	8,532
Contributions receivable	23,000	111,500
Investments	<u>2,930,675</u>	<u>2,481,060</u>
	3,090,339	3,456,472
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	262,291	418,404
Board designations	<u>2,548,884</u>	<u>2,307,222</u>
Financial assets available for general expenditure	<u>\$ 279,164</u>	<u>\$ 730,846</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 9 regarding board designated net assets and Note 11 regarding endowment spending policies.

4. INVENTORY

Inventory consists of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Clothing and accessories	\$ 43,913	\$ 33,069
Household goods	<u>29,327</u>	<u>31,176</u>
Total inventory	<u>\$ 73,240</u>	<u>\$ 64,245</u>

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

5. INVESTMENTS

Investments consist of the following at September 30, 2023 and 2022:

	2023	2022
Certificates of deposit (rates 4.75%-5.40%)	\$ 190,050	\$ -
Master trust	2,740,625	2,481,060
Total investments	\$ 2,930,675	\$ 2,481,060

Investments in the master trust are held in the Organization’s endowment (see Note 11, Endowment) at the Episcopal Diocese.

6. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. Right-of-use (ROU) assets represent the Organization’s right to use underlying assets for the lease term, and lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, are calculated based on the present value of future lease payments over the lease terms.

The Organization’s operating leases consist of leases for office space and equipment with remaining lease terms of 4 to 6 years.

The office lease term excludes one five-year extension, available at the Organization’s option, which it is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized.

The office lease agreement includes provisions for variable rent payments, which are adjusted periodically for inflation.

The Organization also had equipment leases expiring in the year of adoption which were treated as short-term leases.

The statement of financial position reflects ROU assets of \$693,110 and operating lease liabilities of \$697,094 as of September 30, 2023.

The weighted-average remaining lease term for the Organization’s operating leases is approximately 5.2 years as of September 30, 2023. The weighted-average discount rate applied to calculate lease liabilities as of September 30, 2023 is 3.85%.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

6. OPERATING LEASES, Continued

The maturities of operating lease liabilities as of September 30, 2023 are as follows:

Year ending September 30, 2024	\$ 146,992
2025	148,097
2026	149,235
2027	150,406
2028	150,521
Thereafter	<u>24,956</u>
	770,207
Less discount/interest	<u>(73,113)</u>
Present value of lease liabilities	<u><u>\$ 697,094</u></u>

For the year ended September 30, 2023, total operating lease cost of approximately \$147,500, and total short-term lease cost of approximately \$22,100 are included in rent, telephone, and equipment rental on the statement of functional expenses.

Rent expense under FASB ASC Topic 840, Leases, (pre-adoption of the new standards) for operating leases totaled \$150,100 for the year ended September 30, 2022. The aggregate minimum lease payments under those operating leases as of September 30, 2022, were as follows:

Year ending September 30, 2023	\$ 117,900
2024	144,800
2025	145,900
2026	147,100
2027	148,200
Thereafter	<u>174,400</u>
	<u><u>\$ 878,300</u></u>

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2023 and 2022:

	2023	2022
Land	\$ 160,725	\$ 160,725
Buildings	920,903	799,447
Furniture and fixtures	158,276	151,270
Total property and equipment	1,239,904	1,111,442
Less accumulated depreciation	679,983	638,408
Net property and equipment	<u>\$ 559,921</u>	<u>\$ 473,034</u>

During 2022, the Organization incurred water damage to the property. Costs to repair were approximately \$145,000 with restoration work occurring after year-end. All restoration costs were covered by insurance, with proceeds of approximately \$122,000 received in advance of work performed included in other non-operating revenue.

8. 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 provisions of ASC Topic 840, *Leases*, the resulting gain of \$1,388,905 was deferred and amortized on a straight-line basis over the initial 10-year term of the lease. Effective October 1, 2022, the Organization implemented ASC Topic 842, *Leases* (see Note 6). Under this new standard, deferred gains associated with sale lease-back transactions are de-recognized and reflected as a net asset adjustment. In accordance with the guidance, the Organization elected to reflect this net asset adjustment on the first day of the year of implementation (October 1, 2022).

9. BOARD DESIGNATED ASSETS

Board designated net assets at September 30, 2023 and 2022 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:

	2023	2022
Board designated endowment (Note 11)	\$ 2,548,884	\$ 2,307,222
Deferred gain on sale-leaseback of property	-	(839,289)
Board designated net assets	<u>\$ 2,548,884</u>	<u>\$ 1,467,933</u>

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

10. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Expiring Donor Restrictions

Net assets with expiring donor restrictions at September 30, 2023 and 2022 are as follows:

	2023	2022
Social Services	\$ 3,715	\$ 94,041
Counseling Program	65,210	143,365
Spiritual Care Program	-	6,096
Thrift Store Renovation	-	632
Thrift Store Point of Sale System	1,625	-
Other Capital Projects	-	432
	<u>70,550</u>	<u>244,566</u>
Endowment earnings (deficit) (Note 11)	<u>7,963</u>	<u>(9,940)</u>
Total net assets with expiring donor restrictions	<u>\$ 78,513</u>	<u>\$ 234,626</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 11 for additional information.

11. 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 an endowment, 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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

II. ENDOWMENT, Continued

Interpretation of Relevant Law, Continued

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

Endowment net asset composition by type of fund as of September 30, 2023 and 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>Expiring Donor Restrictions</u>	<u>Perpetual Donor Restrictions</u>	<u>Total</u>
September 30, 2023				
Donor-restricted	\$ -	\$ 7,963	\$ 183,778	\$ 191,741
Board-designated	<u>2,548,884</u>	<u>-</u>	<u>-</u>	<u>2,548,884</u>
	<u>\$ 2,548,884</u>	<u>\$ 7,963</u>	<u>\$ 183,778</u>	<u>\$ 2,740,625</u>
 September 30, 2022				
Donor-restricted	\$ -	\$ (9,940)	\$ 183,778	\$ 173,838
Board-designated	<u>2,307,222</u>	<u>-</u>	<u>-</u>	<u>2,307,222</u>
	<u>\$ 2,307,222</u>	<u>\$ (9,940)</u>	<u>\$ 183,778</u>	<u>\$ 2,481,060</u>

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

II. ENDOWMENT, Continued

The changes in endowment net assets for the years ended September 30, 2023 and 2022 is as follows:

	Without Donor <u>Restrictions</u>	Expiring Donor <u>Restrictions</u>	Perpetual Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets -				
September 30, 2021	\$ 3,016,050	\$ 44,615	\$ 183,778	\$ 3,244,443
Contributions	36,404	-	-	36,404
Investment loss, net	(597,418)	(43,721)	-	(641,139)
Appropriated for expenditure	<u>(147,814)</u>	<u>(10,834)</u>	<u>-</u>	<u>(158,648)</u>
Endowment net assets -				
September 30, 2022	2,307,222	(9,940)	183,778	2,481,060
Contributions	-	-	-	-
Investment income, net	377,929	28,010	-	405,939
Appropriated for expenditure	<u>(136,267)</u>	<u>(10,107)</u>	<u>-</u>	<u>(146,374)</u>
Endowment net assets -				
September 30, 2023	<u>\$ 2,548,884</u>	<u>\$ 7,963</u>	<u>\$ 183,778</u>	<u>\$ 2,740,625</u>

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organizations to retain as a fund of perpetual duration. At September 30, 2022, funds with original gift values of \$183,778, fair values of \$173,838, and deficiencies of \$9,940 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of net assets with perpetual donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no funds with deficiencies at September 30, 2023.

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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

11. ENDOWMENT, Continued

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 as adopted a distribution policy of 5% of the market value calculated on a 12-quarter rolling average.

12. 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:

	2023	2022
Point in Time:		
Thrift store sales (at time of sale)	\$ 1,088,799	\$ 1,093,659
Counseling fees (when service is provided)	18,195	28,644
Total revenue from contracts with customers	\$ 1,106,994	\$ 1,122,303

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

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

13. CONTRIBUTED NONFINANCIAL ASSETS

Donated materials and services for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Thrift store donations	\$ 1,080,202	\$ 1,071,933
Donated materials and services:		
Food and supplies, included in program services	1,207,520	1,217,756
Professional counseling, included in program services	753,165	464,508
Accounting, legal and professional services, included in administration	14,727	18,525
Development donated goods and services	<u>1,927</u>	<u>750</u>
Total donated materials and services	<u>1,977,339</u>	<u>1,701,539</u>
Total donated assets and services	<u>\$ 3,057,541</u>	<u>\$ 2,773,472</u>

Donated inventory for the thrift store is valued using a rolling average sales price.

All contributed nonfinancial assets are recorded at fair value based on the current cost to acquire the goods or services, or the sale price of comparable goods and services.

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, 2023 and 2022, the volunteers donated approximately 10,700 and 18,000 hours of their time, respectively. These contributed services have not been recognized in the accompanying financial statements since they do not meet the criteria for donated services described in Note 2.

14. 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 \$15,200 for each of the years ended September 30, 2023 and 2022.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

15. 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 (as shown in Note 5) at September 30, 2023 and 2022 include the master trust investments (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):	2023	2022
Balance at beginning of year	\$ 2,481,060	\$ 3,238,256
Deposits	-	36,404
Interest and dividends	82,815	63,995
Net investment gain (loss)	333,673	(705,278)
Distributions and investment management fees	(156,923)	(152,317)
Balance at end of year	\$ 2,740,625	\$ 2,481,060

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2023

16. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. 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 \$604,600 at September 30, 2022.

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.