

WILLIAM TEMPLE HOUSE

Audited Financial Statements

For the Year Ended September 30, 2022



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, 2022, 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, 2022, 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.

Report on Summarized Comparative Information

We have previously audited William Temple House's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacob, P.C.

Portland, Oregon
February 13, 2023

WILLIAM TEMPLE HOUSE
STATEMENT OF FINANCIAL POSITION
September 30, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 855,380	\$ 561,339
Accounts receivable	8,533	-
Contributions receivable	111,500	-
Prepaid expenses and other assets	76,216	71,545
Inventory	64,245	42,115
Investments	2,481,060	3,244,443
Property and equipment, net	473,034	464,058
 TOTAL ASSETS	 <u>\$ 4,069,968</u>	 <u>\$ 4,383,500</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 87,683	\$ 31,821
Accrued personnel expenses	87,868	85,366
Deferred gain on sale lease-back of property	839,289	982,146
Total liabilities	<u>1,014,840</u>	<u>1,099,333</u>
Net assets:		
Without donor restrictions:		
Undesignated	693,228	513,892
Board designated	1,470,462	2,034,004
Net property and equipment	473,034	464,058
Total without donor restrictions	<u>2,636,724</u>	<u>3,011,954</u>
With donor restrictions:		
Expiring restrictions	234,626	88,435
Perpetual restrictions	183,778	183,778
Total with donor restrictions	<u>418,404</u>	<u>272,213</u>
Total net assets	<u>3,055,128</u>	<u>3,284,167</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,069,968</u>	 <u>\$ 4,383,500</u>

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2022
(With comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Thrift store sales	\$ 1,093,659	\$ -	\$ 1,093,659	\$ 925,777
In-kind donation of goods	1,071,933	-	1,071,933	894,112
Less inventory sold	<u>(1,078,892)</u>	<u>-</u>	<u>(1,078,892)</u>	<u>(925,933)</u>
Net sales of donated merchandise	1,086,700	-	1,086,700	893,956
Contributions and grants	691,094	536,148	1,227,242	653,486
Donated materials and services	1,701,539	-	1,701,539	1,412,054
Special event revenue, net of direct benefit costs of \$23,191 in 2022 and \$27,446 in 2021	112,927	-	112,927	174,247
Program service revenue	28,644	-	28,644	24,957
Other income	878	-	878	6,134
Net assets released from restrictions:				
Satisfaction of purpose restrictions	335,402	(335,402)	-	-
Appropriation of endowment earnings	<u>10,834</u>	<u>(10,834)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,968,018</u>	<u>189,912</u>	<u>4,157,930</u>	<u>3,164,834</u>
Expenses:				
Program services	3,331,185	-	3,331,185	2,882,238
Administration	383,844	-	383,844	404,016
Fundraising	<u>295,298</u>	<u>-</u>	<u>295,298</u>	<u>254,168</u>
Total expenses	<u>4,010,327</u>	<u>-</u>	<u>4,010,327</u>	<u>3,540,422</u>
Change in net assets before non-operating activities	<u>(42,309)</u>	<u>189,912</u>	<u>147,603</u>	<u>(375,588)</u>
Non-operating activities:				
Insurance proceeds	121,640	-	121,640	-
Investment income (loss), net	(597,418)	(43,721)	(641,139)	680,816
Amortization of deferred sale lease-back gain	<u>142,857</u>	<u>-</u>	<u>142,857</u>	<u>142,857</u>
Total non-operating activities	<u>(332,921)</u>	<u>(43,721)</u>	<u>(376,642)</u>	<u>823,673</u>
Change in net assets	(375,230)	146,191	(229,039)	448,085
Net assets:				
Beginning of year	<u>3,011,954</u>	<u>272,213</u>	<u>3,284,167</u>	<u>2,836,082</u>
End of year	<u>\$ 2,636,724</u>	<u>\$ 418,404</u>	<u>\$ 3,055,128</u>	<u>\$ 3,284,167</u>

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2022
(With comparative totals for 2021)

	Program Services				Supporting Services			
	Social Services	Counseling	Thrift Store	Total Program Services	Admin- istration	Fundraising	2022 Total	2021 Total
Salaries and payroll taxes	\$ 233,014	\$ 208,354	\$ 551,071	\$ 992,439	\$ 228,644	\$ 176,265	\$ 1,397,348	\$ 1,297,560
Employee benefits	19,347	16,693	52,690	88,730	41,566	10,571	140,867	154,759
Professional fees	19,193	567,335	26,688	613,216	51,823	61,057	726,096	600,764
Direct assistance	1,242,682	-	4,628	1,247,310	-	-	1,247,310	1,041,925
Thrift store cost of sales	-	-	1,078,892	1,078,892	-	-	1,078,892	925,933
Rent	60,798	49,235	-	110,033	12,369	12,047	134,449	133,939
Telephone	3,879	14,518	2,439	20,836	2,780	618	24,234	23,112
Utilities	15,255	13,035	40,332	68,622	3,447	2,961	75,030	68,182
Repairs and maintenance	13,199	8,234	28,416	49,849	8,134	2,377	60,360	45,463
Equipment rental	592	704	550	1,846	845	545	3,236	3,745
Insurance	5,088	5,678	10,052	20,818	7,144	4,042	32,004	27,094
Security	3,261	3,652	6,724	13,637	2,287	1,355	17,279	10,970
Supplies	4,916	10,894	8,289	24,099	8,313	5,566	37,978	30,926
Printing, postage and publications	88	58	2,252	2,398	310	3,848	6,556	2,595
Travel, entertainment and training	16,934	1,192	1,314	19,440	3,124	22,931	45,495	56,648
Financial fees	-	637	27,055	27,692	463	4,417	32,572	29,575
Depreciation	6,187	7,448	13,653	27,288	8,874	5,906	42,068	35,518
Miscellaneous	677	303	1,952	2,932	3,721	3,983	10,636	5,093
	1,645,110	907,970	1,856,997	4,410,077	383,844	318,489	5,112,410	4,493,801
Less costs of goods sold netted with revenue	-	-	(1,078,892)	(1,078,892)	-	-	(1,078,892)	(925,933)
Less direct benefit costs netted with revenue	-	-	-	-	-	(23,191)	(23,191)	(27,446)
Total expenses reported in the statement of activities	<u>\$ 1,645,110</u>	<u>\$ 907,970</u>	<u>\$ 778,105</u>	<u>\$ 3,331,185</u>	<u>\$ 383,844</u>	<u>\$ 295,298</u>	<u>\$ 4,010,327</u>	<u>\$ 3,540,422</u>

See notes to financial statements.

WILLIAM TEMPLE HOUSE
STATEMENT OF CASH FLOWS
For the year ended September 30, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash receipts:		
Thrift store sales	\$ 1,093,659	\$ 925,777
Contributions, grants, and events	1,251,860	855,179
Program service, investment, and other revenue	87,456	101,527
Insurance proceeds	121,640	-
Cash disbursements:		
Payroll and related expenses	(1,535,712)	(1,549,858)
Other operating expenses	<u>(729,595)</u>	<u>(696,243)</u>
Net cash flows from operating activities	<u>289,308</u>	<u>(363,618)</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(51,044)	(12,066)
Proceeds from the sale of investments	156,177	479,031
Purchase of investments	<u>(100,400)</u>	<u>(70,335)</u>
Net cash flows from investing activities	<u>4,733</u>	<u>396,630</u>
 Net change in cash and cash equivalents	294,041	33,012
 Cash and cash equivalents - beginning of year	<u>561,339</u>	<u>528,327</u>
Cash and cash equivalents - end of year	<u><u>\$ 855,380</u></u>	<u><u>\$ 561,339</u></u>

See notes to financial statements.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

1. 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, 2022

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.

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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 Standard

The Organization has implemented Accounting Standards Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) for the year ended September 30, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no material impact on the Organization's financial position and change in net assets upon adoption.

Subsequent Events

The Organization has evaluated all subsequent events through February 13, 2023, the date the financial statements were available to be issued.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Summarized Financial Information for 2021

The financial information as of September 30, 2021 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Future Accounting Standard

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 have not yet been determined.

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, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 855,380	\$ 561,339
Accounts receivable	8,532	-
Contributions receivable	111,500	-
Investments	2,481,060	3,244,443
	<u>3,456,472</u>	<u>3,805,782</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	418,404	272,213
Board designations	2,309,751	3,016,150
Financial assets available for general expenditure	<u>\$ 728,317</u>	<u>\$ 517,419</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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

4. INVENTORY

Inventory consists of the following at September 30, 2022 and 2021:

	2022	2021
Clothing and accessories	\$ 33,069	\$ 19,802
Household goods	31,176	22,313
Total inventory	<u>\$ 64,245</u>	<u>\$ 42,115</u>

5. INVESTMENTS

Investments are held in the Organization's endowment (see Note 11, Endowment) at the Episcopal Diocese and consist of the following at September 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ -	\$ 6,187
Master trust	2,481,060	3,238,256
Total investments	<u>\$ 2,481,060</u>	<u>\$ 3,244,443</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2022 and 2021:

	2022	2021
Land	\$ 160,725	\$ 160,725
Buildings	799,447	781,912
Furniture and fixtures	151,270	128,221
Total property and equipment	1,111,442	1,070,858
Less accumulated depreciation	638,408	606,800
Net property and equipment	<u>\$ 473,034</u>	<u>\$ 464,058</u>

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

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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 \$142,857 during the years ended September 30, 2022 and 2021, respectively. The deferred gain at September 30, 2022 and 2021 is \$839,289 and 982,146, respectively.

8. LEASE COMMITMENTS

The Organization leases its administrative offices as part of a sale-leaseback agreement (see Note 7). Monthly rent is \$11,208, 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 \$900, expiring July 2025.

Total rent expense approximated \$150,100 and \$154,000 the years ended September 30, 2022 and 2021, respectively.

Approximate future minimum lease payments under operating leases are 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>\$ 878,300</u>

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

9. BOARD DESIGNATED ASSETS

Board designated net assets at September 30, 2022 and 2021 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:

Board designated endowment (Note 11)	\$ 2,309,751	\$ 3,016,150
Deferred gain on sale-leaseback of property	<u>(839,289)</u>	<u>(982,146)</u>
Board designated net assets	<u><u>\$ 1,470,462</u></u>	<u><u>\$ 2,034,004</u></u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Expiring Donor Restrictions

Net assets with expiring donor restrictions at September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Social Services	\$ 94,041	\$ 13,018
Counseling Program	143,365	21,665
Community Partners Outreach	-	2,952
Spiritual Care Program	6,096	6,185
Thrift Store Renovation	632	-
Other Capital Projects	<u>432</u>	<u>-</u>
	244,566	43,820
Endowment earnings (deficit) (Note 11)	<u>(9,940)</u>	<u>44,615</u>
Total net assets with expiring donor restrictions	<u><u>\$ 234,626</u></u>	<u><u>\$ 88,435</u></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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

II. 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, 2022

II. ENDOWMENT, Continued

Endowment net asset composition by type of fund as of September 30, 2022 and 2021 is as follows:

	Without Donor Restrictions	Expiring Donor Restrictions	Perpetual Donor Restrictions	Total
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>
September 30, 2021				
Donor-restricted	\$ -	\$ 44,615	\$ 183,778	\$ 228,393
Board-designated	<u>3,016,050</u>	<u>-</u>	<u>-</u>	<u>3,016,050</u>
	<u>\$ 3,016,050</u>	<u>\$ 44,615</u>	<u>\$ 183,778</u>	<u>\$ 3,244,443</u>

The changes in endowment net assets for the years ended September 30, 2022 and 2021 is as follows:

	Without Donor Restrictions	Expiring Donor Restrictions	Perpetual Donor Restrictions	Total
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>(468,618)</u>	<u>(10,514)</u>	<u>-</u>	<u>(479,132)</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	<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, 2022

II. ENDOWMENT, Continued

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, 2021.

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 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

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

12. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

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

	<u>2022</u>	<u>2021</u>
Point in Time:		
Thrift store sales (at time of sale)	\$ 1,093,659	\$ 925,777
Counseling fees (when service is provided)	<u>28,644</u>	<u>24,957</u>
Total revenue from contracts with customers	<u>\$ 1,122,303</u>	<u>\$ 950,734</u>

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

13. CONTRIBUTED NONFINANCIAL ASSETS

Donated materials and services for the years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Thrift store donations	\$ 1,071,933	\$ 894,112
Donated materials and services:		
Food and supplies, included in program services	1,217,756	1,011,178
Professional counseling, included in program services	464,508	368,350
Accounting, legal and professional services, included in administration	18,525	31,800
Development donated goods and services	<u>750</u>	<u>726</u>
Total donated materials and services	<u>1,701,539</u>	<u>1,412,054</u>
Total donated assets and services	<u>\$ 2,773,472</u>	<u>\$ 2,306,166</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.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

13. CONTRIBUTED NONFINANCIAL ASSETS, Continued

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, 2022 and 2021, the volunteers donated approximately 18,000 and 8,000 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.

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 and \$12,700 for the years ended September 30, 2022 and 2021, respectively.

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 at September 30, 2022 and 2021 are the master trust investments (as shown in Note 5) and are considered Level 3 in the fair value hierarchy.

WILLIAM TEMPLE HOUSE
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

15. FAIR VALUE MEASUREMENTS, Continued

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):	2022	2021
Balance at beginning of year	\$ 3,238,156	\$ 3,038,865
Deposits	36,404	-
Interest and dividends	63,995	72,765
Net investment gain (loss)	(705,278)	605,658
Distributions and investment management fees	(152,317)	(479,132)
Balance at end of year	<u>\$ 2,480,960</u>	<u>\$ 3,238,156</u>

16. 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 \$604,600 and \$273,800 at September 30, 2022 and 2021, 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.