

REFUGEE WOMEN'S ALLIANCE

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2019 AND 2018



REFUGEE WOMEN'S ALLIANCE

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

June 29, 2020

Board of Directors
Refugee Women's Alliance
Seattle, Washington

We have audited the accompanying financial statements of Refugee Women's Alliance, a nonprofit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Refugee Women's Alliance as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

REFUGEE WOMEN'S ALLIANCE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 4,141,106	\$ 4,835,303
Investments	207,234	206,780
Grants and contracts receivable	1,672,943	1,194,196
Promises to give	105,400	73,000
Prepaid rent	123,414	158,086
Prepaid expenses	<u>64,127</u>	<u>118,191</u>
Total Current Assets	6,314,224	6,585,556
Cash Held in Escrow for Construction Purposes	621,685	786,341
Long-term Prepaid Rent	1,582,778	1,706,111
Construction in Progress	-	5,308,648
Property and Equipment	<u>8,182,519</u>	<u>1,995,153</u>
	<u>\$ 16,701,206</u>	<u>\$ 16,381,809</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 162,150	\$ 175,047
Construction payables	-	1,139,959
Accrued payroll liabilities	435,508	360,697
Deferred revenue	103,040	110,196
Current portion of capital lease obligations	12,218	-
Current portion of debt	<u>89,928</u>	<u>437,096</u>
Total Current Liabilities	802,844	2,222,995
Long-term Deferred Revenue, less current portion above	1,630,332	1,733,414
Long-term Debt, less current portion above	2,811,082	2,878,618
Long-term Capital lease obligations, less current portion above	41,579	-
Long-term Refundable Advances	<u>2,270,000</u>	<u>895,000</u>
Total Liabilities	<u>7,555,837</u>	<u>7,730,027</u>
Net Assets		
Without donor restrictions	6,402,176	4,993,713
With donor restrictions	<u>2,743,193</u>	<u>3,658,069</u>
Total Net Assets	<u>9,145,369</u>	<u>8,651,782</u>
	<u>\$ 16,701,206</u>	<u>\$ 16,381,809</u>

See notes to financial statements.

REFUGEE WOMEN'S ALLIANCE

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Government grants and contracts	\$ 7,189,463		\$ 7,189,463	\$ 6,052,627		\$ 6,052,627
Contributions	1,234,959	\$ 262,895	1,497,854	372,375	\$ 3,469,460	3,841,835
Fees from childcare services	911,703		911,703	623,529		623,529
United Way	195,496	-	195,496	331,830	-	331,830
Special events	110,005	-	110,005	30,462	-	30,462
Investment and other income	127,714		127,714	117,982		117,982
Total Public Support and Revenue	<u>9,769,340</u>	<u>262,895</u>	<u>10,032,235</u>	<u>7,528,805</u>	<u>3,469,460</u>	<u>10,998,265</u>
Net Assets Released from Restrictions						
Satisfaction of time restriction	-	-	-	578,522	(578,522)	-
Satisfaction of purpose restriction	1,177,771	(1,177,771)	-	157,353	(157,353)	-
Total Net Assets Released from Restrictions	<u>1,177,771</u>	<u>(1,177,771)</u>	<u>-</u>	<u>735,875</u>	<u>(735,875)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>10,947,111</u>	<u>(914,876)</u>	<u>10,032,235</u>	<u>8,264,680</u>	<u>2,733,585</u>	<u>10,998,265</u>
Expenses						
Program services	7,794,657		7,794,657	6,312,080		6,312,080
Management and general	1,185,270		1,185,270	1,020,121		1,020,121
Fundraising	558,721		558,721	324,740		324,740
Total Expenses	<u>9,538,648</u>		<u>9,538,648</u>	<u>7,656,941</u>		<u>7,656,941</u>
Change in Net Assets	1,408,463	(914,876)	493,587	607,739	2,733,585	3,341,324
Net Assets - beginning of year	<u>4,993,713</u>	<u>3,658,069</u>	<u>8,651,782</u>	<u>4,385,974</u>	<u>924,484</u>	<u>5,310,458</u>
Net Assets - end of year	<u>\$ 6,402,176</u>	<u>\$ 2,743,193</u>	<u>\$ 9,145,369</u>	<u>\$ 4,993,713</u>	<u>\$ 3,658,069</u>	<u>\$ 8,651,782</u>

REFUGEE WOMEN'S ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Family Empowerment	Early Learning Centers	Domestic Violence	Behavioral Health	Youth	Housing and Homelessness Prevention	Advocacy	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,184,307	\$ 1,690,985	\$ 810,267	\$ 345,157	\$ 373,020	\$ 170,350	\$ 33,171	\$ 4,607,257	\$ 715,876	\$ 181,121	\$ 5,504,254
Employee benefits	115,241	176,982	64,146	19,245	18,819	12,914	1,093	408,440	39,639	11,321	459,400
Payroll taxes	104,192	150,534	70,471	30,555	33,412	15,128	-	404,292	71,713	14,465	490,470
	<u>1,403,740</u>	<u>2,018,501</u>	<u>944,884</u>	<u>394,957</u>	<u>425,251</u>	<u>198,392</u>	<u>34,264</u>	<u>5,419,989</u>	<u>827,228</u>	<u>206,907</u>	<u>6,454,124</u>
Occupancy	191,149	330,984	36,251	67,589	24,513	12,133	272	662,891	17,844	4,747	685,482
Professional fees	9,959	3,534	115,016	78,258	50,536	1,179	325	258,807	129,449	235,800	624,056
Specific assistance	48,541	117	147,539	-	-	412,707	-	608,904	-	-	608,904
Depreciation	41,341	183,747	22,442	3,490	15,407	3,389	2,420	272,236	67,985	10,312	350,533
Program supplies	20,064	76,830	3,261	393	43,457	131	1,837	145,973	11,044	96	157,113
Miscellaneous	14,092	26,047	7,389	4,580	7,028	38	3,097	62,271	55,678	10,209	128,158
Interest and loan fee amortization	6,908	51,987	11,182	989	3,839	434	810	76,149	7,466	12,633	96,248
Insurance	14,506	24,061	7,956	3,032	5,750	1,760	146	57,211	19,529	5,150	81,890
Telephone	14,655	24,779	14,947	4,453	2,917	2,534	61	64,346	8,949	1,809	75,104
Office supplies	7,788	30,126	4,093	941	515	2,019	51	45,533	18,560	1,248	65,341
Equipment	5,196	24,900	2,187	1,049	1,577	350	178	35,437	9,579	8,963	53,979
Event costs	-	-	-	-	-	-	-	-	-	52,459	52,459
Printing	9,399	10,943	4,610	3,767	4,025	922	50	33,716	2,763	5,822	42,301
Travel	6,300	713	16,797	3,800	2,455	1,659	540	32,264	3,047	203	35,514
Training	4,381	1,128	5,941	1,049	1,931	-	164	14,594	4,058	990	19,642
Postage and shipping	246	596	3,431	4	43	11	5	4,336	2,091	1,373	7,800
Total Expenses	<u>\$ 1,798,265</u>	<u>\$ 2,808,993</u>	<u>\$ 1,347,926</u>	<u>\$ 568,351</u>	<u>\$ 589,244</u>	<u>\$ 637,658</u>	<u>\$ 44,220</u>	<u>\$ 7,794,657</u>	<u>\$ 1,185,270</u>	<u>\$ 558,721</u>	<u>\$ 9,538,648</u>

REFUGEE WOMEN'S ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Family Empowerment	Early Learning Centers	Domestic Violence	Behavioral Health	Youth	Housing and Homelessness Prevention	Community Education	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,116,008	\$ 1,115,050	\$ 687,209	\$ 328,423	\$ 409,662	\$ 134,607	\$ 30,999	\$ 3,821,958	\$ 604,966	\$ 217,849	\$ 4,644,773
Employee benefits	82,645	83,323	51,173	24,989	31,347	9,955	2,772	286,204	94,489	17,675	398,368
Payroll taxes	96,750	97,485	58,450	28,048	35,486	11,417	2,156	329,792	58,046	17,986	405,824
	<u>1,295,403</u>	<u>1,295,858</u>	<u>796,832</u>	<u>381,460</u>	<u>476,495</u>	<u>155,979</u>	<u>35,927</u>	<u>4,437,954</u>	<u>757,501</u>	<u>253,510</u>	<u>5,448,965</u>
Occupancy	198,352	173,885	42,446	50,214	26,189	7,504	-	498,590	18,048	4,127	520,765
Professional fees	28,565	12,299	110,250	6,135	22,247	1,563	-	181,059	77,063	16,763	274,885
Specific assistance	43,280	8	240,725	-	-	334,663	-	618,676	-	-	618,676
Depreciation	22,660	36,417	20,880	809	809	809	-	82,384	15,376	4,046	101,806
Program supplies	18,534	82,781	4,529	67	31,891	35	-	137,837	9,886	8,903	156,626
Miscellaneous	2,115	10,755	1,898	5,790	-	-	2,160	22,718	61,045	6,069	89,832
Interest and loan fee amortization	21,850	35,116	18,495	780	780	780	-	77,801	14,827	3,651	96,279
Insurance	15,948	18,792	9,121	4,172	6,453	1,982	-	56,468	8,171	1,799	66,438
Telephone	10,520	11,350	15,470	3,968	2,885	1,834	-	46,027	6,820	631	53,478
Office supplies	9,158	18,345	10,197	1,763	1,061	527	-	41,051	17,963	4,172	63,186
Equipment	1,097	16,702	8,705	1,511	1,993	4	-	30,012	20,255	1,120	51,387
Event costs	-	-	-	-	90	-	-	90	-	16,157	16,247
Printing	13,410	10,032	4,191	3,979	3,117	503	-	35,232	5,082	2,276	42,590
Travel	7,644	1,776	13,460	3,983	2,354	2,002	747	31,966	2,027	397	34,390
Training	3,603	1,442	4,488	-	1,716	72	-	11,321	5,058	420	16,799
Postage and shipping	761	982	951	164	18	18	-	2,894	999	699	4,592
Total Expenses	<u>\$ 1,692,900</u>	<u>\$ 1,726,540</u>	<u>\$ 1,302,638</u>	<u>\$ 464,795</u>	<u>\$ 578,098</u>	<u>\$ 508,275</u>	<u>\$ 38,834</u>	<u>\$ 6,312,080</u>	<u>\$ 1,020,121</u>	<u>\$ 324,740</u>	<u>\$ 7,656,941</u>

REFUGEE WOMEN'S ALLIANCE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Cash received from:		
Government grants and contracts	\$ 6,600,478	\$ 7,407,338
Donors	977,949	3,452,869
Childcare services	911,703	623,529
Investment and other income	127,260	114,211
Cash paid to:		
Personnel	(6,379,313)	(5,412,218)
Services and supplies	(2,285,565)	(3,767,827)
Interest	(91,288)	(91,363)
Net Cash (Used) Provided by Operating Activities	<u>(138,776)</u>	<u>2,326,539</u>
Cash Flows Used by Investing Activities		
Purchases and construction of property and equipment	<u>(2,305,548)</u>	<u>(3,722,909)</u>
Cash Flows from Financing Activities		
Proceeds from contributions restricted to property and equipment	640,000	789,000
Proceeds from issuance of note payable	34,228	-
Receipt of long-term refundable advance	1,375,000	895,000
Principal payments on capital lease obligation	(9,865)	-
Repayments on debt	(453,892)	(13,195)
Net Cash Provided by Financing Activities	<u>1,585,471</u>	<u>1,670,805</u>
Changes in Cash and Cash Equivalents	(858,853)	274,435
Cash and Cash Equivalents - beginning of year	<u>5,621,644</u>	<u>5,347,209</u>
Cash and Cash Equivalents - end of year	<u>\$ 4,762,791</u>	<u>\$ 5,621,644</u>
Noncash investing and financing activities		
Equipment purchased through issuance of capital lease obligation	<u>\$ 63,662</u>	<u>\$ -</u>

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Refugee Women's Alliance ("ReWA") is a nonprofit multi-ethnic organization that promotes inclusion, independence, personal leadership and strong communities by providing refugee and immigrant women and their families with culturally and linguistically appropriate services. ReWA advocates for social justice, public policy changes and equal access to services while respecting cultural values and the right to self-determination.

ReWA models the strengths and benefits of a peer-to-peer support system. Our team of over 125 staff members collectively speaks over 50 languages and dialects. Many were once ReWA clients themselves. ReWA has grown to become one of the largest refugee and immigrant service providers in King County, serving clients from over 70 countries, including Africa, Southeast Asia, and the Middle East. ReWA's wrap-around services include:

Family empowerment: Comprehensive case management support to help families achieve self-sufficiency, including interpretation services, referrals, parent education, workshops, and application assistance. Services also include:

Employment and vocational training: Job readiness training, job search support, placement assistance, and retention services for recently arrived refugees.

English-as-a-second-language classes: English classes in a positive environment help newcomers gain and improve English language skills and break down barriers to employment.

Naturalization and legal services: U.S. citizenship classes, green card and naturalization application assistance, advocacy at immigration interviews, and free legal clinics.

Early learning centers: Licensed and accredited dual-language childcare and preschool classes that prepare children for Kindergarten and beyond. Provides culturally-relevant home cooked, hot meals and supportive services through bilingual and bicultural family advocates.

Domestic violence: Legal assistance, community outreach, support groups, and case management services for survivors of domestic violence, and sexual assault.

Licensed behavioral health: Mental health counseling, consultation, support groups, and case management in clients' native languages.

Youth program: Support of academic excellence, including tutoring, for children and youth in first through 12th grades, and age-appropriate leadership development, college preparation, and job skills trainings.

Housing and homeless prevention: Emergency help, including rental and utility assistance and case management for refugees and immigrants who are victims of domestic violence, homeless, or at risk of homelessness.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community Education: Host events and participate in community forums to: educate the community on issues that are important to our clients; defend and safeguard client rights; and have client views and wishes considered when decisions are being made about their lives.

Adoption of new accounting pronouncements

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Analysis of various provisions of this standard resulted in no significant changes in the way ReWA recognizes revenue and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. REWA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with our implementation of ASU 2018-08.

Basis of presentation

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. 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.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions are subject to expenditure for specific purposes as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Homelessness prevention	\$ 2,392,423	\$ 2,500,000
Capital campaign - MLK Expansion	-	939,509
Family empowerment - Work First	66,928	70,000
Family empowerment - Census 2020	20,000	-
Family empowerment - Road to Self-Sufficiency	27,719	-
Family empowerment - Naturalization & Immigration, Voter Registration	24,811	-
Youth programs	182,797	64,598
ESL classes - Kent expansion	4,801	33,000
Early Learning Centers	5,714	-
Behavioral health electronic records system	-	45,962
Domestic violence	18,000	5,000
	<u>\$ 2,743,193</u>	<u>\$ 3,658,069</u>

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short term investments in highly liquid instruments, such as certificates of deposit, purchased with an original maturity of three months or less. ReWA maintains certain cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. ReWA has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activity as increases or decreases in activity without donor restrictions, unless their use is restricted by explicit donor stipulation. Investments consists of nonnegotiable certificates of deposit placed directly with financial institutions, generally subject to penalty for early redemption, with original maturities greater than 90 days.

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period the promise is received.

Conditional promises to give, that is, those with measurable performance or other barriers, are recognized when they become unconditional, that is when the conditions on which they depend are substantially met. Effective January 1, 2019, ReWA implemented ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, whereby public grants and contracts were accounted for as conditional promises to give. Prior to January 1, 2019, ReWA accounted for most government grants and contracts as exchange transactions, the prevalent practice prior to this ASU. A modified prospective basis was adopted for agreements that either were not completed as of January 1, 2019 or entered into after January 1, 2019.

For the year ended December 31, 2019, conditions were met and ReWA recognized revenue of \$400,000 related to conditional promises to give, which is included in Contributions in the Statement of Activity. For the year ended December 31, 2018, there were no conditional promises to give recognized as revenue.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2019, conditional contributions are as follows:

	Received in <u>advance</u>	Committed but not <u>received</u>
Conditioned upon incurrence of qualified expenditures	\$ -	\$ 831,836
Conditioned upon provision of allowable services	<u>4,003,372</u>	<u>2,956,041</u>
	<u>\$ 4,003,372</u>	<u>\$ 3,787,877</u>

As of December 31, 2019, funds received from grantors in advance of the conditions being met amounted to \$4,003,372 comprising \$1,733,372 for Seattle Preschool Program, which is included in the Statement of Financial Position as deferred revenue and \$2,270,000 for MLK Child Care Center facility, which is included in the Statement of Financial Position as refundable advances.

Property and equipment

Land, buildings, equipment and leasehold improvements are stated at cost, or if donated, at fair value at date of donation. ReWA's capitalization threshold is \$10,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. ReWA uses the direct expensing method to account for planned major maintenance activities.

Property and equipment consisted of the following as of December 31:

	Estimated <u>Useful Lives</u>	<u>2019</u>	<u>2018</u>
Land		\$ 275,756	\$ 275,756
Building	30 years	9,047,984	2,601,981
Leasehold improvements	Lease term	105,006	267,655
Furniture and equipment	3 - 10 years	<u>357,270</u>	<u>138,041</u>
		9,786,016	3,283,433
Less accumulated depreciation		<u>(1,603,497)</u>	<u>(1,288,280)</u>
		<u>\$ 8,182,519</u>	<u>\$ 1,995,153</u>

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

With the adoption of Topic 606 on January 1, 2019, revenue from an exchange transaction is measured based on the consideration specified in a contract with a customer and recognized when ReWA satisfies a performance obligation by transferring control over a product or service to a customer. The majority of ReWA's services are monthly contractual obligations that are satisfied within the month services are rendered. ReWA determines the transaction price based on contractually agreed-upon rates. Revenue from childcare and behavioral health are recognized monthly for services rendered within the service month. ReWA also receives fees for naturalization and immigration services and for sales of books which are recognized when service is delivered or the book is transferred to the buyer. Proceeds received in advance of services rendered or products transferred are recorded as deferred revenue.

Government contracts and grants and related receivables

A substantial portion of public support is derived from contracts and grants administered by federal, state, and local government agencies. Revenue from these contracts and grants is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2019 and 2018, no significant amounts were disallowed as a result of such examinations. Government contracts and grants receivable are recorded at net realizable value and are considered fully collectible by management.

Donated services and materials

Donated stock is recorded at its fair market value at the time of the donation. Where measureable, gifts in-kind are recorded at their fair market value. In 2019, ReWA received design, photography, and production services valued at \$126,810, to publish a fundraising book, "Recipes for Refuge: Culinary Journeys to America" that is available for sale at major bookstores. During the years ended December 31, 2019 and 2018, ReWA received donated legal services, valued at \$26,196 and \$9,923, respectively. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers provided various services throughout the year to ReWA that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

When functions are shared or costs are intermingled, expenses are allocated on the following basis:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries, Employee Benefits, Payroll taxes	Time and Effort
Occupancy, mortgage interest and depreciation	Square Footage
Telephone, print lease, insurance	Full-time equivalent employees
All Other	Direct cost to program or support activity

Concentration

ReWA receives grants and contracts from city, state, federal and private sources to provide services to clients in King county. Substantially all grants require performance prior to payment. ReWA is dependent upon these grants for continued operations.

During 2018, ReWA received a significant contribution from a donor which represented 23% of total public support and revenue for the year. No significant awards were received in 2019.

Use of estimates

The preparation of financial statements in conformity with 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.

Federal income taxes

The Internal Revenue Service has recognized Refugee Women's Alliance as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Therefore, no provision for federal income taxes has been made in the financial statements.

NOTE B - LIQUIDITY

ReWA operates its financial assets to be available as its general expenditures, liabilities and other obligations come due. Financial assets are defined as those assets available within one year, including cash and cash equivalents, accounts receivable, promises to give, and short-term investments. Financials assets are not subject any contractual restrictions that make them unavailable for general expenditures within one year.

ReWA's goal is to maintain financial assets on hand to meet 100 days of normal operating expenses. As part of its liquidity management, ReWA invests cash in excess of daily requirements in instruments deemed to be liquid and available for sale as needed to meet its financial obligations. During the years ended December 31, 2019 and 2018, the level of financial asset on hand was managed within the policy requirements.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE B - LIQUIDITY (Continued)

The following reflects ReWA's financial assets available for use within one year as of December 31:

	<u>2019</u>	<u>2018</u>
Total financial assets	\$ 6,748,368	\$ 7,095,620
Less: Donor-imposed purpose restrictions	<u>(2,738,392)</u>	<u>(2,639,598)</u>
	<u>\$ 4,009,976</u>	<u>\$ 4,456,022</u>

NOTE C - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2019 and 2018 are:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Certificates of Deposit				
As of December 31, 2019	<u>\$ -</u>	<u>\$ 207,234</u>	<u>\$ -</u>	<u>\$ 207,234</u>
As of December 31, 2018	<u>\$ -</u>	<u>\$ 206,780</u>	<u>\$ -</u>	<u>\$ 206,780</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input. The Agency also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
<i>Credible - Electronic Health Records System</i>		
Note payable with monthly payments of \$1,482, including interest at 3.72%, with the balance due January 2021.	\$ 17,432	\$ -
<i>Wells Fargo</i>		
Note payable to Wells Fargo Bank, collateralized by first deed of trust on real property owned by ReWA with a recorded cost of \$8,697,097. Interest-only payments were made beginning February 1, 2018 through January 1, 2020. Monthly payments of \$14,598, including interest at 3.19%, beginning February 2020. The loan matures on December 2047, with an initial term/mandatory purchase date of January 2028. ReWA may prepay up to 20% of the outstanding balance of the note each year without penalty.	3,000,000	3,000,000

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE D - LONG-TERM DEBT (Continued)

<i>KeyBank</i>	<u>2019</u>	<u>2018</u>
Mortgage payable to KeyBank, collateralized by first deed of trust on real property owned by ReWA with a recorded cost of \$626,643. Monthly payments are \$2,641, including interest at 4.10%, with the balance due July 2019.	-	437,096
Total	3,017,432	3,437,096
Less: unamortized loan issuance costs	(116,422)	(121,382)
Less: current portion	(89,928)	(437,096)
	<u>\$ 2,811,082</u>	<u>\$ 2,878,618</u>

Principal payments of notes payable for the years ending December 31 are:

2020	\$ 89,928
2021	81,696
2022	84,377
2023	87,147
2024	89,767
Thereafter	<u>2,584,517</u>
	<u>\$ 3,017,432</u>

NOTE E - REFUNDABLE ADVANCES

The construction of the MLK Child Care Center facility was partially financed with a refundable grant from the City of Seattle Human Services Department. The grant award was for \$800,000, of which \$720,000 was received during 2018 and the remaining \$80,000 was received in 2019. The advance is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in June 2039. The advance is forgivable (one-twentieth each year), provided the property continues to be used for the stated purpose. ReWA fully intends to comply.

The construction of the MLK Child Care Center facility was partially financed with a refundable grant from the City of Seattle Department of Early Learning. The grant award is for \$500,000, of which \$175,000 was received during 2018, with the final \$225,000 received in 2019. The advance is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in June 2029. The advance is forgivable (one-tenth each year), provided the property continues to be used for the stated purpose. ReWA fully intends to comply.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE E - REFUNDABLE ADVANCES (Continued)

Construction of the MLK Child Care Center facility was partially financed with a refundable grant from the Washington State Department of Commerce. The grant totaling \$970,000 closed in October 2018, and funds were received in 2019. The loan is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in March 2029. In the event the property is sold or used for an unauthorized purpose, the advance is subject to interest at 5% of the outstanding balance per year from the date of non-compliance. The advance is forgivable upon maturity, provided the property continues to be used for the stated purpose. ReWA fully intends to comply.

Scheduled forgiveness of refundable advances for the years ending December 31 are:

2020	\$ 90,000
2021	90,000
2022	90,000
2023	90,000
2024	90,000
Thereafter	<u>1,820,000</u>
	<u>\$2,270,000</u>

NOTE F - SEATTLE PRESCHOOL PROGRAM

In 2018, the City of Seattle entered into a tri-party agreement with ReWA and a developer to enable construction of a Seattle Preschool Program facility in Lake City to be operated by ReWA. ReWA entered into a 15-year lease agreement with the developer and in return, the City of Seattle agreed to pay the developer, on behalf of ReWA, the base rent due for the initial 15-year term of the lease in one lump sum of \$1,850,000. The proceeds paid by City of Seattle on behalf of ReWA are recorded as deferred revenue with grant revenue recognized based on the rental payments outlined in the lease agreement annually over the 15-year term of the lease. As of December 31, 2019, ReWA recognized \$1,733,372 as deferred revenue. During 2019, ReWA recognized \$100,038 in related grant revenue.

ReWA entered into a 15-year lease agreement for the Seattle Preschool Program site in Lake City effective October 2018. The terms of the lease stipulate an initial base rent payment that increases annually by 3%. Upon initial occupancy, ReWA was required to prepay the sum of \$1,850,000 which constituted prepayment of base rent for the initial fifteen year term. ReWA reported the amount paid in advance as a prepaid expense and recognizes the occupancy expense on a straight-line basis over the term of the lease. As of December 31, 2019, ReWA's prepaid rent expense totaled \$1,706,111. During 2019, ReWA recognized \$123,414 as rent expense, which is included in the total rent expense figure in Note G.

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE G - OPERATING LEASES

ReWA is committed under leases for space for various program locations. Rent expense totaled \$547,382 and \$404,198 for the years ended December 31, 2019 and 2018, respectively. Future minimum rent payments required, including lease modifications subsequent to year-end, are as follows:

2020	384,156
2021	389,524
2022	400,384
2023	342,133
2024	245,693
Thereafter	<u>478,358</u>
Total	<u>\$2,240,248</u>

ReWA leases printers from others. Leased property having elements of ownership is recorded as capital leases in the statement of financial position. The related obligations, in amounts equal to the present value of the minimum lease payments payable during the remaining term of the leases, are recorded as long-term debt. Leased property not having elements of ownership is classified as an operating lease. Total expenses on such leases totaled \$ 3,768 and \$15,244 for the fiscal year ended December 31, 2019 and 2018, respectively.

NOTE H - CAPITAL LEASES

In February 2019, REWA entered into a non-cancelable capital lease for copiers and printers with Konica Minolta Business Solutions that expires in February 2024. The present value of the payments totaled \$63,662, with monthly payments of \$2,455, including \$1,404 monthly maintenance fee and interest at 3.44%. The copier has an accumulated depreciation as of December 31, 2019 of \$10,610. Future minimum payments under this lease for the years ending December 31 are as follows:

2020	\$ 29,460
2021	29,460
2022	29,460
2023	29,460
2024	<u>4,910</u>
Total	122,750
Less: amounts for interest	<u>(4,024)</u>
	118,726
Less: current portion	<u>(12,218)</u>
	<u>\$ 106,508</u>

REFUGEE WOMENS ALLIANCE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE I - COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT AND LIEN

ReWA previously received a Federal Community Development Block Grant from the City of Seattle in the amount of \$578,522. This grant required ReWA to continue to maintain and operate a community facility at its main office until 2018. ReWA complied with the terms of the restriction that expired in 2018. The proceeds received have been shown as net assets released from restriction in 2018.

NOTE J - RETIREMENT PLAN

ReWA sponsors a 403(b) defined contribution plan (the Plan), as defined by the Internal Revenue Code. Employees are eligible to make tax-deferred contributions upon enrollment into the Plan. The Board of Directors, at its discretion, can prospectively modify the Plan, including contribution levels, at any time or terminate the plan entirely. No employer contributions were made during the years ended December 31, 2019 or 2018.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2019 through June 29, 2020, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2019, including the estimates inherent in the processing of financial statements.

During 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on ReWA's operations and financial position. Any financial impact to ReWA cannot be reasonably estimated at this time.

On April 27, 2020, ReWA received \$1,167,200 from the Small Business Administration's ("SBA") Payroll Protection Program ("PPP"). The PPP loan is designed to provide a direct incentive for small businesses, including non-profits, to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll costs (at least 75% of forgivable amount), interest on mortgages, rent and utilities. Loan payments are deferred for six months. The forgivable amount will be reduced if full-time headcount declines, or if salaries and wages decrease, or if eligible expenses are less than the loan amount. No collateral or personal guarantees are required. This loan has a maturity of 2 years and an interest rate of 1%.