

# **Spokane Valley Partners**

Financial Statements and  
Independent Auditors' Report

December 31, 2021 and 2020



**DINGUS | ZARECOR & ASSOCIATES** PLLC  
Certified Public Accountants

**Spokane Valley Partners**  
**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| <i>INDEPENDENT AUDITORS' REPORT</i>  | 1-2         |
| <i>FINANCIAL STATEMENTS:</i>   |             |
| Statements of financial position   | 3           |
| Statement of activities and changes in net assets – year ended December 31, 2021 | 4           |
| Statement of activities and changes in net assets – year ended December 31, 2020 | 5           |
| Statements of functional expenses  | 6           |
| Statements of cash flows   | 7-8         |
| Notes to financial statements  | 9-15        |



DINGUS | ZARECOR & ASSOCIATES PLLC  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Spokane Valley Partners  
Spokane Valley, Washington

### **Opinion**

We have audited the accompanying financial statements of Spokane Valley Partners (the Organization) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, 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 the Organization, as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAS).

### **Basis for Opinion**

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, 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.

### **Other Matters**

The financial statements of Spokane Valley Partners as of December 31, 2020, were audited by Anastasi Moore Martin PLLC, whose report dated November 17, 2021, expressed an unmodified opinion on those statements.

### **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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 GAAS 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, including omissions, 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 GAAS, 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 the Organization'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 the Organization'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.

*Dingus, Zarecor & Associates PLLC*

Spokane Valley, Washington  
September 22, 2022

**Spokane Valley Partners**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

| <b>ASSETS</b>                                | <b>2021</b>         | <b>2020</b>         |
|--|---------------------|---------------------|
| <i>Current assets</i>                        |                     |                     |
| Cash and cash equivalents                    | \$ 505,172          | \$ 514,235          |
| Grants receivable                            | 34,674              | 19,689              |
| Investments                                  | 113,432             | 11,127              |
| Inventories                                  | 323,419             | 124,240             |
| Prepaid expenses                             | 9,730               | 9,379               |
| Protective payee deposits                    | 315,105             | 162,111             |
| Total current assets                         | <b>1,301,532</b>    | 840,781             |
| <i>Noncurrent assets</i>                     |                     |                     |
| Property and equipment, net                  | 1,876,390           | 1,977,468           |
| Beneficial interest in Innovia Foundation    | 37,276              | 32,315              |
| Total noncurrent assets                      | <b>1,913,666</b>    | 2,009,783           |
| <b>Total assets</b>                          | <b>\$ 3,215,198</b> | <b>\$ 2,850,564</b> |
| <b>LIABILITIES AND NET ASSETS</b>            |                     |                     |
| <i>Current liabilities</i>                   |                     |                     |
| Accounts payable                             | \$ 6,053            | \$ 1,173            |
| Accrued compensation and related liabilities | 32,470              | 27,387              |
| Current portion of capital lease obligation  | 1,390               | 1,082               |
| Protective payee deposits                    | 315,105             | 162,111             |
| Total current liabilities                    | <b>355,018</b>      | 191,753             |
| <i>Noncurrent liabilities</i>                |                     |                     |
| Capital lease obligation                     | 133                 | 1,531               |
| Paycheck Protection Program loan             | -                   | 68,300              |
| Total noncurrent liabilities                 | <b>133</b>          | 69,831              |
| <b>Total liabilities</b>                     | <b>355,151</b>      | 261,584             |
| <i>Net assets</i>                            |                     |                     |
| Without donor restrictions                   | 2,720,343           | 2,516,284           |
| With donor restrictions                      | 139,704             | 72,696              |
| Total net assets                             | <b>2,860,047</b>    | 2,588,980           |
| <b>Total liabilities and net assets</b>      | <b>\$ 3,215,198</b> | <b>\$ 2,850,564</b> |

See accompanying notes to financial statements.

**Spokane Valley Partners**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2021**

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>2021<br/>Total</b> |
|--|---|--|-----------------------|
| <i>Revenues, gains, and other support</i>                      |   |  |                       |
| Grants revenue   | \$ 46,244                                 | \$ 435,638                             | \$ 481,882            |
| Contributions  | 513,917                                   | 63,372                                 | 577,289               |
| In-kind contributions  | 2,039,281                                 | -                                      | 2,039,281             |
| Protective payee fees  | 78,629                                    | -                                      | 78,629                |
| Rental revenue   | 22,867                                    | -                                      | 22,867                |
| Investment income  | 5,964                                     | -                                      | 5,964                 |
| Other revenue  | 3,443                                     | 800                                    | 4,243                 |
| Total revenues, gains, and other support                       | 2,710,345                                 | 499,810                                | 3,210,155             |
| <i>Net assets released from restrictions</i>                   | 432,802                                   | (432,802)                              | -                     |
| <i>Expenses</i>  |   |  |                       |
| Program services   | 2,718,237                                 | -                                      | 2,718,237             |
| Management and general   | 195,502                                   | -                                      | 195,502               |
| Fundraising  | 93,649                                    | -                                      | 93,649                |
| Total expenses   | 3,007,388                                 | -                                      | 3,007,388             |
| Operating income   | 135,759                                   | 67,008                                 | 202,767               |
| <i>Gain on forgiveness of Paycheck Protection Program loan</i> | 68,300                                    | -                                      | 68,300                |
| <i>Change in net assets</i>                                    | 204,059                                   | 67,008                                 | 271,067               |
| <i>Net assets, beginning of year</i>                           | 2,516,284                                 | 72,696                                 | 2,588,980             |
| <b>Net assets, end of year</b>                                 | <b>\$ 2,720,343</b>                       | <b>\$ 139,704</b>                      | <b>\$ 2,860,047</b>   |

*See accompanying notes to financial statements.*

**Spokane Valley Partners**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2020**

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>2020<br/>Total</b> |
|--|---|--|-----------------------|
| <i>Revenues, gains, and other support</i>    |   |  |                       |
| Grants revenue                               | \$ 182,300                                | \$ 559,219                             | \$ 741,519            |
| Contributions                                | 578,929                                   | 34,500                                 | 613,429               |
| In-kind contributions                        | 2,729,903                                 | -                                      | 2,729,903             |
| Protective payee fees                        | 68,903                                    | 2,520                                  | 71,423                |
| Rental revenue                               | 27,430                                    | -                                      | 27,430                |
| Investment income                            | 2,138                                     | -                                      | 2,138                 |
| Other revenue                                | 2,370                                     | -                                      | 2,370                 |
| Total revenues, gains, and other support     | 3,591,973                                 | 596,239                                | 4,188,212             |
| <i>Net assets released from restrictions</i> | 587,403                                   | (587,403)                              | -                     |
| <i>Expenses</i>                              |   |  |                       |
| Program services                             | 3,565,729                                 | -                                      | 3,565,729             |
| Management and general                       | 146,952                                   | -                                      | 146,952               |
| Fundraising                                  | 63,744                                    | -                                      | 63,744                |
| Total expenses                               | 3,776,425                                 | -                                      | 3,776,425             |
| <i>Change in net assets</i>                  | 402,951                                   | 8,836                                  | 411,787               |
| <i>Net assets, beginning of year</i>         | 2,113,333                                 | 63,860                                 | 2,177,193             |
| <b>Net assets, end of year</b>               | <b>\$ 2,516,284</b>                       | <b>\$ 72,696</b>                       | <b>\$ 2,588,980</b>   |

*See accompanying notes to financial statements.*

**Spokane Valley Partners**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

| <b>2021</b>                         |                             |                                   |                    |                     |  |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|--|
|                                     | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>        |  |
| Food                                | \$ 1,956,361                | \$ -                              | \$ -               | \$ 1,956,361        |  |
| Clothing                            | 106,124                     | -                                 | -                  | 106,124             |  |
| Diaper bank                         | 26,676                      | -                                 | -                  | 26,676              |  |
| Salaries                            | 273,591                     | 104,222                           | 56,455             | 434,268             |  |
| Depreciation and amortization       | 107,123                     | 5,951                             | 5,952              | 119,026             |  |
| Emergency assistance                | 66,072                      | -                                 | -                  | 66,072              |  |
| Repairs and maintenance             | 50,677                      | 8,902                             | 8,904              | 68,483              |  |
| Payroll taxes and employee benefits | 43,186                      | 16,452                            | 8,912              | 68,550              |  |
| Other                               | 21,230                      | 14,513                            | 3,837              | 39,580              |  |
| Utilities and telephone             | 29,311                      | 4,628                             | 4,627              | 38,566              |  |
| Professional fees                   | -                           | 27,795                            | -                  | 27,795              |  |
| Insurance                           | 14,542                      | 3,635                             | -                  | 18,177              |  |
| Protective payee                    | 10,224                      | -                                 | -                  | 10,224              |  |
| Other supplies                      | 8,680                       | 221                               | 221                | 9,122               |  |
| Dues and subscriptions              | 4,440                       | 4,724                             | 283                | 9,447               |  |
| Networking and publicity            | -                           | 4,459                             | 4,458              | 8,917               |  |
| <b>Total</b>                        | <b>\$ 2,718,237</b>         | <b>\$ 195,502</b>                 | <b>\$ 93,649</b>   | <b>\$ 3,007,388</b> |  |

| <b>2020</b>                         |                             |                                   |                    |                     |  |
|-------------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|--|
|                                     | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total</b>        |  |
| Food                                | \$ 2,858,414                | \$ -                              | \$ -               | \$ 2,858,414        |  |
| Diaper bank                         | 15,769                      | -                                 | -                  | 15,769              |  |
| Clothing                            | 166,236                     | -                                 | -                  | 166,236             |  |
| Salaries                            | 250,482                     | 72,603                            | 40,106             | 363,191             |  |
| Depreciation and amortization       | 81,132                      | 4,507                             | 4,507              | 90,146              |  |
| Emergency assistance                | 52,595                      | -                                 | -                  | 52,595              |  |
| Other                               | 1,995                       | 639                               | 27                 | 2,661               |  |
| Utilities and telephone             | 21,194                      | 3,346                             | 3,346              | 27,886              |  |
| Professional fees                   | -                           | 33,956                            | -                  | 33,956              |  |
| Repairs and maintenance             | 27,185                      | 4,776                             | 4,776              | 36,737              |  |
| Payroll taxes and employee benefits | 43,898                      | 12,724                            | 6,999              | 63,621              |  |
| Other supplies                      | 18,448                      | -                                 | -                  | 18,448              |  |
| Insurance                           | 11,538                      | 2,884                             | -                  | 14,422              |  |
| Janitorial                          | 6,642                       | 1,563                             | 1,563              | 9,768               |  |
| Dues and subscriptions              | 5,480                       | 5,830                             | 350                | 11,660              |  |
| Postage                             | 1,780                       | 570                               | 23                 | 2,373               |  |
| Networking and publicity            | -                           | 1,786                             | 1,786              | 3,572               |  |
| Security                            | 890                         | 154                               | 142                | 1,186               |  |
| Interest                            | -                           | 993                               | -                  | 993                 |  |
| Property taxes                      | 417                         | 98                                | 98                 | 613                 |  |
| Printing                            | 1,634                       | 523                               | 21                 | 2,178               |  |
| <b>Total</b>                        | <b>\$ 3,565,729</b>         | <b>\$ 146,952</b>                 | <b>\$ 63,744</b>   | <b>\$ 3,776,425</b> |  |

*See accompanying notes to financial statements.*



**Spokane Valley Partners**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> |                   |                   |
| <i>Cash flows from operating activities</i>             |                   |                   |
| Cash received from contributions                        | \$ 512,189        | \$ 286,163        |
| Cash received from grants                               | 482,117           | 741,519           |
| Cash received from rent income                          | 22,867            | 27,430            |
| Cash received from protective payee fees                | 78,629            | 71,423            |
| Cash received from other revenue                        | 5,246             | 3,493             |
| Cash paid to or on behalf of employees                  | (429,188)         | (356,929)         |
| Cash paid to suppliers and others                       | (406,586)         | (279,085)         |
| Net cash provided by operating activities               | 265,274           | 494,014           |
| <i>Cash flows from investing activities</i>             |                   |                   |
| Purchase of property and equipment                      | (17,948)          | (131,478)         |
| Purchase of investments                                 | (102,305)         | (11,027)          |
| Net cash used in investing activities                   | (120,253)         | (142,505)         |
| <i>Cash flows from financing activities</i>             |                   |                   |
| Cash received from Paycheck Protection Program loan     | -                 | 68,300            |
| Payments on capital lease obligation                    | (1,090)           | (644)             |
| Net cash provided by (used in) financing activities     | (1,090)           | 67,656            |
| Net increase in cash and cash equivalents               | 143,931           | 419,165           |
| Cash and cash equivalents, beginning of year            | 676,346           | 257,181           |
| <b>Cash and cash equivalents, end of year</b>           | <b>\$ 820,277</b> | <b>\$ 676,346</b> |

*See accompanying notes to financial statements.*

**Spokane Valley Partners**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2021 and 2020**

|   | 2021              | 2020              |
|---|-------------------|-------------------|
| <b><i>Reconciliation of Cash and Cash Equivalents<br/>to the Statement of Financial Position</i></b>  |                   |                   |
| Cash and cash equivalents   | \$ 505,172        | \$ 514,235        |
| Cash and cash equivalents restricted for protective payee payments                                    | 315,105           | 162,111           |
| <b>Total cash and cash equivalents</b>  | <b>\$ 820,277</b> | <b>\$ 676,346</b> |
| <b><i>Reconciliation of Change in Net Assets to Net Cash<br/>Provided by Operating Activities</i></b> |                   |                   |
| Change in net assets  | \$ 271,067        | \$ 411,787        |
| <i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>     |                   |                   |
| Depreciation and amortization   | 119,026           | 90,146            |
| Gain in beneficial interest in Innovia Foundation   | (4,961)           | (1,015)           |
| Gain on forgiveness of Paycheck Protection Program loan   | (68,300)          | -                 |
| (Increase) decrease in assets:  |                   |                   |
| Grants receivable   | (14,985)          | (16,749)          |
| Inventories   | (199,179)         | (19,637)          |
| Prepaid expenses  | (351)             | (2,677)           |
| Increase (decrease) in liabilities:   |                   |                   |
| Accounts payable  | 4,880             | (18,394)          |
| Accrued compensation and related liabilities  | 5,083             | 6,088             |
| Protective payee deposits   | 152,994           | 44,465            |
| <b>Net cash provided by operating activities</b>  | <b>\$ 265,274</b> | <b>\$ 494,014</b> |

*See accompanying notes to financial statements.*

**Spokane Valley Partners**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2021 and 2020**

**1. Organization and Summary of Significant Accounting Policies:**

**a. Organization**

Spokane Valley Partners (the Organization) is a not-for-profit organization located in Spokane Valley, Washington. The Organization's mission is to prevent hunger and poverty alongside great community partners. The Organization's primary operations include a comprehensive array of social and emergency services including a food bank, clothing bank, diaper bank, emergency assistance programs, life skills cooking/nutrition classes, and seasonal programs. The Organization is primarily supported by donations, fundraising events, and grants.

**b. Summary of Significant Accounting Policies**

**Financial statement presentation** – The financial statements of the Organization are presented on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Actual results could differ from those estimates.

**Cash and cash equivalents** – For purposes of reporting cash flows, the Organization considers highly liquid investments, if any, purchased with an original maturity of three months or less to be cash equivalents.

**Protective payee deposits** – The Organization operates as a fiscal agent to collect Social Security funds, Social Security Disability Insurance funds, and the Department of Social and Health Services funds on behalf of specified individuals identified as needing a protective payee. The Organization remits payments for those individuals for specific expenses such as rent, utilities, medicine, and other. The Organization is required to maintain separate bank accounts for these transactions.

**Emergency assistance** – The Organization has developed working relationships with several local utility companies to provide resources to individuals and families needing assistance in meeting household utility expenses. Avista, Modern Electric Water Company, and Vera Water and Power provide funding to the Organization in the form of specific use grants. These grants are treated as with donor restrictions at the time the funds are received and released from donor restrictions at the time of expenditure.

**Property and equipment** - The Organization's property and equipment are reported at cost. It is the Organization's policy to capitalize property and equipment with a basis greater than \$5,000 and an estimated useful life of one or more years; lesser amounts are expensed. Contributed items are recorded at fair value at the date of contribution. Depreciation has been computed on the straight-line method over the assets' useful lives as follows:

|           |               |
|-----------|---------------|
| Buildings | 7 to 39 years |
| Equipment | 3 to 7 years  |

**Spokane Valley Partners**  
**Notes to the Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**1. Organization and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

**Investments** – The Organization accounts for investments in accordance with the provisions of Accounting Standards Codification (ASC) 958-320, *Not-for-Profit Entities – Investments*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities and changes in net assets.

The Organization is the designated beneficiary of an endowment fund held at the Innovia Foundation (Innovia). The donors of the endowment fund granted variance power to Innovia. Variance power gives Innovia complete control and ownership of the asset. The Organization has also chosen to invest its own dollars in the endowment fund, which are Innovia Agency funds. In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, only the portion of the endowment in which Innovia has variance power is included as an asset in the Innovia statements of financial position and the portion of the endowment in which it acts as agent is included in the Organization's statements of financial position. Innovia held additional assets with fair value of \$53,689 and \$46,544 at December 31, 2021 and 2020, respectively, that were directly contributed to Innovia by third parties. In accordance with Innovia policy, 100 percent of the earnings on the endowment fund held at Innovia are paid to the Organization.

**Net assets with donor restrictions and net assets without donor restrictions** – Net assets with donor restrictions are those whose use by the Organization have been restricted by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

**Contributed services and support** – Contributed services are recognized only if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated values of donated supplies have been recorded as revenues and expenses in the financial statements. Those services not requiring specialized skills or which the Organization would not have purchased, had they not been donated, have not been recorded as revenues and expenses in the financial statements.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in performing its program services throughout the year, but these services do not meet the criteria for recognition as contributed services.

**Spokane Valley Partners**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**1. Organization and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

***In-kind donations*** – The Organization receives in-kind donations that consist primarily of donated food, clothing, and diapers. These items are provided to the Organization’s food, clothing, and diaper banks and are used to support these programs. Gifts in-kind revenue is recognized in circumstances in which the Organization has sufficient discretion over the use and disposition of the items to recognize a contribution in conformity with ASC 958-605. Accordingly, the recognition of gifts in-kind revenue is limited to circumstances in which the Organization takes constructive possession of the gifts in-kind and the Organization is the recipient of the gift, rather than an agent or intermediary. Gifts in-kind received through donations are valued and recorded as revenue at their fair value. For the years ended December 31, 2021 and 2020, donated food was valued and recorded at \$1.79 per pound received, and donated diapers were valued and recorded at \$0.38 each. For the years ended December 31, 2021 and 2020, donated clothing was valued and recorded at \$2.50 per pound received.

In circumstances in which the Organization functions as an agent or intermediary with respect to the gifts in-kind, the Organization reports an asset and corresponding liability measured at the fair value at the earlier of the time the goods are promised or received from the resource provider, and until the Organization remits the gifts in-kind to the ultimate beneficiary. In circumstances in which the Organization distributes gifts in-kind as part of its own programs, it reports an expense, which is reported in the functional classification for the program in which the gifts in-kind were used. While it is the Organization’s policy to distribute gifts in-kind as promptly as possible, the Organization may hold some gifts in-kind at year end. Undistributed gifts in-kind at year end are reported as inventory, which is valued at the lower of cost or net realizable value. Cost is determined as fair value at the date gift plus any costs incurred.

***Credit risk*** – The Organization maintains its cash balance with a local bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The bank deposits may exceed FDIC coverage at times. The Organization has not experienced any losses on such accounts and management does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

***Income tax status*** – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income, if any, from activities unrelated to the Organization’s exempt purpose. The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2021 and 2020, the Organization had no uncertain tax positions requiring accrual.

***Inventories*** – Inventory consists of donated and purchased food, clothing, and diapers. Purchased food and diapers are stated at cost, and donated food, clothing, and diapers are stated at lower of cost or net realizable value.

**Spokane Valley Partners**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**1. Organization and Summary of Significant Accounting Policies (continued):**

**b. Summary of Significant Accounting Policies (continued)**

*Functional expenses* – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and wages and payroll tax expense were allocated using estimated time spent; depreciation and amortization, repairs and maintenance, office, and utilities were allocated using square footage; and remaining expenses were allocated using estimated costs expended.

*Reclassifications* – Certain amounts in the 2020 financial statements have been reclassified for comparative purposes to conform with the 2021 presentation with no effect on previously reported changes in net assets.

*Subsequent events* – Subsequent events were evaluated through September 22, 2022, which is the date the financial statements were available to be issued.

**2. Liquidity and Availability of Financial Assets:**

The Organization has financial assets available within one year of the statements of financial position dates for general expenditures consisting of the following:

|   | <b>2021</b>       | <b>2020</b>       |
|---|-------------------|-------------------|
| Current financial assets  | \$ 1,301,532      | \$ 840,781        |
| Less:   |                   |                   |
| Those unavailable for general expenditures within<br>one year, due to donor-imposed restrictions  | <b>(648,254)</b>  | (295,730)         |
| Inventories   | <b>(323,419)</b>  | (124,240)         |
| <b>Financial assets available to meet cash needs for<br/>general expenditures within one year</b> | <b>\$ 329,859</b> | <b>\$ 420,811</b> |

As a part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**3. Fair Value Measurements:**

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

**Spokane Valley Partners**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**3. Fair Value Measurements (continued):**

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

- **Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- **Level 2** – Quoted prices in inactive markets for identical assets or liabilities, quoted prices for similar assets or liabilities in active markets, or other observable inputs either directly related to the asset or liability or derived principally from corroborated observable market data. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- **Level 3** – Unobservable inputs due to the fact that there is little or no market activity. This entails using assumptions in models of the fair value hierarchy.

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

Following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2021.

- **Level 1** – Common stock is valued at the closing prices reported on the active market on which the individual securities are traded.
- **Level 2** – Certificates of deposit are valued using quoted market prices.
- **Level 3** – The beneficial interest in the Innovia Foundation is valued as reported by the organization holding the endowment fund. The pooled assets consist of a variety of mutual funds, real estate, alternative investments, fixed income, and real return strategies. Significant assumptions used in determining the fair value of this investment are credit rates, ability to pay, and other factors.

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

**Spokane Valley Partners**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**3. Fair Value Measurements (continued):**

The following table disclose by level, within the fair value hierarchy, the Organization's assets measured and reported on the statement of financial position as of December 31, 2021, at fair value on a recurring basis:

|   | Level 1          | Level 2           | Level 3          | Total             |
|---|------------------|-------------------|------------------|-------------------|
| Common stock                              | \$ 13,120        | \$ -              | \$ -             | \$ 13,120         |
| Certificates of deposit                   | -                | 100,312           | -                | 100,312           |
| Beneficial interest in Innovia Foundation | -                | -                 | 37,276           | 37,276            |
|   | <b>\$ 13,120</b> | <b>\$ 100,312</b> | <b>\$ 37,276</b> | <b>\$ 150,708</b> |

The following table discloses by level, within the fair value hierarchy, the Organization's assets measured and reported on the statement of financial position as of December 31, 2020, at fair value on a recurring basis:

|   | Level 1          | Level 2     | Level 3          | Total            |
|---|------------------|-------------|------------------|------------------|
| Common stock                              | \$ 11,127        | \$ -        | \$ -             | \$ 11,127        |
| Beneficial interest in Innovia Foundation | -                | -           | 32,315           | 32,315           |
|   | <b>\$ 11,127</b> | <b>\$ -</b> | <b>\$ 32,315</b> | <b>\$ 43,442</b> |

The following table sets forth a summary of changes in fair value of the Organization's Level 3 assets:

|   | 2021             | 2020             |
|---|------------------|------------------|
| Balance, beginning of year                    | \$ 32,315        | \$ 31,300        |
| Realized and unrealized gain, net of expenses | 4,961            | 1,015            |
| Balance, end of year                          | <b>\$ 37,276</b> | <b>\$ 32,315</b> |

**4. Property and Equipment:**

|                                    | 2021                | 2020                |
|------------------------------------|---------------------|---------------------|
| Buildings                          | \$ 3,020,110        | \$ 3,020,110        |
| Equipment                          | 240,797             | 222,848             |
|                                    | <b>3,260,907</b>    | <b>3,242,958</b>    |
| Less accumulated depreciation      | (1,384,517)         | (1,265,490)         |
| <b>Property and equipment, net</b> | <b>\$ 1,876,390</b> | <b>\$ 1,977,468</b> |



**Spokane Valley Partners**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2021 and 2020**

**5. Capital Lease Obligation:**

The Organization had one capital lease during the year ended December 31, 2021, for a Canon copier machine. Lease payments are \$136 due monthly including interest at 17.99 percent, maturing January 2023.

**6. Net Assets:**

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

|  | <b>2021</b>       | <b>2020</b>      |
|--|-------------------|------------------|
| <i>Restricted by purpose:</i>                    |                   |                  |
| Emergency assistance                             | \$ 118,320        | \$ 71,324        |
| Community development block grant                | -                 | 1,372            |
| County CARES community assistance                | <b>21,384</b>     | -                |
| <b>Total net assets, with donor restrictions</b> | <b>\$ 139,704</b> | <b>\$ 72,696</b> |

**7. In-kind Contributions:**

In-kind contributions consisted of the following:

|                                   | <b>2021</b>         | <b>2020</b>         |
|-----------------------------------|---------------------|---------------------|
| Food                              | \$ 1,889,739        | \$ 2,645,940        |
| Clothing                          | <b>87,004</b>       | 78,584              |
| Diapers                           | <b>38,745</b>       | 4,927               |
| Other                             | <b>23,793</b>       | 452                 |
| <b>Total in-kind contribution</b> | <b>\$ 2,039,281</b> | <b>\$ 2,729,903</b> |

**8. Paycheck Protection Program Loan (PPP):**

In April 2020, the Organization received a Paycheck Protection Program (PPP) loan as part of the CARES Act. The Organization was approved for PPP loan forgiveness in June 2021. The loan forgiveness is recorded as gain on forgiveness of Paycheck Protection Program loan in the statements of activities and changes in net assets.