REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

# NORTHWEST CENTER

December 31, 2018 and 2017

MOSSADAMS

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# Report of Independent Auditors

To the Board of Directors
Northwest Center

## Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northwest Center, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Center as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of a Matter*

Northwest Center adopted Accounting Standards Update (ASU) 2016-14, Presenting Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and methods used to allocate expenses. The adoption of this standard resulted in additional footnote disclosures and changes to the disclosures related to net assets. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Seattle, Washington
March 29, 2019

### ASSETS

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | $ 3,640,720 | $ 3,736,595 |
| Accounts receivable, net | 8,226,057 | 7,947,855 |
| Pledges receivable | 7,060 | 29,180 |
| Inventory, net | 400,144 | 459,515 |
| Other current assets | 666,363 | 678,502 |
| Total current assets | 12,940,344 | 12,851,647 |
| INVESTMENTS | 10,513,093 | 10,766,416 |
| PROPERTY AND EQUIPMENT, net | 2,620,857 | 3,247,514 |
| Total assets | $ 26,074,294 | $ 26,865,577 |

### LIABILITIES AND NET ASSETS

| | 2018 | 2017 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 869,395 | $ 1,031,016 |
| Accrued expenses | 2,327,600 | 2,403,015 |
| Deferred revenue | 43,738 | 95,069 |
| Current portion of deferred gain on disposal of property | 174,473 | 174,474 |
| Current portion of long-term debt | 417,384 | 405,184 |
| Total current liabilities | 3,832,590 | 4,108,758 |
| LONG-TERM LIABILITIES | | |
| Long-term debt, less current portion | 141,902 | 559,286 |
| Deferred gain on disposal of property, less current portion | 1,017,760 | 1,192,233 |
| Total long-term liabilities | 1,159,662 | 1,751,519 |
| Total liabilities | 4,992,252 | 5,860,277 |
| NET ASSETS | | |
| Without Donor restrictions | 18,062,042 | 17,858,120 |
| Board-designated reserve fund | 3,000,000 | 3,000,000 |
| Total without Donor restrictions | 21,062,042 | 20,858,120 |
| Total with Donor restrictions | 20,000 | 147,180 |
| Total net assets | 21,082,042 | 21,005,300 |
| Total liabilities and net assets | $ 26,074,294 | $ 26,865,577 |

See accompanying notes.

## Northwest Center
### Consolidated Statements of Activities

| | Years Ended December 31, 2018 | 2017 |
|---|---|---|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Revenues | | |
| Contract revenue | $ 38,833,440 | $ 34,981,737 |
| Sale of donated merchandise | 6,488,874 | 6,376,268 |
| Government fees for services | 6,872,461 | 5,659,168 |
| Tuition | 2,021,586 | 1,989,748 |
| Contributions | 680,370 | 812,040 |
| Recycling and other | 301,164 | 264,801 |
| Net assets released from donor restrictions | 147,180 | 297,834 |
| Total revenues | 55,345,075 | 50,381,596 |
| Expenses | | |
| Program services | | |
| Social Enterprises | 32,713,368 | 29,377,941 |
| Donated merchandise program | 5,043,216 | 4,706,895 |
| Community employment services | 5,166,870 | 5,122,005 |
| Child and family services | 6,264,162 | 5,166,509 |
| Total program services | 49,187,616 | 44,373,350 |
| Supporting services | 5,890,496 | 4,996,307 |
| Total expenses | 55,078,112 | 49,369,657 |
| Increase in net assets without donor restrictions from operations | 266,963 | 1,011,939 |
| Amortization of deferred gain | 174,473 | 174,472 |
| Investment income (loss), net | (269,712) | 752,082 |
| Other income (expense) | 32,198 | (104,262) |
| Federal income taxes paid | - | - |
| Increase in net assets without donor restrictions | 203,922 | 1,834,231 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 20,000 | 147,180 |
| Net assets released from donor restrictions | (147,180) | (297,833) |
| Change in net assets with donor restrictions | (127,180) | (150,653) |
| Increase in net assets | 76,742 | 1,683,578 |
| NET ASSETS, beginning of year | 21,005,300 | 19,321,722 |
| NET ASSETS, end of year | $ 21,082,042 | $ 21,005,300 |



See accompanying notes.

| | Years Ended December 31, 2018 | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | $ 76,742 | $ 1,683,578 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 889,672 | 924,788 |
| Investment income | 253,323 | (766,416) |
| Changes in operating assets and liabilities | | |
| Accounts and pledges receivable, net | (256,082) | (2,140,389) |
| Inventory, net | 59,371 | 49,862 |
| Other assets | 12,139 | (384,313) |
| Accounts payable | (161,621) | 578,561 |
| Accrued expenses and liabilities | (75,415) | (166,025) |
| Deferred revenue | (51,331) | 83,149 |
| Deferred gain on sale of building | (174,473) | (174,472) |
| Net cash provided by (used in) operating activities | 572,325 | (311,677) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | - | (10,375,889) |
| Proceeds from investments | - | 375,889 |
| Purchase of property and equipment | (263,016) | (335,852) |
| Net cash used in investing activities | (263,016) | (10,335,852) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt obligations | (405,184) | (425,597) |
| Net cash used in financing activities | (405,184) | (425,597) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (95,875) | (11,073,126) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 3,736,595 | 14,809,721 |
| End of year | $ 3,640,720 | $ 3,736,595 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | $ 25,380 | $ 36,944 |

See accompanying notes.

### Note 1 – Organization and Summary of Significant Accounting Policies

**Principles of consolidation** – The accompanying consolidated financial statements for 2017 include the accounts of Northwest Center (NWC) and its wholly owned subsidiaries, Electronetics LLC, Northwest Center Services LLC, and Argus Janitorial LLC. Effective January 1, 2017, Electronetics LLC and Argus Janitorial LLC were combined with Northwest Center Services LLC. Effective January 1, 2018, Northwest Center Services, LLC along with the Employment Services division of Northwest Center, were combined in a separate 501(c)3 company called Northwest Center Services. Both Northwest Center and Northwest Center Services are managed by the same Board of Directors, and are collectively referred to as the Organization. All significant intercompany transactions and accounts have been eliminated in consolidation.

**Organization** – Since 1965, Northwest Center has been a leader in advancing equal opportunities for children and adults with disabilities. NWC's mission is to promote the growth, development, and independence of persons with disabilities through programs of therapy, education, and work opportunity.

NWC seeks to create and support an inclusive community where people of all abilities can fully participate by learning and working together. NWC's programs pioneer early intervention therapy for babies at home, innovate inclusive early learning for kids of all abilities, find new ways to support young people transitioning from school to the working world, and tirelessly support individuals seeking to gain employment as meaningful to them as it is valuable to their employer.

NWC's social enterprise business model is uniquely powerful. A portfolio of commercial businesses provide best-in-class services, employ an inclusive workforce, and generate sustainable funding. This frees the Organization to test new ideas, make bold decisions and invest philanthropy dollars directly into our mission of inclusion.

**Basis of presentation** – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

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

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed stipulations. Included in this balance are board-designated reserve funds that have been reserved for future use as determined by the Board of Directors. Board-designated funds included in net assets without donor restrictions totaled $3,000,000 at December 31, 2018 and 2017.

**Net assets with donor restrictions** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. These amounts principally consist of funds designated for specific mission programs.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

**Contributions** – Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Donor-restricted contributions for which restrictions are met in the same reporting period are reported as support without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from donor restrictions. Restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service. Contributions of noncash assets are recognized at their estimated fair market value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

A number of volunteers donate time in the furtherance of the Organization’s objectives. However, in accordance with United States Generally Accepted Accounting Principles (GAAP), the value of these services is not recognized in these consolidated financial statements because they do not meet certain specific criteria.

**Cash** – The Organization maintains its cash with financial institutions and, at times, balances may exceed federally insured limits.

**Accounts receivable** – Accounts receivable are primarily due from performing services under contracts with corporations and governmental agencies. The Organization considers accounts over 30 days old to be past due. The Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Uncollectible amounts are written off when management has exhausted collection efforts. The Organization typically does not require collateral for its accounts receivable. The allowance for doubtful accounts was $63,106 at December 31, 2018 and 2017.

**Inventory** – Inventory is stated at the lower of average cost or market.

**Property and equipment, depreciation** – Property and equipment are stated at cost, if purchased, or at fair market value at the date of receipt, if donated, unless the estimated future undiscounted cash flows expected to result from either the use of the asset or its eventual disposition is less than its carrying amount (in which case an impairment loss is recognized based on the fair value of the asset). The Organization’s policy is to capitalize assets with a cost or donated value greater than $3,500 and a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated either over the anticipated term of the lease or the estimated life of the improvement, whichever is shorter.

**Note 1 – Organization and Summary of Significant Accounting Policies (continued)**

**Revenue recognition** – Revenues for products, including applicable shipping and handling charged to customers, are recognized net of sales taxes upon shipment or delivery of products, depending on the related customer agreement. Services revenues are recognized in the period that services are performed.

**Advertising costs** – The Organization expenses advertising costs as incurred. Advertising expense for 2018 and 2017 was $199,275 and $136,979, respectively.

**Income taxes** – The Internal Revenue Service has determined that Northwest Center is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code because NWC qualifies as an organization included within Section 501(c)(3) of the Internal Revenue Code. NWC did incur net unrelated business income tax for the years ended December 31, 2018 and 2017, but it is not material to the financial statements. The new Organization structure of two separate 501(c)3 entities may significantly reduce unrelated business income taxes in future years. The Organization has net operating losses of approximately $3,000,000 to offset future net unrelated business income. The carryforwards expire in approximately 10 to 20 years. The tax asset representing the value of the net operating loss carryforwards has been offset by a full valuation allowance as of December 31, 2018, because it is uncertain whether NWC's deferred tax assets will become available to offset future tax liabilities.

NWC follows authoritative guidance relating to accounting for uncertain tax positions, which has no consolidated financial statement impact to NWC. NWC recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. NWC recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2018 and 2017, NWC had no uncertain tax positions requiring accrual. NWC files an exempt organization and unrelated business income tax return with the Internal Revenue Service.

**Use of estimates** – The preparation of consolidated 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 and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Contingencies** – At any time, NWC may be involved in legal proceedings or other claims and assessments arising in the normal course of business. The Organization's policy is to routinely assess the likelihood of any adverse judgments or outcomes related to these matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is based on historical experience and/or after analysis of each known issue. Reserves related to these matters are recorded where it is probable that a loss has been incurred and the range of such loss can be estimated. With respect to other matters, management has concluded that a loss is only reasonably possible or remote and, therefore, no liability is recorded. Management discloses the facts regarding material matters assessed as reasonably possible and potential exposure, if determinable. Costs incurred defending claims are expensed as incurred.

## Note 1 – Organization and Summary of Significant Accounting Policies (continued)

**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued.

The Organization has evaluated subsequent events through March 29, 2019, which is the date the consolidated financial statements were issued.

## Note 2 – Investments and Fair Value Measurements

Investments are stated at fair value determined by quoted market prices. They consist primarily of corporate bonds, government bonds, mutual funds, and equities. These investment securities 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 total net assets and the amounts reported in the consolidated statement of financial position.

The Organization applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The ASC describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

### Note 2 – Investments and Fair Value Measurements (continued)

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of December 31, 2018:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Taxable bonds | $ 5,754,157 | $ 5,754,157 | $ - | $ - |
| Equity securities | 4,284,050 | 4,284,050 | - | - |
| Money market funds | 474,886 | 474,886 | - | - |
| | $ 10,513,093 | $ 10,513,093 | $ - | $ - |

Investment returns (losses) for the years ended December 31 consist of:

| | 2018 | 2017 |
|---|---|---|
| Interest and dividends | $ 323,703 | $ 206,531 |
| Unrealized gains/(losses) on investments | (577,026) | 559,885 |
| | (253,323) | 766,416 |
| Less management fees | (16,389) | (14,334) |
| | $ (269,712) | $ 752,082 |

### Note 3 – Inventory

Inventory consisted of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Finished goods | $ 869 | $ 869 |
| Work-in-process | 8 | 8,208 |
| Raw materials | 486,939 | 533,621 |
| Reserve for slow-moving inventory | (87,672) | (83,183) |
| | $ 400,144 | $ 459,515 |

## Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Buildings and improvements | $ 381,508 | $ 381,508 |
| Furniture and equipment | 8,613,293 | 8,539,029 |
| Leasehold improvements | 3,706,212 | 3,688,012 |
| Vehicles | 544,896 | 373,772 |
| | 13,245,909 | 12,982,321 |
| Less accumulated depreciation | (10,625,052) | (9,734,807) |
| | $ 2,620,857 | $ 3,247,514 |

## Note 5 – Deferred Gain on Sale Leaseback Transaction

In October 2015, Northwest Center sold its land and building located at 7272 West Marginal Way S., Seattle, Washington, for $11,500,000.

Following the sale of its building in October 2015, NWC entered into an agreement with the building purchaser to lease back that portion of the building currently housing administrative offices. The lease has a 10-year term and requires monthly payments of $17,171 that increase annually. The transaction has been accounted for as a sale lease-back in accordance with the provisions of ASC 840. As part of the transaction, NWC recorded a deferred gain of $2,876,429, which is amortized using the straight-line method over the term of the lease agreement. For the years ended December 31, 2018 and 2017, NWC recognized $174,473 and $174,472, respectively, of the deferred gain in the consolidated statements of activities.

## Note 6 – Long-Term Debt

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

| | 2018 | 2017 |
|---|---|---|
| Fixed-rate 5-year $1,988,001 term loan, matures in April 2020, payable monthly in equal installments, based on a 60-month amortization at a 2.97% annual interest rate. | $ 559,286 | $ 964,470 |
| Less current portion | (417,384) | (405,184) |
| | $ 141,902 | $ 559,286 |

In April 2015, NWC entered into a bridge funding agreement with Wells Fargo Bank for washing and ironing equipment at NWC's commercial laundry operation, Puget Sound Laundry Services (PSLS). The loan is collateralized by the washing and ironing equipment shown under property and equipment on the consolidated statements of financial position.

### Note 6 – Long-Term Debt (continued)

Interest expense was $25,380 and $36,944 for the years ended December 31, 2018 and 2017, respectively.

Principal maturities on the long-term debt are as follows for the years ending December 31:

| | | |
|---|---|---|
| 2019 | $ | 417,384 |
| 2020 | | 141,902 |
| | $ | 559,286 |

### Note 7 – Commitments and Contingencies

**Lease commitments** – The Organization leases real estate and equipment under operating lease agreements through 2029. Future minimum rental payments required under these operating leases are as follows for the years ending December 31:

| | | |
|---|---|---|
| 2019 | $ | 2,160,373 |
| 2020 | | 1,825,116 |
| 2021 | | 1,619,540 |
| 2022 | | 1,469,707 |
| 2023 | | 758,000 |
| Thereafter | | 767,070 |
| | $ | 8,599,806 |

Rent expense related to the operating lease agreements, including leases on a month-to-month term and variable charges related to these operating lease agreements, was $2,611,499 and $2,499,179 during 2018 and 2017, respectively.

**Legal matters** – From time to time, NWC is involved in unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to contracts or employment issues. The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, the Organization cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. In February 2017, NWC was notified by the purchaser of its American Data Guard business of some dispute related to the transaction. NWC believes that the case is without merit and plans to contest any claims brought forward.

Management further believes there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, management believes that these actions will not individually or in the aggregate have a material adverse effect on its consolidated statement of activities, financial position or liquidity.

**Note 8 – Net Assets**

Net assets with donor restrictions consist of contributions restricted for programs and capital additions as follows:

| | 2018 | 2017 |
|---|---|---|
| Various foundations or donors | $ 20,000 | $ 147,180 |

**Note 9 – Benefit Plans**

NWC has a 401(k) benefit plan for employees who meet eligibility requirements set forth in the plan. NWC's matching contributions totaled $298,702 and $265,487 for the years ended December 31, 2018 and 2017, respectively.

NWC has a 403(b) benefit plan for employees who meet eligibility requirements set forth in the plan. Employees can contribute up to the statutory limits with no NWC match.

**Note 10 – Concentrations**

One customer represented 25% and 21% of total revenues for the years ended December 31, 2018 and 2017, respectively, and 44% and 35% of corresponding accounts receivable as of December 31, 2018 and 2017, respectively. A second customer represented 12% and 13% of total revenues for the years ended December 31, 2018 and 2017, respectively, and 2% and 9% of corresponding accounts receivable as of December 31, 2018 and 2017, respectively

**Note 11 – Liquidity Disclosure**

As part of the Organization's liquidity management, it manages its operating cash balance on hand and financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has $10,513,093 in investments of varying maturity. To help manage unanticipated liquidity needs, the Organization also has a line of credit in the amount of $2 million. Although the organization does not intend to withdraw funds from its investment account, investment funds could be made available if necessary. (see Note 2 for disclosures about investments).

Additionally, the Organization monitors liquidity via daily cash reporting and monthly budget review processes.

**Note 12 – Line of Credit**

In December 2018, the Organization executed a two-year line of credit agreement with Key Bank in the amount of $2 million. The line carries a variable interest rate based on prime and expires in December 2020.

### Note 13 – Consolidated Schedule of Functional Expenses

The consolidated financial statements report certain 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. The expense that is allocated is facility expense, which is allocated on a square-footage basis.

| 2018 | | Supporting Services | | | |
|---|---|---|---|---|---|
| | Total Program Services | Administration | Fundraising | Total Supporting Services | Total Expenses |
| Salaries and benefits | $ 36,277,297 | $ 3,366,541 | $ 329,358 | $ 3,695,899 | $ 39,973,196 |
| Supplies | 3,811,169 | 118,641 | 83,458 | 202,099 | 4,013,268 |
| Facility expenses | 4,523,960 | 249,790 | 3,610 | 253,400 | 4,777,360 |
| Professional fees and contract services | 2,185,956 | 822,057 | 80,376 | 902,433 | 3,088,389 |
| Sales expense | 1,248,544 | 177,457 | 188,667 | 366,124 | 1,614,668 |
| Licenses, fees, and taxes | 108,129 | 169,631 | 16,288 | 185,919 | 294,048 |
| Computer software and equipment rental | 207,665 | 183,884 | 219 | 184,103 | 391,768 |
| Other | 7,102 | 2,669 | - | 2,669 | 9,771 |
| Total nonpersonnel expenses | 12,092,525 | 1,724,129 | 372,618 | 2,096,747 | 14,189,272 |
| Total expenses before interest expense and depreciation and amortization | 48,369,822 | 5,090,670 | 701,976 | 5,792,646 | 54,162,468 |
| Interest expense | 25,972 | - | - | - | 25,972 |
| Depreciation and amortization | 791,822 | 97,850 | - | 97,850 | 889,672 |
| Total functional expenses | $ 49,187,616 | $ 5,188,520 | $ 701,976 | $ 5,890,496 | $ 55,078,112 |

| 2017 | | Supporting Services | | | |
|---|---|---|---|---|---|
| | Total Program Services | Administration | Fundraising | Total Supporting Services | Total Expenses |
| Salaries and benefits | $ 31,579,894 | $ 3,071,369 | $ 151,462 | $ 3,222,831 | $ 34,802,725 |
| Supplies | 4,097,800 | 67,888 | 68,358 | 136,246 | 4,234,046 |
| Facility expenses | 4,241,241 | 314,305 | 5,148 | 319,453 | 4,560,694 |
| Professional fees and contract services | 2,103,618 | 572,744 | 125,046 | 697,790 | 2,801,408 |
| Sales expense | 1,181,999 | 136,952 | 58,317 | 195,269 | 1,377,268 |
| Licenses, fees, and taxes | 138,796 | 142,125 | 15,801 | 157,926 | 296,722 |
| Computer software and equipment rental | 161,172 | 162,838 | 1,415 | 164,253 | 325,425 |
| Other | 7,078 | 1,061 | - | 1,061 | 8,139 |
| Total nonpersonnel expenses | 11,931,704 | 1,397,913 | 274,085 | 1,671,998 | 13,603,702 |
| Total expenses before interest expense and depreciation and amortization | 43,511,598 | 4,469,282 | 425,547 | 4,894,829 | 48,406,427 |
| Interest expense | 38,442 | - | - | - | 38,442 |
| Depreciation and amortization | 823,310 | 101,478 | - | 101,478 | 924,788 |
| Total functional expenses | $ 44,373,350 | $ 4,570,760 | $ 425,547 | $ 4,996,307 | $ 49,369,657 |

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