

CENTRAL OREGON VETERANS OUTREACH, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

CENTRAL OREGON VETERANS OUTREACH, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Central Oregon Veterans Outreach, Inc.
Bend, Oregon

We have reviewed the accompanying statements of financial position of Central Oregon Veterans Outreach, Inc. (a non-profit organization), as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation, and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Central Oregon Veterans Outreach, Inc.
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Summarized Comparative Information

We previously reviewed Central Oregon Veterans Outreach, Inc.'s 2016 financial statements and in our conclusion dated July 6, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

PriceFronek & Co.

July 2, 2018

FINANCIAL STATEMENTS

CENTRAL OREGON VETERANS OUTREACH, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

CENTRAL OREGON VETERANS OUTREACH, INC.

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Price Frank & Co.

July 2, 2018

FINANCIAL STATEMENTS

CENTRAL OREGON VETERANS OUTREACH, INC.

STATEMENTS OF FINANCIAL POSITION YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Totals	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 221,831	\$ 179,565
Accounts receivable, net	6,513	3,513
Prepaid expenses and other current assets	15,395	11,967
TOTAL CURRENT ASSETS	243,739	195,045
SECURITY DEPOSIT	5,000	5,000
CAPITAL ASSETS, net of accumulated depreciation	3,287,216	3,101,291
TOTAL ASSETS	\$ 3,535,955	\$ 3,301,336
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 6,783	\$ 727
Accrued expenses	21,260	8,556
Current portion long-term debt	19,578	19,227
TOTAL CURRENT LIABILITIES	47,621	28,510
LONG-TERM DEBT, net of current portion	3,639,334	3,353,798
TOTAL LIABILITIES	3,686,955	3,382,308
NET ASSETS		
Unrestricted	(199,340)	(92,980)
Temporarily restricted	48,340	12,008
TOTAL NET ASSETS	(151,000)	(80,972)
TOTAL LIABILITIES AND NET ASSETS	\$ 3,535,955	\$ 3,301,336

See accompanying notes and independent accountants' review report

CENTRAL OREGON VETERANS OUTREACH, INC.

STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	Totals	
	2017	2016
CHANGES IN UNRESTRICTED NET ASSET:		
SUPPORT AND REVENUE		
Donations	\$ 104,871	\$ 81,342
Fundraising	7,084	14,969
Grants	504,456	532,417
Rents	183,318	191,206
Other Income	195	460
	799,924	820,394
EXPENSES AND LOSSES		
Loss on sale of assets	14,200	5,234
Program services		
Housing programs	307,930	272,648
Supportive Services for Veteran Families (SSVF)	314,723	331,028
Other veteran programs	52,722	47,944
Management and general	228,717	230,096
	918,292	886,950
DECREASE IN UNRESTRICTED NET ASSETS	(118,368)	(66,556)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	48,340	12,008
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	48,340	12,008
NET ASSETS - Beginning of year	(80,972)	(26,424)
NET ASSETS - End of year	\$ (151,000)	\$ (80,972)

See accompanying notes and independent accountants' review report

CENTRAL OREGON VETERANS OUTREACH, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2017

	Program Services			Management and General	Total Expenses
	Housing Programs	SSVF Program	Other Veteran Programs		
Advertising	\$	\$	\$	305	\$ 305
Bank fees	137			307	444
Contracted services	20,858				20,858
Depreciation	98,745			2,033	100,778
Insurance	15,064		166	7,446	22,676
Interest	7,806				7,806
Legal and professional	18,553			6,863	25,416
Licensing and permits		6,720		806	7,526
Miscellaneous	190		3,801		3,991
Office expense	733	35,816		4,670	41,219
Payroll taxes	3,591	20,791	4,193	10,242	38,817
Property taxes	17,335				17,335
Repairs and maintenance	39,837			6,733	46,570
Salaries and wages	34,391	192,058	38,217	94,685	359,351
Supplies	2,478	363	1,437	2,066	6,344
Special events				4,785	4,785
Temporary financial assistance		38,470			38,470
Telephone	440	2,557		3,123	6,120
Training		7,038	210		7,248
Travel and transportation	420	10,910	4,195	245	15,770
Utilities and occupancy	47,352		503	84,408	132,263
	\$ 307,930	\$ 314,723	\$ 52,722	\$ 228,717	\$ 904,092

See notes to financial statements

CENTRAL OREGON VETERANS OUTREACH, INC.

STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (70,028)	\$ (54,548)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	100,778	98,474
Non-cash adjustment to notes receivable		
In-kind donations	(5,503)	(22,087)
Changes in current assets and liabilities		
Accounts receivable	(3,000)	22,688
Prepaid expenses	(3,428)	(9,031)
Accounts payable	6,056	(11,604)
Other accrued expenses	13,405	8,578
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>38,280</u>	<u>32,470</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(305,200)	(1,429)
Sale of capital assets	9,100	2,100
Loss on capital asset sales	14,198	
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(281,902)</u>	<u>671</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt	305,000	
Principal payments on notes payable	(19,112)	(19,112)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>285,888</u>	<u>(19,112)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,266	14,029
CASH AND CASH EQUIVALENTS - Beginning of year	<u>179,565</u>	<u>165,536</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 221,831</u>	<u>\$ 179,565</u>

See accompanying notes and independent accountants' review report

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Central Oregon Veterans Outreach, Inc. (the Organization) is a not-for-profit organization established in 2005, to provide assistance to homeless veterans and other homeless individuals and families in central Oregon.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations, which require the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The organization does not have any such permanently restricted net assets at December 31, 2017, or 2016.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments with an original maturity of three months or less.

Accounts Receivable

The Organization believes that accounts receivable will be fully collectible. Therefore, no allowance was recorded.

Capital Assets

Capital asset purchases with a cost greater than \$500 and a service life of more than one year are capitalized. Purchases are stated at cost and are depreciated over estimated useful lives of five to thirty years utilizing the straight-line method.

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities for the years ended December 31, 2017. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

The Organization considers all contributions to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. No donor imposed restrictions were in place during the years ended December 31, 2017.

Donor restricted contributions and restricted grants whose restrictions are met in the same reporting period are reported as unrestricted support.

A portion of the Organization's functions and programs is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills and because the amount is not susceptible to objective measurement or valuation.

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activities.

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses – Continued

Costs are allocated between management and general or program services based on evaluations of the related benefits. Management and general expenses included those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

NOTE 2 – STATEMENTS OF CASH FLOWS – SUMMARY OF NONCASH AND OTHER ITEMS

Cash and cash equivalents include demand checking accounts and money market funds which are considered readily available. Cash consists of the following amounts as of December 31:

	<u>2017</u>	<u>2016</u>
Cash in Bank - General Account	\$ 2,052	\$ 33,055
Cash in Bank - SSVF	1,754	19,065
Mid OR - Bus Share 01	5	
Mid OR - General Chk 30	31,405	
COVO - Benefit Fund - First Interstate	4,075	
Mid OR - H for H 15	45,901	
Money Market - First Interstate	126,733	117,544
MM Bldg Fund - First Interstate	9,906	9,901
	<u>\$ 221,831</u>	<u>\$ 179,565</u>

Fixed assets with a value of \$5,503 donated to the organization during the year ended December 31, 2017, have been excluded from the investing activities on the Statement of Cash Flows.

Interest paid on a cash basis amounted to \$7,806 and \$8,165 for the years ended December 31, 2017, and 2016, respectively.

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 715,909	\$ 618,584
Buildings	3,075,776	2,867,901
Furniture and equipment	20,027	20,027
Vehicles	10,700	33,257
	<u>3,822,412</u>	<u>3,539,769</u>
Less accumulated depreciation	<u>(535,196)</u>	<u>(438,478)</u>
	<u>\$ 3,287,216</u>	<u>\$ 3,101,291</u>

NOTE 4 – LEASE COMMITMENT

The Organization leases its office under an operating lease that expires March 31, 2018. A \$5,000 security deposit was paid upon execution of lease in 2014. Minimum monthly payments are currently \$6,340 plus operating expenses of \$1,226. These amounts increase annually each April 1st. The lease provides for two four-year renewals. As of March 22, 2018, the Organization renewed the lease with a new expiration date of March 31, 2022. Minimum lease payments under this operating lease are as follows:

Year Ending December 31,	
2018	\$ 90,791
2019	90,791
2020	94,836
2021	97,240
2022	<u>24,461</u>
	<u>\$ 398,118</u>

Rent expense was \$81,875 and \$82,036 for the years ended December 31, 2017, and 2016, respectively.

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 5 – LONG-TERM DEBT

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

	2017	2016
Note payable to U.S. Bank, with monthly payments of \$1,299 beginning February, 2008 until paid in full. The note bears interest at 4.37% and is secured by real estate.	\$ 171,935	\$ 179,720
Note payable to the City of Bend, with monthly payments of \$556 beginning June, 2013 until paid in full. This note is non-interest bearing and is secured by real estate.	175,555	182,222
Note payable to the City of Bend, with monthly payments of \$388 beginning April, 2012 until paid in full. This note is non-interest bearing and is secured by real estate.	169,294	173,954
Note payable to the State of Oregon Department of Transportation, with annual payments of \$1,955 beginning January 1, 2019, until January 1, 2023, when the full amount of the remaining balance due. The note bears interest at 5.00% and is secured by real estate.	30,057	
Notes payable to the City of Bend and to the State of Oregon Housing & Community Services Department, with no payments due, no interest and is secured by real estate. Loans are to be repaid in the event real estate is no longer used for specified purposes or upon termination of the Organization.	3,112,071	2,837,128
	3,658,912	3,373,024
Current portion of long-term debt	(19,578)	(19,226)
	\$ 3,639,334	\$ 3,353,798

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 5 – LONG TERM DEBT – CONTINUED

Principal payments due on the long-term debt are as follows:

<u>Year ending December 31,</u>	
2018	\$ 19,578
2019	21,901
2020	22,285
2021	22,687
2022	23,106
Thereafter	<u>3,549,355</u>
	<u>\$ 3,658,912</u>

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Organization receives a substantial amount of its support from the Department of Veteran Affairs. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

The Organization places its temporary cash investments with various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, cash balances did not exceed the FDIC insurance limits.

NOTE 7 – INCOME TAXES

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and is classified as a tax exempt corporation.

Regarding uncertain income tax positions, the Organization will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activity, substantial lobbying expenditures or excessive unrelated business

CENTRAL OREGON VETERANS OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 7 – INCOME TAXES – CONTINUED

activities. The Organization has concluded that it had no unrecognized income tax benefits at December 31, 2017, and it has no tax positions which it estimates significant change over the next 12 months.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 2, 2018, the date the financial statements were available to be issued.