

CASCADE CHRISTIAN SERVICES
FINANCIAL STATEMENTS

DECEMBER 31, 2013

CASCADE CHRISTIAN SERVICES

DECEMBER 31, 2013

Table of Contents

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
Cascade Christian Services

We have reviewed the accompanying balance sheet of Cascade Christian Services, as of December 31, 2013 and 2012, and the related statements of income and retained earnings and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Agency 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

Padgett & Padgett PLLC

July 25, 2014

CASCADE CHRISTIAN SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	<u>ASSETS</u>	
	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,089,485	\$ 840,054
Accounts receivable	380,135	486,423
Fundraising Supplies	5,360	5,360
Prepaid expenses	24,294	22,891
Employee advances		(103)
Total current assets	<u>1,499,274</u>	<u>1,354,625</u>
 PROPERTY AND EQUIPMENT, net	 784,345	 829,479
 OTHER ASSETS		
Deposits	<u>4,000</u>	<u>4,000</u>
 TOTAL ASSETS	 <u><u>\$ 2,287,619</u></u>	 <u><u>\$ 2,188,104</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
 CURRENT LIABILITIES		
Accounts payable	\$ 28,532	\$ 39,181
Accrued liabilities	<u>467,297</u>	<u>431,316</u>
Total current liabilities	495,829	470,497
 TOTAL LIABILITIES	 <u>495,829</u>	 <u>470,497</u>
 NET ASSETS		
Temporarily restricted	9,191	19,205
Unrestricted	<u>1,782,599</u>	<u>1,698,402</u>
TOTAL NET ASSETS	1,791,790	1,717,607
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,287,619</u></u>	 <u><u>\$ 2,188,104</u></u>

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
UNRESTRICTED NET ASSETS:		
SUPPORT, REVENUE AND RECLASSIFICATIONS:		
Government funding for services to clients	\$ 3,518,504	\$ 3,151,234
Janitorial services-government agencies	571,053	544,393
Janitorial services-private contracts	173,548	178,873
Client participation funding	196,908	179,719
Rental income	2,750	15,440
Contributions, gifts, and grants	73,571	72,648
Other services	39,451	39,685
Vocational services-private contracts	5,460	2,800
Homecare services-private contracts	104,715	81,454
Training services	8,820	5,427
Miscellaneous income	875	2,324
Interest income	2,484	3,746
Special Events, less direct costs, \$1,002 and \$733	8,026	978
Total support and revenue	4,706,165	4,278,721
Reclassifications of funds used for designated purpose	10,014	24,006
Total support, revenue and reclassifications	4,716,179	4,302,727
EXPENSES		
Program services	4,214,468	3,863,497
Administrative	398,377	361,221
Fundraising	19,137	14,038
Total expenses	4,631,982	4,238,756
INCREASE (DECREASE) IN UNRESTRCTED NET ASSETS	84,197	63,971
TEMPORARILY RESTRICTED NET ASSETS:		
Reclassified when used for designated purpose	(10,014)	(24,006)
Increase in temporarily restricted net assets	(10,014)	(24,006)
INCREASE IN NET ASSETS	74,183	39,965
NET ASSETS, beginning of year	1,717,607	1,677,642
NET ASSETS, end of year	\$ 1,791,790	\$ 1,717,607

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services	Administrative	Fund Raising	2013 Totals
Salaries and wages	\$ 2,900,327	\$ 186,107	\$ 4,450	\$ 3,090,884
Payroll taxes	360,921	15,709	393	377,023
Employee benefits	306,285	53,770	1,508	361,563
Occupancy	195,836	25,073		220,909
Office expenses	45,466	11,544	5,153	62,163
Transportation	99,526	3,591		103,117
Client activities	110,427			110,427
Depreciation	90,582			90,582
B&O taxes	6,754			6,754
Insurance	21,515	9,903		31,418
Hiring expense	4,797			4,797
Conferences/ meetings	36,653	1,387		38,040
Professional fees	28,751	61,927		90,678
Advertising			7,633	7,633
Information technology	6,588	7,323		13,911
Miscellaneous	40	21,052		21,092
Interest		991		991
TOTAL EXPENSES	\$ 4,214,468	\$ 398,377	\$ 19,137	\$ 4,631,982

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services	Administrative	Fund Raising	2012 Totals
Salaries and wages	\$ 2,689,902	\$ 162,066	\$ 4,215	\$ 2,856,183
Payroll taxes	323,554	13,568	367	337,489
Employee benefits	261,576	49,324	1,399	312,299
Occupancy	170,961	27,798		198,759
Office expenses	47,095	17,379	4,347	68,821
Transportation	84,270	2,884		87,154
Client activities	101,483			101,483
Depreciation	81,335			81,335
B&O taxes	6,093			6,093
Insurance	18,336	4,007		22,343
Hiring expense	2,846			2,846
Conferences/ meetings	33,518	1,395		34,913
Professional fees	39,459	59,861		99,320
Advertising		340	3,710	4,050
Information technology	3,069	7,806		10,875
Miscellaneous		14,313		14,313
Interest		480		480
TOTAL EXPENSES	\$ 3,863,497	\$ 361,221	\$ 14,038	\$ 4,238,756

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

Increase (Decrease) In Cash	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 74,183	\$ 39,965
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	90,582	81,335
(Gain) Loss on disposition of equipment	(450)	1,653
Changes in operating assets and liabilities:		
Accounts receivable	106,288	(46,685)
Prepaid expenses	(1,403)	(7,248)
Accounts payable	(10,649)	15,343
Accrued liabilities	35,981	22,163
Net cash provided by operating activities	294,532	106,526
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	450	725
Purchase of property and equipment	(45,448)	(102,641)
Net cash used in investing activities	(44,998)	(101,916)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collections from and advances to employees	(103)	1,821
Net cash from financing activities	(103)	1,821
CHANGE IN CASH AND CASH EQUIVALENTS	249,431	6,431
CASH AND CASH EQUIVALENTS, beginning of year	840,054	833,623
CASH AND CASH EQUIVALENTS, end of year	\$ 1,089,485	\$ 840,054

See independent accountants' report and accompanying notes to financial statements.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Cascade Christian Services, the Agency, is a not-for-profit corporation that is committed to the well-being of the disabled population in Western Washington, specifically serving individuals with disabilities in Whatcom and Skagit Counties. The Agency provides community-based residential and individualized vocational services to people with disabilities. The different branches of the Agency are the following: Cascade Christian Home, Cascade Vocational Services, Cascade Supported Living, Cascade Home Care, Pine Street Home, and Crestview.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis and follow the recommendations of the Financial Accounting Standards Board in its ASC 958, formerly Statement of Financial Accounting Standards No. 117 “Financial Statements of Not-For-Profit Organizations.” Under ASC 958 the organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the Board for long-term investment.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Agency. The Agency is permitted to use the income earned on the related investments for general or specified operating purposes. The Agency did not have any permanently restricted net assets as of December 31, 2013 and 2012.

Concentration of credit risk – At December 31, 2013 and 2012, the Agency had cash deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounts receivable – Accounts receivable are recorded at net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management bases its estimates of doubtful accounts on several factors. These factors include prior experience collecting receivables, the aging of the receivables at the year end, the debtor’s ability to repay the amount owed, and management’s appraisal of current economic conditions. Based on the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectibility.

The Agency does not accrue finance charge income on past due accounts receivable.

Cash and cash equivalents – The Agency considers investments in financial instruments with a maturity of less than three months to be cash equivalents.

Property and equipment - Property and equipment are recorded at cost. Repair and maintenance expenditures are charged against operations; renewals and betterments that materially extend the life of the assets are capitalized. Gains or losses on dispositions of property and equipment are included in operations in the year of disposal. The Agency’s policy is to capitalize property and equipment when cost exceeds \$2,000.

Depreciation – Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Donated materials, equipment, and services – Accounting standards require donated materials and equipment, as well as services contributed by professionals and craftsmen that require specialized skills, to be recognized as in-kind income and expenses. For the years ended December 31, 2013 and 2012, there were no such donated items or services. Contributed services for that do not require specialized skills are not recognized in the financial statements. A substantial number of volunteers have donated significant amounts of time to the Agency’s programs and operations.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Leases – Leases meeting certain criteria are considered capital leases and the related asset and lease obligation are recorded at their present value in the financial statements. Other leases not meeting such criteria are operating leases and the related rentals are charged to expense as incurred.

Federal income tax – The Agency is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and therefore is subject to income taxes on unrelated business income, if any. Revenue related to its organizational purpose is exempt from federal tax.

NOTE 2. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan under Internal Revenue Code Section 401(k). The Plan covers substantially all employees and features an elective salary deferral program. The Agency will match employee’s elective salary deferral contributions to the Plan up to a maximum of 3 to 6 percent of an employee’s annual compensation based on hours worked and years of service. The amount contributed by the Agency totaled \$40,924 and \$36,985 for the years ended December 31, 2013 and 2012, respectively.

NOTE 3. MISCELLANEOUS INCOME

Miscellaneous income consists of the following:

	2013	2012
Gain/(loss) from sale of property	450	(1,653)
Other income/(expense)	425	3,973
Total	\$ 875	\$ 2,320

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

	2013	2012
Land and land improvements	\$ 121,424	\$ 121,424
Buildings	1,520,021	1,507,562
Vehicles	250,939	222,565
Furniture and fixtures	19,082	16,787
Machinery and equipment	21,976	21,976
	1,933,442	1,890,314
Total property and equipment	1,933,442	1,890,314
Less accumulated depreciation	(1,149,097)	(1,060,835)
	784,345	829,479
Net property and equipment	\$ 784,345	\$ 829,479

NOTE 5. CONCENTRATION

The Agency receives a substantial amount of its support and revenue from federal, Washington State, and Whatcom County funding to provide residential and vocational services to adults with disabilities. These funding sources are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

NOTE 6. OPERATING LEASE

The Agency has entered into a lease for its State Street space. The lease is classified as an operating lease and requires monthly rental payments of \$4,600, expiring August 31, 2014. Effective April 15, 2012, The Agency entered into a noncancellable operating lease for office space in Ferndale, Washington. The lease provides for minimum monthly rental payments of \$2,800, expiring April 30, 2017. Following are minimum annual rental payments under these noncancelable operating leases over each year until they expire:

Years ending December 31,		
2014	\$	70,400
2015	\$	33,600
2016	\$	33,600
2017		11,200
Total minimum future rental obligations	\$	148,800

Rent expense, including triple-net charges, under this operating lease totaled \$97,200 and \$86,000 during the years ended December 31, 2013 and 2012, respectively.

CASCADE CHRISTIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

NOTE 7. TEMPORARILY RESTRICTED NET ASSETS

Donors designated contributions that were used for the following:

	<u>2013</u>	<u>2012</u>
Bequeathed to Cascade Christian Home	\$ 10,014	\$ 24,006
Total	<u>\$ 10,014</u>	<u>\$ 24,006</u>

NOTE 8. SUBSEQUENT EVENTS

Management of the Agency has evaluated events and transactions occurring after December 31, 2013 through **July 25, 2014**, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements.

NOTE 9. RELATED PARTY TRANSACTIONS

The Agency periodically does business with vendors that are affiliated with certain Agency staff members, using a competitive bidding process. During 2013, there was no transaction with related parties. Such transactions totaled \$4,666 during 2012

NOTE 10. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 is as follows:

Less than 30 days	\$ 375,306
31-60 days	2,978
61-90 days	(200)
Over 90 days	<u>2,051</u>
Total	<u>\$ 380,135</u>