

**COLUMBIA INDUSTRIES
AND SUBSIDIARIES**

**Consolidated Financial Statements
and Independent Auditors' Report**

June 30, 2023 and 2022

Columbia Industries and Subsidiaries

CONTENTS

	<u>Page</u>
<i>INDEPENDENT AUDITORS' REPORT</i>	2-3
 <i>CONSOLIDATED FINANCIAL STATEMENTS:</i>	
<i>Consolidated statements of financial position</i>	4-5
<i>Consolidated statements of activities and changes in net assets</i>	6-7
<i>Consolidated statements of functional expenses</i>	8-9
<i>Consolidated statements of cash flows</i>	10-11
 <i>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</i>	 12-27

INDEPENDENT AUDITORS' REPORT

Board of Directors
Columbia Industries and Subsidiaries
Kennewick, Washington

Opinion

We have audited the accompanying consolidated financial statements of Columbia Industries (a nonprofit organization) and Subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 auditing standards generally accepted in the United States of America 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 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 consolidated financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Northwest CPA Group PLLC

Tri-Cities, Washington
January 17, 2024

Columbia Industries and Subsidiaries Consolidated Statements of Financial Position

	June 30,	
	2023	2022
ASSETS		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 2,255,738	\$ 3,715,382
Accounts receivable, <i>net of allowance for doubtful accounts of \$10,500</i>	896,863	952,893
Employee Retention Credit receivable	292,397	532,617
Certificates of deposit, <i>current</i>	501,196	85,102
Inventories	152,120	104,659
Prepaid expenses	89,816	51,935
Total current assets	4,188,130	5,442,588
<i>LAND, BUILDINGS, AND EQUIPMENT:</i>		
Vehicles	3,402,579	4,411,718
Machinery and equipment	2,194,789	2,293,303
Buildings and improvements	2,920,007	2,799,891
	8,517,375	9,504,912
Less accumulated depreciation	4,534,055	4,314,761
	3,983,320	5,190,151
Land	648,695	648,695
	4,632,015	5,838,846
<i>OTHER ASSETS:</i>		
Goodwill	1,936,776	1,966,630
Deferred tax asset, <i>net of valuation allowance of \$631,000 and \$0, respectively</i>	224,000	228,000
Beneficial interest in assets held by others	47,195	43,066
Right-of-use asset, <i>operating lease</i>	1,737,744	-
	3,945,715	2,237,696
	\$ 12,765,860	\$ 13,519,130

Columbia Industries and Subsidiaries

Consolidated Statements of Financial Position (continued)

	June 30,	
	2023	2022
LIABILITIES AND NET ASSETS		
<i>CURRENT LIABILITIES:</i>		
Accounts payable	\$ 163,159	\$ 218,738
Accrued salaries, vacation, and benefits	550,846	565,784
Other accrued liabilities	55,067	94,062
Federal income tax payable	59,147	44,821
Deferred revenue	8,181	681
Current portion of long-term debt	130,231	131,398
Lease liability, <i>operating lease, current</i>	264,895	-
Total current liabilities	1,231,526	1,055,484
 <i>NON-CURRENT LIABILITIES:</i>		
Long-term debt, <i>net of current portion</i>	327,074	350,514
Lease liability, <i>operating lease, noncurrent</i>	1,495,242	-
Total liabilities	3,053,842	1,405,998
 <i>COMMITMENTS</i>		
 <i>NET ASSETS:</i>		
Without donor restriction	9,664,823	12,070,066
With donor restriction	47,195	43,066
Total net assets	9,712,018	12,113,132
	\$ 12,765,860	\$ 13,519,130

Columbia Industries and Subsidiaries
Consolidated Statement of Activities
and Changes in Net Assets
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<i>REVENUES AND SUPPORT:</i>			
Product sales and service revenue	\$ 11,941,443	\$ -	\$ 11,941,443
Recycling revenue	252,966	-	252,966
Contributions of cash and other financial assets	259,034	-	259,034
Rental revenue	104,273	-	104,273
Interest and dividend income	57,588	-	57,588
Loss on disposal of property and equipment	(191,612)	-	(191,612)
Miscellaneous income	46,165	-	46,165
	<u>12,469,857</u>	<u>-</u>	<u>12,469,857</u>
<i>EXPENSES:</i>			
CI Support, LLC; CI - PW, LLC; CI - RT, LLC; CI Express, Inc.	11,775,303	-	11,775,303
Program services:			
On-site client training and production	2,405,637	-	2,405,637
Management and general	408,736	-	408,736
Fundraising	143,808	-	143,808
	<u>14,733,484</u>	<u>-</u>	<u>14,733,484</u>
<i>CHANGES IN NET ASSETS BEFORE OTHER INCOME AND INCOME TAX</i>	(2,263,627)	-	(2,263,627)
<i>OTHER GAIN:</i>			
Net investment gain	-	4,129	4,129
<i>CHANGES IN NET ASSETS BEFORE INCOME TAX</i>	<u>(2,263,627)</u>	<u>4,129</u>	<u>(2,259,498)</u>
<i>INCOME TAX PROVISION:</i>			
Current	(137,616)	-	(137,616)
Deferred	(4,000)	-	(4,000)
	<u>(141,616)</u>	<u>-</u>	<u>(141,616)</u>
<i>CHANGES IN NET ASSETS</i>	(2,405,243)	4,129	(2,401,114)
<i>NET ASSETS, BEGINNING OF YEAR</i>	<u>12,070,066</u>	<u>43,066</u>	<u>12,113,132</u>
<i>NET ASSETS, END OF YEAR</i>	<u>\$ 9,664,823</u>	<u>\$ 47,195</u>	<u>\$ 9,712,018</u>

Columbia Industries and Subsidiaries
Consolidated Statement of Activities
and Changes in Net Assets
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Product sales and service revenue	\$ 12,635,197	\$ -	\$ 12,635,197
Recycling revenue	244,721	-	244,721
Contributions of cash and other financial assets	194,406	-	194,406
Grant Revenue, <i>Paycheck Protection Program</i>	1,258,695	-	1,258,695
Grant revenue, <i>Employee Retention Credit</i>	691,219	-	691,219
Interest and dividend income	8,274	-	8,274
Loss on disposal of property and equipment	(72,059)	-	(72,059)
Miscellaneous income	104,685	-	104,685
	<u>15,065,138</u>	<u>-</u>	<u>15,065,138</u>
EXPENSES:			
CI Support, LLC; CI - PW, LLC; CI - RT, LLC; CI Express, Inc.	12,130,192	-	12,130,192
Program services:			
On-site client training and production	2,395,952	-	2,395,952
Management and general	452,115	-	452,115
Fundraising	131,092	-	131,092
	<u>15,109,351</u>	<u>-</u>	<u>15,109,351</u>
CHANGES IN NET ASSETS BEFORE OTHER INCOME AND INCOME TAX	<u>(44,213)</u>	<u>-</u>	<u>(44,213)</u>
OTHER LOSS:			
Impairment loss	(984,702)	-	(984,702)
Net investment loss	-	(5,731)	(5,731)
	<u>(984,702)</u>	<u>(5,731)</u>	<u>(990,433)</u>
CHANGES IN NET ASSETS BEFORE INCOME TAX	<u>(1,028,915)</u>	<u>(5,731)</u>	<u>(1,034,646)</u>
INCOME TAX BENEFIT (PROVISION):			
Current income tax provision	(44,821)	-	(44,821)
Deferred income tax benefit	218,000	-	218,000
	<u>173,179</u>	<u>-</u>	<u>173,179</u>
CHANGES IN NET ASSETS	<u>(855,736)</u>	<u>(5,731)</u>	<u>(861,467)</u>
NET ASSETS, BEGINNING OF YEAR	<u>12,925,802</u>	<u>48,797</u>	<u>12,974,599</u>
NET ASSETS, END OF YEAR	<u>\$ 12,070,066</u>	<u>\$ 43,066</u>	<u>\$ 12,113,132</u>

Columbia Industries and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	CI Support, LLC; CI - PW, LLC; CI - RT, LLC; CI Express, Inc.	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 4,730,945	\$ 1,359,494	\$ 253,842	\$ 43,115	\$ 6,387,396
Raw materials, donated cost of goods sold	1,788,177	296,439	-	-	2,084,616
Payroll taxes and benefits	795,498	230,136	50,891	6,022	1,082,547
Depreciation and amortization	951,503	45,836	17,185	724	1,015,248
Vehicle expense	885,434	3,502	2,770	27	891,733
Advertising	412,214	111,248	5,556	31,462	560,480
Office expense	349,138	131,122	23,715	5,494	509,469
Rentals, taxes, and licenses	465,300	11,701	218	-	477,219
Lease expense	312,373	-	2,328	-	314,701
Professional and other fees	214,587	23,050	36,524	1,056	275,217
Insurance expense	202,960	36,742	3,029	1,188	243,919
Repairs and maintenance	209,880	21,193	4,959	322	236,354
Bank and merchant fees	188,160	5,374	1,489	2,329	197,352
Utilities	139,445	21,431	2,128	249	163,253
Travel and development	50,630	104,562	3,033	775	159,000
Fundraising and special events	1,143	310	224	49,877	51,554
Interest expense	38,222	-	-	-	38,222
Dues and subscriptions	13,249	3,497	832	808	18,386
Bad debt	16,561	-	-	-	16,561
Contract labor	4,248	-	-	-	4,248
Other expenses	5,636	-	13	360	6,009
Total expenses	\$ 11,775,303	\$ 2,405,637	\$ 408,736	\$ 143,808	\$ 14,733,484

Columbia Industries and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	CI Support, LLC; CI - PW, LLC; CI - RT, LLC; CI Express, Inc.	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 4,824,199	\$ 1,478,654	\$ 288,492	\$ 59,639	\$ 6,650,984
Raw materials, donated cost of goods sold	1,824,253	253,872	-	-	2,078,125
Payroll taxes and benefits	860,580	251,685	56,798	13,778	1,182,841
Depreciation and amortization	795,159	52,865	16,821	557	865,402
Vehicle expense	797,698	5,341	1,586	-	804,625
Advertising	394,567	79,475	4,905	9,700	488,647
Office expense	372,648	136,312	28,679	7,311	544,950
Rentals, taxes, and licenses	1,012,487	2,841	894	50	1,016,272
Professional and other fees	348,912	9,842	31,355	-	390,109
Insurance expense	182,165	37,578	3,808	1,215	224,766
Repairs and maintenance	155,512	20,412	5,331	206	181,461
Bank and merchant fees	207,571	3,313	1,111	1,603	213,598
Utilities	132,123	17,595	3,387	202	153,307
Travel and development	69,845	43,190	7,839	5,232	126,106
Fundraising and special events	284	820	124	31,525	32,753
Interest expense	43,490	-	-	-	43,490
Dues and subscriptions	12,866	2,157	466	74	15,563
Contract labor	59,173	-	-	-	59,173
Other expenses	36,660	-	519	-	37,179
Total expenses	\$ 12,130,192	\$ 2,395,952	\$ 452,115	\$ 131,092	\$ 15,109,351

Columbia Industries and Subsidiaries Consolidated Statements of Cash Flows

	Years Ended	
	June 30,	
	2023	2022
<i>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from operations, donations, and other sources	\$ 12,965,220	\$ 15,887,366
Cash paid to vendors and employees	(13,852,925)	(13,769,723)
Income tax paid	(123,290)	-
Interest paid	(39,866)	(1,029,605)
Net cash provided by (used in) operating activities	(1,050,861)	1,088,038
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Proceeds from sale of property and equipment	610,789	209,852
Proceeds from sale of intangible assets	-	762,747
Purchases of property and equipment	(121,844)	(1,613,005)
Purchases of certificate of deposit	(414,000)	-
Withdrawals from assets held for deferred compensation	-	522,196
Net cash provided by (used in) investing activities	74,945	(118,210)
<i>CASH FLOWS FROM FINANCING ACTIVITIES:</i>		
Principal payments on long-term debt	(483,728)	(914,239)
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(1,459,644)	55,589
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	3,715,382	3,659,793
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	\$ 2,255,738	\$ 3,715,382

Columbia Industries and Subsidiaries

Consolidated Statements of Cash Flows (continued)

	Years Ended	
	June 30,	
	2023	2022
<i>Reconciliation of Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i>		
Changes in net assets	\$ (2,401,114)	\$ (861,467)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,015,248	865,328
Net investment loss (gain)	(4,129)	5,731
Paycheck Protection Program loan forgiven	-	(1,258,695)
Interest earned and reinvested in certificates of deposit	(2,094)	(1,893)
Deferred income tax expense (benefit)	4,000	(218,000)
Loss on disposal of property and equipment	191,612	273,452
Impairment loss	-	984,702
Gain on sale of intangible assets	-	(201,393)
Decrease (increase) in assets:		
Accounts receivable	296,251	2,058,280
Inventories	(47,461)	(6,087)
Prepaid expenses	(37,881)	14,348
Right-of-use asset	(1,737,744)	-
Increase (decrease) in liabilities:		
Accounts payable	(55,579)	(42,811)
Accrued salaries, vacation, and benefits	(14,938)	(54,611)
Other accrued liabilities	(38,995)	57,946
Federal income tax payable	14,326	44,821
Deferred revenue	7,500	(49,417)
Deferred compensation liability	-	(522,196)
Operating lease liability	1,760,137	-
Total adjustments	1,350,253	1,949,505
Net cash provided by (used in) operating activities	\$ (1,050,861)	\$ 1,088,038

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Columbia Industries is a nonprofit corporation promoting the vocational enhancement of persons with disabilities or other barriers to employment.

Vocational activities include janitorial services, manufacturing assembly services, operation of a community center, and other services such as vocational evaluation, vocational counseling, training, and job placement, all designed to promote self-sufficiency and independence in daily living for persons served by Columbia Industries.

For the purpose of raising revenue to support the Organization's program services the Organization has the following wholly owned subsidiaries:

- CI Support, LLC (CI Support), operates mobile shredding and hard drive destruction.
- CI - RT, LLC, operates four Round Table Pizza restaurants.
- CI - PW, LLC, operates a bottled water business, doing business as Paradise Bottled Water.
- CI Express, Inc., contracts with Federal Express Ground to provide package delivery services for several routes located in Eastern Washington and Western Idaho.

To summarize, the consolidated financial statements include the accounts of Columbia Industries and its wholly owned subsidiaries: CI Support, LLC; CI - RT; LLC; CI - PW, LLC; and CI Express, Inc., (collectively: the Organization). All material intercompany transactions have been eliminated in these consolidated financial statements.

Summary of Significant Accounting Policies:

Cash and cash equivalents – For the purposes of the consolidated statements of financial position and cash flows, the Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value. Cash and cash equivalents, at times, may exceed federally insured limits by the Federal Deposit Insurance Corporation; management does not consider this to be a significant credit risk.

Accounts receivable – Accounts receivable are carried at original amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off to the allowance when deemed uncollectible. An allowance of \$10,500 was estimated at June 30, 2023 and 2022. Recoveries of receivables previously written off are recorded when received.

Inventories – Inventories are stated at the lower of cost (determined on the first in, first out basis) or net realizable value. Inventories consist of products used in the assembly of welding hoods and are maintained to fill purchase orders from contracting customers. Inventory also includes restaurant and bottled water supplies.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Land, buildings, and equipment – Purchased land, buildings, and equipment in excess of \$2,500 are capitalized and stated at cost; donated assets are stated at fair value on the date of the donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 40 years.

Certificates of deposit – The certificates of deposit are stated at cost, which approximates fair value, and the renewal maturities range between September 2023 and August 2024. The related interest rates for these accounts range between 2.25% and 5.30% and are recorded when earned.

Goodwill – Goodwill is analyzed for impairment annually. Impairment losses recorded for the years ended June 30, 2023 and 2022, were \$0 and \$984,702, respectively. See also Note 17.

Beneficial interest in assets held by others – The Organization has transferred assets to 3 Rivers Community Foundation (the Foundation), which is holding them as an endowed component fund (the Fund) for the benefit of the Organization. The Organization has granted the Foundation variance power, which gives the Foundation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. As such, the transfer of assets is not considered an expense, but is recorded as a beneficial interest in assets held by others in the consolidated statement of financial position at fair value.

Basis of presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under those principles, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be used for revolving loans. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and when the assets are subsequently placed in service.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Revenue recognition – contributions:

Contributions – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Grant revenue – The Organization receives revenue from various government and private agencies to provide services to the general public. Because the benefit of the service is to the general public and not to the granting agency, revenue from these contracts is accounted for as contribution revenue, rather than as an exchange transaction. Private and government grant revenues are recognized as net assets with or without donor restrictions, based on the terms of each grant. Contract and government grants are considered to be a conditional contribution, and the contribution is met when the services are performed and/or expenses are incurred.

In-kind contributions – Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not donated. Gifts of property and equipment and gifts of cash to be used to acquire property and equipment are reported as restricted support and reclassified to net assets without donor restrictions when placed into service. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments. There were no in-kind contributions during the years ended June 30, 2023 or 2022.

Revenue recognition – contracts with customers:

Revenue is recognized based on a five-step model. For customer contracts, the Organization identifies the performance obligations (products or services), determines the transaction price, allocates the contract transaction price to the performance obligations, and recognizes the revenue when the performance obligation is fulfilled, which is when the product is received by the customer or when the services are provided to the customer, depending on specific terms of the arrangement. All revenues are recorded at a point in time.

Contracted services – The Organization derives revenue from services, such as janitorial and delivery. Revenue is recorded in the month services are provided, based on standard charges for the services provided. Billing occurs at least monthly and is generally received within sixty days.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Revenue recognition – contracts with customers (continued)

Program fees – The Organization has contracts with various agencies in the area to provide services. Revenue from these contracts is recorded in the month services are provided at contracted amounts. There are no significant financing components or variable considerations.

Retail sales revenue – The Organization derives revenues from the sale of bottled water products. Revenues for these sales are recognized when control of the products is transferred to customers (at point of sale), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Restaurant sales – The Organization derives revenue from restaurant sales. Revenues for these sales are recognized when control of the products is transferred to customers (at point of sale), in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products.

Accounts and grants receivable and deferred revenue from contracts with customers were as follows:

	Accounts and Grants Receivable		Deferred Revenue	
	at June 30,		at June 30,	
	2023	2022	2023	2022
Beginning of year	\$ 963,393	\$ 945,475	\$ 681	\$ 1,308,793
End of year	907,363	963,393	8,181	681

Interest and dividend revenue – The Organization receives loan interest and loan fees. These fees are recorded as revenue when the time period has elapsed, or the loan document services have been performed. Please see Note 4 for further information.

Functional expenses – The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. General and administrative costs shared by Columbia Industries and the subsidiaries are allocated between entities based on two factors: value added revenue and direct employee time devoted to each company. Certain shared expenses are allocated based on their relative value to each department. Computer expenses of the network are allocated on the relative percentage of individuals operating computers in each department. Insurance expense is allocated based on the description of coverage (fixed assets are readily identified) and the relative full-time equivalent employee count in each department. Utility expense is allocated on a relative square-footage basis.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued):

Federal income tax – The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3), except as noted below. However, the Organization is liable for income tax on activities that are unrelated to the Organization’s exempt mission. Unrelated business income for the years ended June 30, 2023 and 2022, was \$117,996 and \$140,566, respectively. Management has evaluated the Organization’s tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the consolidated financial statements.

CI Support, LLC; CI - RT, LLC; CI - PW, LLC; and CI Express, Inc. (all wholly owned subsidiaries), elected to report as taxable corporations and pay income taxes at the corporate level.

Advertising – Advertising costs of \$560,480 and \$488,647 for the years ended June 30, 2023 and 2022, respectively, were charged to expense when incurred.

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.

Financial instruments – At June 30, 2023 and 2022, the carrying value of the Organization’s financial instruments approximated fair value.

Reclassifications – Certain amounts in the June 30, 2022, financial statements have been reclassified to conform with the June 30, 2023, presentation, with no changes to the previously reported changes in net assets except as noted in Note 17.

Adoption of new accounting standard – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY:

The Organization receives significant unrestricted contributions and program revenues to meet cash needs and fund general operating expenditures. Some donors restrict their contributions to be used in a particular manner or for future use, thus financial assets may not be available for general expenditures within one year.

The Board of Directors continually assesses the Organization’s ability to meet general expenditure needs. The Organization makes every effort to maintain sufficient cash in its operating accounts to satisfy needs.

The Organization’s financial assets available for general expenditure within one year of the balance sheet date are as follows:

	June 30,	
	2023	2022
Cash and cash equivalents	\$ 2,255,738	\$ 3,715,382
Accounts and credits receivable	1,189,260	1,485,510
Certificates of deposit	501,196	85,102
Beneficial interest in assets held by others	47,195	43,066
Total financial assets	3,993,389	5,329,060
Less amounts not available to be used for general expenditures within one year:		
Beneficial interest in assets held by others	47,195	43,066
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,946,194	\$ 5,285,994

NOTE 3 – INVENTORIES:

Raw material inventories consist of components for welding hoods, various supplies, and Round Table restaurant items. The following is a summary of the components of inventory:

	June 30,	
	2023	2022
Round Table items	\$ 42,415	\$ 44,597
Welding hood supplies	14,143	30,140
Supplies	95,562	29,922
	\$ 152,120	\$ 104,659

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 4 – FAIR VALUE MEASUREMENTS:

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* are described 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	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>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.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 or 2022.

Beneficial interest in assets held by others (Level 3): Valued based on the Organization's allocated share of the Foundation's investment pool.

Columbia Industries and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

NOTE 4 – FAIR VALUE MEASUREMENTS (continued):

The following table discloses by level, within the fair value hierarchy, the Organization’s fair value measurements at June 30, 2023:

	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 47,195	\$ 47,195

The following table discloses by level, within the fair value hierarchy, the Organization’s fair value measurements at June 30, 2022:

	Quoted Prices (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 43,066	\$ 43,066

Investment return (loss) consists of the following:

	Years ended June 30,	
	2023	2022
Realized gain (loss)	\$ 4,579	\$ (5,251)
Management fees	(450)	(480)
	\$ 4,129	\$ (5,731)

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 4 – FAIR VALUE MEASUREMENTS (continued):

The following table provides a summary of changes in fair value of the Organization’s Level 3 financial assets during the years ended June 30, 2023 and 2022:

Balance, June 30, 2021	\$	48,797
Management fees assessed		(480)
Realized investment earnings		(5,251)
Balance, June 30, 2022		43,066
Management fees assessed		(450)
Realized investment earnings		4,579
Balance, June 30, 2023	\$	47,195

The Organization’s assets at the Foundation are held in an investment pool. The Foundation invests its pooled investments in a diversified portfolio consisting of cash equivalents, fixed income securities, mutual funds, and other assets.

NOTE 5 – OPERATING LEASES:

On July 1, 2022, the Organization adopted FASB ASU No. 2016-02, ASC 842, *Leases*, which requires the recognition of an ROU asset and a lease liability based on the present value of the remaining lease payments.

The Organization determines if an arrangement is a lease at the inception of each contract. The ROU asset represents the right to use the underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Management has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The risk-free rate option has been applied to the Organization’s building lease.

The Organization leases its restaurant buildings under operating leases requiring total monthly payments of \$24,770. The Organization also leases a copier requiring monthly payments of \$194. Lease expenses totaled \$314,701 for the year ended June 30, 2023.

The Organization does not record leases with an initial term of 12 months or less in the balance sheets.

Columbia Industries and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

NOTE 5 – OPERATING LEASES (continued):

The following presents the components of the ROU asset and liability related to the lease and its classification in the consolidated statement of financial position at June 30, 2023:

<u>Component of Lease Balance</u>	<u>Classification on Consolidated Statement of Financial Position</u>	<u>June 30, 2023</u>
Asset:		
Right-of-use asset, <i>operating lease</i>	Other assets	<u>\$ 1,737,744</u>
Liability:		
Lease liability, <i>operating lease</i>		
Current	Current liabilities	\$ 264,895
Noncurrent	Noncurrent liabilities	<u>1,495,242</u>
Total operating lease liability		<u>\$ 1,760,137</u>

The following presents the components of lease expense and their classification in the consolidated statement of activities and changes in net assets:

<u>Component of Lease Expense</u>	<u>Classification on Consolidated Statement of Activities and Changes in Net Assets</u>	<u>June 30, 2023</u>
Lease expense, <i>operating</i>	Expenses	<u>\$ 314,701</u>

The weighted-average lease terms and discount rate for the operating leases is presented as follows:

	<u>June 30, 2023</u>
Weighted Average remaining lease term (years)	6
Weighted Average discount rate	2.11%

Cash flow and other information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	<u>\$ 292,308</u>
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	<u>\$ 2,012,352</u>

Columbia Industries and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

NOTE 5 – OPERATING LEASES (continued):

Future maturities of operating lease liabilities at June 30, 2023, are as follows:

	Years Ended June 30,	Operating Leases
	2024	\$ 299,557
	2025	306,988
	2026	313,829
	2027	320,084
	Thereafter	636,350
Total lease payments		1,876,808
Less imputed interest		116,671
Total lease obligations		1,760,137
Less current maturities		264,895
Noncurrent lease obligations		\$ 1,495,242

Future maturities of operating lease liabilities at June 30, 2023, prior to the adoption of ASU 2016-02 were as follows:

	Years Ending June 30,	Amounts
	2024	\$ 304,656
	2025	312,252
	2026	320,064
	2027	328,068

NOTE 6 – LONG-TERM DEBT:

The Organization's long-term debt at June 30, 2023, consisted of the following:

	Total	Current Maturities
Note payable to Spokane Teachers Credit Union, to be paid in monthly payments of \$3,821 including interest at 3.88%, maturing in December 2024; secured by equipment.	\$ 66,207	\$ 44,042
Note payable to Spokane Teachers Credit Union, to be paid in monthly payments of \$8,728, including interest at 5.26%, maturing in August 2027; secured by equipment.	391,098	86,189
	\$ 457,305	\$ 130,231

Columbia Industries and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

NOTE 6 – LONG-TERM DEBT (continued):

Estimated maturities of long-term debt are as follows:

Years Ending June 30,	Amount
2024	\$ 130,231
2025	113,052
2026	95,760
2027	100,920
2028	17,342
	<u>\$ 457,305</u>

NOTE 7 – INCOME TAXES:

CI Support, LLC, was formed in July 2010, and CI - RT, LLC; CI - PW, LLC; and CI Express, Inc., were formed in 2019, through election under Section 351(a) of the Internal Revenue Code. All the subsidiaries have elected to report as corporations and, as such, are subject to corporate income tax.

The Organization accounts for corporate income taxes and unrelated business income tax by recognizing deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

Deferred tax assets are as follows:

	June 30,	
	2023	2022
Non-current asset:		
Deferred tax asset	<u>\$ 855,000</u>	<u>\$ 228,000</u>

The significant components of the Organization's deferred tax asset were as follows:

	June 30,	
	2023	2022
Excess tax depreciation, <i>deferred tax liability</i>	\$ (349,000)	\$ (525,000)
Net difference in lease liabilities, <i>deferred tax asset</i>	5,000	-
Net operating loss carryforward, <i>deferred tax asset</i>	1,198,000	752,000
Allowance for doubtful accounts, <i>deferred tax asset</i>	1,000	1,000
Less valuation allowance	(631,000)	-
	<u>\$ 224,000</u>	<u>\$ 228,000</u>

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 7 – INCOME TAXES (continued):

The following schedule reconciles the net income of the subsidiaries included in these consolidated financial statements to taxable income reported on the Federal Income Tax Return Forms 1120:

	Years Ended	
	June 30,	
	2023	2022
Total subsidiary net loss <i>before</i>		
<i>income tax provision</i>	\$ (1,633,179)	\$ (809,642)
Permanent differences:		
One half meals and entertainment	2,078	-
Timing differences:		
Tax amortization of goodwill	(114,956)	(193,014)
Tax depreciation greater than book	(30,510)	(1,093,674)
Tax gain exceeding book on sale of assets	-	724,351
Current year lease expense difference	22,393	
Change in allowance for doubtful accounts	-	5,970
Total subsidiary taxable loss per tax returns	\$ (1,754,174)	\$ (1,366,009)

At June 30, 2023, the subsidiaries of Columbia Industries had available federal net operating loss carryovers that can be deducted against future taxable income. As of June 30, 2023, the following unused net operating losses were available:

Years Ended			
June 30,	Entity	Amount	Expiration
2019	CI - RT, LLC	\$ 303,538	Indefinite
2021	CI - RT, LLC	199,122	Indefinite
2022	CI - RT, LLC	762,486	Indefinite
2019	CI - PW, LLC	210,686	Indefinite
2020	CI - PW, LLC	404,198	Indefinite
2021	CI - PW, LLC	349,967	Indefinite
2022	CI - PW, LLC	261,822	Indefinite
2019	CI Express, Inc.	451,235	Indefinite*
2020	CI Express, Inc.	446,315	Indefinite*
2021	CI Express, Inc.	1,053,985	Indefinite*
2022	CI Express, Inc.	1,259,813	Indefinite*
		\$ 5,703,167	

*Due to the fact that realization of the federal net operating losses related to CI Express, Inc., is unlikely given the Organization's plans for the subsidiary, these federal net operating losses are not included in the calculation of the deferred tax asset. See also Note 17.

Columbia Industries and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

NOTE 8 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

During the year ended June 30, 2015, the Organization transferred assets to the Foundation, a permanent agency endowment fund. The Organization has granted the Foundation variance power, which gives the Foundation’s Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation’s investment and spending policies, which allow for distribution to the Organization annually. At June 30, 2023 and 2022, the endowment fund had a fair value of \$47,195 and \$43,066, respectively, which is included in the accompanying consolidated statements of financial position as beneficial interest in assets held by others.

NOTE 9 – NET ASSET DESIGNATIONS AND RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods:

	June 30,	
	2023	2022
Endowments		
Not subject to spending policy or appropriation		
Beneficial interest in assets held by others	\$ 47,195	\$ 43,066

See Note 8 for further details on the beneficial interest in assets held by others.

NOTE 10 – RENTAL REVENUE:

On January 13, 2023, the Organization entered into a vehicle lease agreement between CI Express, Inc. (Lessor), and Eco Delivery (Lessee), which leased certain vehicles to Eco Delivery for a weekly lease payment of \$6,134. Total rental revenue during the year ended June 30, 2023, was \$104,273. The fleet of vehicles were sold prior to year-end.

NOTE 11 – CONCENTRATIONS:

The Organization had two major customers for its manufacturing and custodial services during the years ended June 30, 2023 and 2022, with related sales totaling \$1,053,650 and \$941,855, respectively. Related accounts receivable were \$125,651 and \$128,965 at June 30, 2023 and 2022, respectively.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 12 – RETIREMENT PLAN:

Effective September 1, 2017, the Organization began sponsoring a 401(k) profit sharing plan covering all eligible employees who meet certain age and length of service requirements. The plan provides for a matching employer contribution at the discretion of the Organization. The plan has received Internal Revenue Service approval under Section 401(k) of the Internal Revenue Code.

For the years ended June 30, 2023 and 2022, employer-matching contributions were \$63,973 and \$73,899, respectively.

NOTE 13 – PAYCHECK PROTECTION PROGRAM FORGIVABLE LOAN:

In April 2021, the Organization received \$1,258,695 from Banner Bank as part of the Paycheck Protection Program (PPP). The PPP was included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed by the United States Congress in response to the COVID-19 crisis. The PPP authorizes forgivable loans to small businesses to incentivize retention of employees during the pandemic. The forgivable portion was determined based on the Organization's use of funds during the 24-week period after receiving the loan.

Because of other credits, none of the wages paid through June 30, 2021, were used for forgiveness. Wages and other qualified non-wage expenses paid after June 30, 2021, qualified for the entire PPP for forgiveness. During the year ended June 30, 2022, the entire amount was forgiven, and the full amount of \$1,258,695 was recognized as revenue.

After the Small Business Administration (SBA) reviews and approves the forgiveness amount, they have the right to audit the Organization's compliance for a period of up to six years. The timing and outcome of any SBA review is not known.

NOTE 14 – NONCASH INVESTING AND FINANCING ACTIVITIES:

During the year ended June 30, 2023 and 2022, the Organization directly financed property and equipment purchases totaling \$459,118 and \$132,589, respectively.

NOTE 15 – SALE OF ASSETS:

During the year ended June 30, 2022, the Organization sold Shred Records, a line of business under Columbia Industries' subsidiary, for a sales price of \$975,000, less closing costs. Assets sold consisted of \$620,845 of goodwill and property and equipment with a net book value of \$458,713.

Columbia Industries and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 16 – LETTER OF CREDIT:

In July 2019, CI - RT, LLC, obtained a nonrevolving letter of credit in the amount of \$80,000 from Banner Bank. It bears interest at 6.50%, requires monthly interest payments beginning in September 2019, and matures in August 2024. It is secured by a certificate of deposit in the amount of \$80,000. As of June 30, 2023 and 2022, no amount was due on this line.

NOTE 17 – LOSS ON IMPAIRMENT OF GOODWILL:

The Organization’s management determined that goodwill related to one of the subsidiaries, CI Express, Inc., was impaired as of and for the year ended June 30, 2022. The determination was made based upon continued losses realized by the subsidiary and the ultimate decision to sell the fleet of vehicles during the year ended June 30, 2023. The total impairment loss for the year is calculated at \$984,702 and is included in other losses on the consolidated statement of activities and changes in net assets for the year ended June 30, 2022.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS:

In 2023, four entities (Columbia Industries, CI-Support, LLC; CI-RT, LLC; and CI-Express, Inc.) applied for Employee Retention Credit for the quarter ended September 30, 2021, which retroactively increased Grant revenue, *Employee Retention Credit* for the year ended June 30, 2022.

The effects of the corrections on the financial statements for the year ended June 30, 2022, were:

	As Originally Reported	As Adjusted	Effect of Change Increase
Employee Retention Credit receivable	\$ 240,220	\$ 532,617	\$ 292,397
Grant revenue, <i>Employee Retention Credit</i>	398,822	691,219	292,397

NOTE 19 – SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through January 17, 2024, which is the date the consolidated financial statements were available to be issued.