



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Northwest Federal Credit Union Foundation

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Northwest Federal Credit Union Foundation
Herndon, Virginia**

Opinion

We have audited the accompanying financial statements of Northwest Federal Credit Union Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Federal Credit Union Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its 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 Financial Statements section of our report. We are required to be independent of Northwest Federal Credit Union Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Federal Credit Union Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northwest Federal Credit Union Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Federal Credit Union Foundation'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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
April 18, 2023

Northwest Federal Credit Union Foundation
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Assets:		
Cash and cash equivalents	\$ 502,190	\$ 474,262
Restricted cash	139,590	113,136
Investments	797,831	973,334
Accounts receivable	430	430
Accounts receivable, related party	30,014	5,886
Prepaid expenses	-	4,730
	TOTAL ASSETS	\$ 1,571,778
	\$ 1,470,055	\$ 1,571,778
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,042	\$ 6,188
Total liabilities	6,042	6,188
Net assets:		
Without donor restrictions	1,324,423	1,452,454
With donor restrictions	139,590	113,136
	Total net assets	1,565,590
	TOTAL NET LIABILITIES AND NET ASSETS	\$ 1,571,778
	\$ 1,470,055	\$ 1,571,778

Northwest Federal Credit Union Foundation
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Contributions, individual	\$ 72,486	\$ 57,185	\$ 129,671	\$ 128,935	\$ 33,776	\$ 162,711
Contributions, corporate	189,316	-	189,316	136,525	-	136,525
In-kind contributions	343,021	-	343,021	418,810	-	418,810
Investment income (loss), net of fees	(175,205)	-	(175,205)	109,012	-	109,012
Net assets released from restrictions	30,731	(30,731)	-	24,492	(24,492)	-
Total revenue and support	460,349	26,454	486,803	817,774	9,284	827,058
Expenses:						
Program services	372,209	-	372,209	388,040	-	388,040
Supporting services	216,171	-	216,171	225,491	-	225,491
Total expenses	588,380	-	588,380	613,531	-	613,531
Change in net assets	(128,031)	26,454	(101,577)	204,243	9,284	213,527
Net assets, beginning of year	1,452,454	113,136	1,565,590	1,248,211	103,852	1,352,063
Net assets, end of year	<u>\$ 1,324,423</u>	<u>\$ 139,590</u>	<u>\$ 1,464,013</u>	<u>\$ 1,452,454</u>	<u>\$ 113,136</u>	<u>\$ 1,565,590</u>

See Accompanying Notes to Financial Statements

Northwest Federal Credit Union Foundation
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

2022

	Program Services			Supporting Services			Total Expenses	
	Grants	Scholarships	Community Outreach	Total Program Services	Fundraising	General and Administrative		Total Supporting Services
Salaries and fringe	\$ -	\$ 108,270	\$ 77,336	\$ 185,606	\$ 46,401	\$ 77,336	\$ 123,737	\$ 309,343
Scholarships	-	55,000	-	55,000	-	-	-	55,000
DeFelice scholarships	-	55,000	-	55,000	-	-	-	55,000
Banquets and events	-	-	48,103	48,103	-	-	-	48,103
Fundraising Fees	-	-	-	-	42,827	-	42,827	42,827
CIRA scholarships	-	25,000	-	25,000	-	-	-	25,000
Rent	-	-	-	-	-	18,460	18,460	18,460
Miscellaneous	-	-	-	-	-	9,991	9,991	9,991
Professional fees	-	-	-	-	-	7,675	7,675	7,675
Printing and copying	-	-	-	-	-	4,046	4,046	4,046
Grants to other organizations	3,500	-	-	3,500	-	-	-	3,500
Equipment and Supplies	-	-	-	-	-	3,369	3,369	3,369
Credit card processing fees	-	-	-	-	-	2,710	2,710	2,710
Postage and delivery	-	-	-	-	-	1,239	1,239	1,239
Telephone	-	-	-	-	-	1,058	1,058	1,058
Travel	-	-	-	-	-	559	559	559
Membership dues	-	-	-	-	-	500	500	500
Total expenses	\$ 3,500	\$ 243,270	\$ 125,439	\$ 372,209	\$ 89,228	\$ 126,943	\$ 216,171	\$ 588,380

(Continued)

Northwest Federal Credit Union Foundation
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2022 and 2021

	2021							
	Program Services				Supporting Services			
	Grants	Scholarships	Community Outreach	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and fringe	\$ -	\$ 129,764	\$ 92,689	\$ 222,453	\$ 55,613	\$ 92,689	\$ 148,302	\$ 370,755
Scholarships	-	55,000	-	55,000	-	-	-	55,000
DeFelice scholarships	-	45,000	-	45,000	-	-	-	45,000
Banquets and events	-	-	39,087	39,087	-	-	-	39,087
Fundraising Fees	-	-	-	-	27,363	-	27,363	27,363
CIRA scholarships	-	25,000	-	25,000	-	-	-	25,000
Rent	-	-	-	-	-	18,460	18,460	18,460
Printing and copying	-	-	-	-	-	12,803	12,803	12,803
Professional fees	-	-	-	-	-	7,760	7,760	7,760
Postage and delivery	-	-	-	-	-	4,883	4,883	4,883
Equipment and Supplies	-	-	-	-	-	3,576	3,576	3,576
Grants to other organizations	1,500	-	-	1,500	-	-	-	1,500
Miscellaneous	-	-	-	-	-	811	811	811
Membership dues	-	-	-	-	-	790	790	790
Travel	-	-	-	-	-	495	495	495
Telephone	-	-	-	-	-	220	220	220
Credit card processing fees	-	-	-	-	-	28	28	28
Total expenses	<u>\$ 1,500</u>	<u>\$ 254,764</u>	<u>\$ 131,776</u>	<u>\$ 388,040</u>	<u>\$ 82,976</u>	<u>\$ 142,515</u>	<u>\$ 225,491</u>	<u>\$ 613,531</u>

Northwest Federal Credit Union Foundation
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (101,577)	\$ 213,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	216,152	(40,757)
Realized gain on investments	(29,818)	(9,918)
Decrease (increase) in operating assets:		
Accounts receivable, related party	(24,128)	(2,951)
Prepaid expenses	4,730	800
Increase in operating liabilities:		
Accounts payable and accrued expenses	146	(3,896)
Total adjustments	167,082	(56,722)
Net cash provided by operating activities	65,505	156,805
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments, net	(11,123)	(58,086)
Net cash used in investing activities	(11,123)	(58,086)
Net increase in cash, cash equivalents, and restricted cash	54,382	98,719
Cash, cash equivalents, and restricted cash, beginning of year	587,398	488,679
Cash, cash equivalents, and restricted cash, end of year	\$ 641,780	\$ 587,398

Northwest Federal Credit Union Foundation
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 - ORGANIZATION

The Northwest Federal Credit Union Foundation (the Foundation) is a nonprofit organization formed under the laws of Virginia in 2004. The Foundation provides scholarship, mentoring, and youth outreach programs for the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Description of Net Assets

Net assets are classified based on existence or absence of donor imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets that are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.
- *Net Assets With Donor Restrictions* -- Net assets that are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose. Net assets with donor restrictions at December 31, 2022 and 2021 were \$139,589 and \$113,136, respectively.

Cash and Cash Equivalents

The Foundation considers all highly liquid securities purchased with an original maturity of three months or less to be cash equivalents.

New Accounting Pronouncements

The FASB issued ASU 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" to increase transparency related to contributed nonfinancial assets through enhancements to presentation and disclosures. The Foundation has adopted ASU 2020-07 as of January 1, 2022.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

Restricted cash represents monies held, which are subject to donor-imposed restrictions that require that they are held separately from cash and cash equivalents. The following table adapted from ASU 2016-18 provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 502,190	\$ 474,262
Restricted cash	<u>139,590</u>	<u>113,136</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 641,780</u>	<u>\$ 587,398</u>

Investments

Investments consist of exchange traded funds and mutual funds. These investments are reported at fair value based on quoted market prices on active markets (Level 1) for identical securities because quoted market prices are readily available. Net unrealized gains and losses on investments are reflected in the statements of activities, netted with investment fees. Interest and dividends are reflected as income when earned.

Accounts Receivable

The Foundation is funded through individual donations, corporate donations, and fundraisers. Revenue is recognized as an increase in the statement of activities and changes in net assets as donations are made and promises to give are agreed upon. A receivable is recorded when a promise to give is agreed upon and the donation has not yet been received. Account balances over 90 days past due are considered delinquent and, unless strong mitigating factors exist, a dollar for dollar allowance is established. At December 31, 2022 and 2021, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2022 or 2021.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions

The Foundation receives donations of office space, salaries and fringe, public relations and marketing, and other goods and services from individual and corporate donors. These contributions are recorded at their estimated fair market value at the date the donation is made.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation. Otherwise, volunteer services are not recorded in the financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

Expense Allocation

The Foundation allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with specific programs or supporting services are recorded directly according to their natural expenditure classification. Joint costs are allocated based on various identifiable bases (i.e. allowable occupancy costs are allocated based on the percentage of space occupied). Salaries and fringe is attributable to multiple programs and is allocated based on time spent for the program.

Advertising

The Foundation expenses the costs of advertising as they are incurred.

Income Taxes

The Foundation complies with the provisions of the FASB Accounting Standards Codification topic *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2022 and 2021, no unrecognized tax provision or benefit exists.

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation by the Internal Revenue Service.

The Foundation's tax returns may be subject to audit for three years after filing; hence, the Foundation's tax returns for years 2019 and onward are open to tax examination.

Reclassification

Certain reclassifications have been made to the 2021 financial statements' presentation to correspond to the current year's format.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through April 18, 2023, the date which the financial statements were available to be issued. There were no events identified requiring recognition in or disclosure to the financial statements.

NOTE 3 - INVESTMENTS

The cost, fair values and unrealized gain of investments at December 31, 2022 and 2021 are as follows:

	2022		
	Cost	Fair Value	Unrealized Loss
Liquid funds	\$ 409,705	\$ 409,705	\$ -
Mutual Funds	413,680	388,126	(25,554)
Total	<u>\$ 823,385</u>	<u>\$ 797,831</u>	<u>\$ (25,554)</u>

	2021		
	Cost	Fair Value	Unrealized Gain
Liquid funds	\$ 6,705	\$ 6,705	\$ -
Mutual Funds	765,884	966,629	200,745
Total	<u>\$ 772,589</u>	<u>\$ 973,334</u>	<u>\$ 200,745</u>

Investment income (loss) for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
Interest, dividends and realized gains	\$ 46,926	\$ 74,564
Unrealized (loss) gain	(216,152)	40,757
Investment fees	(5,979)	(6,309)
	<u>\$(175,205)</u>	<u>\$ 109,012</u>

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 4 - RELATED PARTY TRANSACTIONS AND REVENUE CONCENTRATION

The Foundation is related to Northwest Federal Credit Union (NWFCU) who donates office space, equipment, and services to the Foundation. The Secretary/Treasurer of the Foundation also sits on the Board of Directors for NWFCU. NWFCU has agreed to reimburse the Foundation for expenses staff incurs for mileage, supplies, and various other expenses. The Foundation was owed \$30,014 and \$5,886, respectively at December 31, 2022 and 2021. Total support provided by NWFCU for the years ended December 31, 2022 and 2021 was \$327,803 and \$387,678, respectively. This amounts to approximately 67% and 49% of total revenue for the years ended December 31, 2022 and 2021, respectively. All cash accounts are held at the Credit Union.

NOTE 5 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2022 and 2021, the Foundation received in-kind contributions in the form of office space, salaries and fringe, public relations and marketing, and other goods and services from individual and corporate donors. All in-kind contributions have been recorded at their fair market value as of the date of the gift.

Donated goods and services are recognized as in-kind contributions and expensed in accordance with U.S. GAAP. In order to meet the criteria for recognition in the financial statements, contributions of donated services must: (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills and would otherwise have to be purchased by the Foundation.

In-kind contributions for the years ended December 31, 2022 and 2021 consisted of the following:

	2022				Total
	Program/Activity				
	Scholarships	Community Outreach	Fundraising	General and Administrative	
Utilized in-kind:					
Salaries and fringe	\$ 108,270	\$ 77,336	\$ 46,401	\$ 77,336	\$ 309,343
Office space	-	-	-	18,460	18,460
Fundraising fees	-	-	3,898	-	3,898
Banquet and events	-	3,500	-	-	3,500
Equipment and supplies	-	-	-	3,211	3,211
Printing and copying	-	-	-	1,433	1,433
Postage and delivery	-	-	-	1,239	1,239
Telephone	-	-	-	1,058	1,058
Miscellaneous	-	-	-	879	879
	<u>\$ 108,270</u>	<u>\$ 80,836</u>	<u>\$ 50,299</u>	<u>\$ 103,616</u>	<u>\$ 343,021</u>

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 5 - IN-KIND CONTRIBUTIONS (Continued)

	2021				Total
	Program/Activity				
	Scholarships	Community Outreach	Fundraising	General and Administrative	
Utilized in-kind:					
Salaries and fringe	\$ 129,764	\$ 92,689	\$ 55,613	\$ 92,689	\$ 370,755
Office space	-	-	-	18,460	18,460
Fundraising fees	-	-	13,066	-	13,066
Banquet and events	-	3,500	-	-	3,500
Equipment and supplies	-	-	-	3,576	3,576
Printing and copying	-	-	-	3,638	3,638
Postage and delivery	-	-	-	4,883	4,883
Telephone	-	-	-	220	220
Miscellaneous	-	-	-	812	812
	<u>\$ 129,764</u>	<u>\$ 96,189</u>	<u>\$ 68,679</u>	<u>\$ 124,278</u>	<u>\$ 418,910</u>

NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of December 31,:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 502,190	\$ 474,262
Investments, at fair value	797,831	973,334
Accounts receivable	430	430
Accounts receivable, related party	30,014	5,886
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,330,465</u>	<u>\$ 1,453,912</u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

NOTE 7 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash at a single financial institution that, at times, may exceed federally insured limits. At December 31, 2022 and 2021, \$395,144 and \$238,679, respectively, was uninsured. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant concentration of credit risk on its cash and cash equivalents.