



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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, 2023 and 2022, 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
June 26, 2024

Northwest Federal Credit Union Foundation
Statements of Financial Position
December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| ASSETS | | |
| Assets: | | |
| Cash and cash equivalents | \$ 644,922 | \$ 502,190 |
| Restricted cash | 110,254 | 139,590 |
| Investments | 873,903 | 797,831 |
| Accounts receivable | 4,205 | 430 |
| Accounts receivable, related party | - | 30,014 |
| TOTAL ASSETS | \$ 1,633,284 | \$ 1,470,055 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 5,061 | \$ 6,042 |
| Total liabilities | 5,061 | 6,042 |
| Net assets: | | |
| Without donor restrictions | 1,517,969 | 1,324,423 |
| With donor restrictions | 110,254 | 139,590 |
| Total net assets | 1,628,223 | 1,464,013 |
| TOTAL NET LIABILITIES AND NET ASSETS | \$ 1,633,284 | \$ 1,470,055 |

Northwest Federal Credit Union Foundation
Statements of Activities
For the Years Ended December 31, 2023 and 2022

| | 2023 | | | 2022 | | |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support: | | | | | | |
| Contributions, individual | \$ 68,931 | \$ 84,267 | \$ 153,198 | \$ 72,486 | \$ 57,185 | \$ 129,671 |
| Contributions, corporate | 179,654 | - | 179,654 | 189,316 | - | 189,316 |
| In-kind contributions | 393,986 | - | 393,986 | 343,021 | - | 343,021 |
| Investment income (loss), net of fees | 82,805 | - | 82,805 | (175,205) | - | (175,205) |
| Net assets released from restrictions | 113,603 | (113,603) | - | 30,731 | (30,731) | - |
| Total revenue and support | 838,979 | (29,336) | 809,643 | 460,349 | 26,454 | 486,803 |
| Expenses: | | | | | | |
| Program services | 449,461 | - | 449,461 | 372,209 | - | 372,209 |
| Supporting services | 195,972 | - | 195,972 | 216,171 | - | 216,171 |
| Total expenses | 645,433 | - | 645,433 | 588,380 | - | 588,380 |
| Change in net assets | 193,546 | (29,336) | 164,210 | (128,031) | 26,454 | (101,577) |
| Net assets, beginning of year | 1,324,423 | 139,590 | 1,464,013 | 1,452,454 | 113,136 | 1,565,590 |
| Net assets, end of year | <u>\$ 1,517,969</u> | <u>\$ 110,254</u> | <u>\$ 1,628,223</u> | <u>\$ 1,324,423</u> | <u>\$ 139,590</u> | <u>\$ 1,464,013</u> |

See Accompanying Notes to Financial Statements

Northwest Federal Credit Union Foundation
Statements of Functional Expenses
For the Years Ended December 31, 2023 and 2022

2023

| | Program Services | | | Supporting Services | | | Total Expenses |
|---------------------------|-------------------------|---------------------------|-------------------------------|----------------------------|-----------------------------------|----------------------------------|-----------------------|
| | Scholarships | Community Outreach | Total Program Services | Fundraising | General and Administrative | Total Supporting Services | |
| Salaries and fringe | \$ 126,981 | \$ 90,701 | \$ 217,682 | \$ 54,420 | \$ 90,700 | \$ 145,120 | \$ 362,802 |
| Scholarships and programs | 120,211 | 97,440 | 217,651 | - | - | - | 217,651 |
| Rent | - | - | - | - | 18,460 | 18,460 | 18,460 |
| Professional fees | - | - | - | - | 13,484 | 13,484 | 13,484 |
| Travel | 3,961 | 7,082 | 11,043 | - | 448 | 448 | 11,491 |
| Equipment and Supplies | - | 3,085 | 3,085 | - | 6,064 | 6,064 | 9,149 |
| Advertising | - | - | - | - | 5,208 | 5,208 | 5,208 |
| Miscellaneous | - | - | - | - | 3,623 | 3,623 | 3,623 |
| Fundraising Fees | - | - | - | 1,544 | 558 | 2,102 | 2,102 |
| Subscriptions and dues | - | - | - | - | 1,463 | 1,463 | 1,463 |
| Total expenses | \$ 251,153 | \$ 198,308 | \$ 449,461 | \$ 55,964 | \$ 140,008 | \$ 195,972 | \$ 645,433 |

(Continued)

Northwest Federal Credit Union Foundation
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2023 and 2022

| | 2022 | | | | | | | |
|-------------------------------|-------------------------|---------------------|---------------------------|-------------------------------|----------------------------|-----------------------------------|----------------------------------|-----------------------|
| | Program Services | | | | Supporting Services | | | |
| | Grants | Scholarships | Community Outreach | Total Program Services | Fundraising | General and Administrative | Total Supporting Services | Total Expenses |
| 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 | <u>\$ 3,500</u> | <u>\$ 243,270</u> | <u>\$ 125,439</u> | <u>\$ 372,209</u> | <u>\$ 89,228</u> | <u>\$ 126,943</u> | <u>\$ 216,171</u> | <u>\$ 588,380</u> |

Northwest Federal Credit Union Foundation
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|-------------|--------------|
| <u>Cash Flows From Operating Activities:</u> | | |
| Change in net assets | \$ 164,210 | \$ (101,577) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Unrealized loss on investments | (42,205) | 216,152 |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | (3,775) | - |
| Accounts receivable, related party | 30,014 | (24,128) |
| Prepaid expenses | - | 4,730 |
| (Decrease) increase in operating liabilities: | | |
| Accounts payable and accrued expenses | (981) | 146 |
| Total adjustments | (16,947) | 196,900 |
| Net cash provided by operating activities | 147,263 | 95,323 |
| <u>Cash Flows From Investing Activities:</u> | | |
| Purchases of investments, net | (33,867) | (40,941) |
| Net cash used in investing activities | (33,867) | (40,941) |
| Net increase in cash, cash equivalents, and restricted cash | 113,396 | 54,382 |
| Cash, cash equivalents, and restricted cash, beginning of year | 641,780 | 587,398 |
| Cash, cash equivalents, and restricted cash, end of year | \$ 755,176 | \$ 641,780 |

Northwest Federal Credit Union Foundation
Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022 were \$110,254 and \$139,590, 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, 2023 and 2022

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>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 644,922 | \$ 502,190 |
| Restricted cash | 110,254 | 139,590 |
| Total cash, cash equivalents, and restricted cash shown in the statements of cash flows | <u>\$ 755,176</u> | <u>\$ 641,780</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, 2023 and 2022, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2023 or 2022.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

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, 2023 and 2022, 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 2020 and onward are open to tax examination.

Reclassification

Certain reclassifications have been made to the 2022 financial statements' presentation to correspond to the current year's format.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through June 26, 2024, 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, 2023 and 2022 are as follows:

| | 2023 | | |
|--------------|-------------------|-------------------|------------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Loss</u> |
| Liquid funds | \$ 429,142 | \$ 429,142 | \$ - |
| Mutual Funds | <u>428,300</u> | <u>444,761</u> | <u>16,461</u> |
| Total | <u>\$ 857,442</u> | <u>\$ 873,903</u> | <u>\$ 16,461</u> |
| | 2022 | | |
| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain</u> |
| Liquid funds | \$ 409,885 | \$ 409,885 | \$ - |
| Mutual Funds | <u>413,690</u> | <u>387,946</u> | <u>(25,744)</u> |
| Total | <u>\$ 823,575</u> | <u>\$ 797,831</u> | <u>\$ (25,744)</u> |

Investment income (loss) for the years ended December 31, 2023 and 2022 is summarized as follows:

| | <u>2023</u> | <u>2022</u> |
|------------------------|------------------|---------------------|
| Interest and dividends | \$ 43,442 | \$ 46,926 |
| Unrealized gain (loss) | 42,205 | (216,152) |
| Investment fees | <u>(2,842)</u> | <u>(5,979)</u> |
| | <u>\$ 82,805</u> | <u>\$ (175,205)</u> |

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

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. There was nothing owed to the Foundation at December 31, 2023. At December 31, 2022, the Foundation was owed \$30,014. Total support provided by NWFCU for the years ended December 31, 2023 and 2022 was \$429,542 and \$327,803, respectively. This amounts to approximately 53% and 67% of total revenue for the years ended December 31, 2023 and 2022, respectively. All cash accounts are held at the Credit Union.

NOTE 5 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022 consisted of the following:

| | 2023 | | | | Total |
|------------------------|-------------------------|---------------------------|--------------------|-----------------------------------|-------------------|
| | Program/Activity | | | | |
| | Scholarships | Community Outreach | Fundraising | General and Administrative | |
| Utilized in-kind: | | | | | |
| Salaries and fringe | \$ 126,981 | \$ 90,701 | \$ 54,420 | \$ 90,700 | \$ 362,802 |
| Office space | - | - | - | 18,460 | 18,460 |
| Equipment and supplies | - | - | - | 5,212 | 5,212 |
| Advertising | - | - | - | 5,208 | 5,208 |
| Professional fees | - | - | - | 2,304 | 2,304 |
| | <u>\$ 126,981</u> | <u>\$ 90,701</u> | <u>\$ 54,420</u> | <u>\$ 121,884</u> | <u>\$ 393,986</u> |

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2023 and 2022

NOTE 5 - IN-KIND CONTRIBUTIONS (Continued)

| | 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> |

NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2023 and 2022, 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,:

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Financial assets | | |
| Cash | \$ 644,922 | \$ 502,190 |
| Investments, at fair value | 873,903 | 797,831 |
| Accounts receivable | 4,205 | 430 |
| Accounts receivable, related party | - | 30,014 |
| Total financial assets | <u>1,523,030</u> | <u>1,330,465</u> |
| Less: net assets with donor restrictions | <u>(110,254)</u> | <u>(139,590)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,412,776</u> | <u>\$ 2,521,340</u> |

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

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, 2023 and 2022, \$505,177 and \$395,144, 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.