



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

For the Years Ended December 31, 2017 and 2016

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Table of Contents

	Page
Independent Auditors' Report on the Financial Statements	1 - 2
Basic Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses - 2017	5
Statements of Functional Expenses - 2016	6
Statements of Cash Flows.....	7
Notes to Financial Statements	8 - 12



INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Northwest Federal Credit Union Foundation
Independent Auditors' Report (Continued)
Page 2

Opinion

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, 2017 and 2016, 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.

DeLeon & Stang, CPAs
Gaithersburg, Maryland
DATE

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
<u>Assets:</u>		
Cash and cash equivalents	\$ 290,935	\$ 249,950
Restricted cash	68,533	48,282
Investments	453,950	401,754
Accounts receivable	3,050	8,745
Prepaid expenses	2,000	-
TOTAL ASSETS	\$ 818,468	\$ 708,731
NET ASSETS		
<u>Net assets:</u>		
Net assets, unrestricted	\$ 749,935	\$ 660,449
Net assets, temporarily restricted	68,533	48,282
NET ASSETS	\$ 818,468	\$ 708,731

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Statements of Activities

For the Years Ended December 31, 2017 and 2016

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions, individual	\$ 85,835	\$ 80,541	\$ 166,376	\$ 68,375	\$ 23,608	\$ 91,983
Contributions, corporate	76,535	-	76,535	92,187	-	92,187
Fundraisers	15,391	-	15,391	-	-	-
In-kind contributions	396,612	-	396,612	303,802	-	303,802
Interest income	18,985	-	18,985	14,493	-	14,493
Realized and unrealized loss on investments	36,554	-	36,554	(11,697)	-	(11,697)
Net assets released from restrictions	60,290	(60,290)	-	41,422	(41,422)	-
Total revenue and support	690,202	20,251	710,453	508,582	(17,814)	490,768
Expenses:						
Program services	364,563	-	364,563	207,526	-	207,526
Supporting services	236,153	-	236,153	257,620	-	257,620
Total expenses	600,716	-	600,716	465,146	-	465,146
Change in net assets	89,486	20,251	109,737	43,436	(17,814)	25,622
Net assets, beginning of year	660,449	48,282	708,731	617,013	66,096	683,109
Net assets, end of year	\$ 749,935	\$ 68,533	\$ 818,468	\$ 660,449	\$ 48,282	\$ 708,731

See Accompanying Notes to Financial Statements

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Functional Expenses
For the Years Ended December 31, 2017 and 2016

2017

	Program services				Supporting services			Total expenses
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and fringe	-	\$ 105,317	75,227	\$ 180,544	\$ 45,136	\$ 75,227	\$ 120,363	\$ 300,907
DeFelixe scholarships	-	86,902	-	86,902	-	-	-	86,902
Fundraising Fees	-	-	-	-	41,432	-	41,432	41,432
Banquets and events	-	-	30,017	30,017	-	-	-	30,017
Scholarships	-	25,000	-	25,000	-	-	-	25,000
Grants to other organizations	21,100	-	-	21,100	-	-	-	21,100
CIRA scholarships	-	20,000	-	20,000	-	-	-	20,000
Rent	-	-	-	-	-	18,460	18,460	18,460
Printing and copying	-	-	-	-	-	12,624	12,624	12,624
Advertising	-	-	-	-	-	8,204	8,204	8,204
Miscellaneous	-	-	-	-	-	6,811	6,811	6,811
Bad debt	-	-	-	-	-	6,682	6,682	6,682
Professional fees	-	-	-	-	-	6,400	6,400	6,400
Equipment and Supplies	-	-	-	-	-	4,396	4,396	4,396
Postage and delivery	-	-	-	-	-	2,687	2,687	2,687
Volunteer recognition	-	-	-	-	-	2,685	2,685	2,685
Investment fees	-	-	-	-	-	2,229	2,229	2,229
Partner schools	1,000	-	-	1,000	-	-	-	1,000
Telephone	-	-	-	-	-	923	923	923
Travel	-	-	-	-	-	901	901	901
Membership dues	-	-	-	-	-	726	726	726
Meetings	-	-	-	-	-	599	599	599
Credit card processing fees	-	-	-	-	-	31	31	31
Total expense	\$ 22,100	\$ 237,219	\$ 105,244	\$ 364,563	\$ 86,568	\$ 149,585	\$ 236,153	\$ 600,716

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NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Statements of Functional Expenses (Continued)

For the Years Ended December 31, 2017 and 2016

2016

	Program services				Supporting services			Total expenses
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and fringe	\$ -	\$ 68,414	41,049	\$ 109,463	\$ 68,414	\$ 95,780	\$ 164,194	\$ 273,657
DeFelice scholarships	-	60,000	-	60,000	-	-	-	60,000
Fundraising Fees	-	-	-	-	28,333	-	28,333	28,333
CIRA scholarships	-	20,000	-	20,000	-	-	-	20,000
Rent	-	-	-	-	-	18,460	18,460	18,460
Professional fees	-	-	-	-	-	13,400	13,400	13,400
Printing and copying	-	-	-	-	-	11,364	11,364	11,364
Scholarships	-	10,000	-	10,000	-	-	-	10,000
Grants to other organizations	7,763	-	-	7,763	-	-	-	7,763
Banquets and events	-	-	-	-	-	7,744	7,744	7,744
Meetings	-	-	-	-	-	7,012	7,012	7,012
Miscellaneous	-	-	-	-	-	4,100	4,100	4,100
Travel	-	-	-	-	-	1,684	1,684	1,684
Postage and delivery	-	-	-	-	-	719	719	719
Credit card processing fees	-	-	-	-	-	430	430	430
Financial education	300	-	-	300	-	-	-	300
Supplies	-	-	-	-	-	155	155	155
Membership dues	-	-	-	-	-	25	25	25
Total expense	\$ 8,063	\$ 158,414	\$ 41,049	\$ 207,526	\$ 96,747	\$ 160,873	\$ 257,620	\$ 465,146

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 109,737	\$ 25,622
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(36,554)	11,697
(Increase) decrease in operating assets:		
Restricted cash	(20,251)	17,814
Accounts receivable	5,695	(8,050)
Accounts receivable, related party	-	4,219
Prepaid expenses	(2,000)	5,000
Deposits	-	1,332
Total adjustments	(53,110)	32,012
Net cash provided by operating activities	56,627	57,634
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments, net	(15,642)	(10,953)
Net cash used in investing activities	(15,642)	(10,953)
Net increase in cash and cash equivalents	40,985	46,681
Cash and cash equivalents, beginning of year	249,950	203,269
Cash and equivalents, end of year	\$ 290,935	\$ 249,950

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Notes to Financial Statements
December 31, 2017 and 2016

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 and disclosures. Actual results could differ from those estimates.

Basis of Presentation

The Foundation adopted the *Not-For-Profit Entities—Revenue Recognition Subtopic* and the *Not-For-Profit Entities—Presentation of Financial Statements Subtopic* of the FASB Accounting Standards Codification. Under the provisions of these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. These standards require a statement of financial position, a statement of activities, and a statement of cash flows. Accordingly, the net assets of the Foundation and the changes therein, are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time. Temporarily restricted net assets at December 31, 2017 and 2016 were \$68,533 and \$48,282, respectively.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. There were no permanently restricted net assets at December 31, 2017 or 2016.

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.

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.

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Notes to Financial Statements (Continued)

December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 realized and unrealized gains and losses on investments are reflected in the statements of activities. Dividends and interest 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, 2017 and 2016, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2017 or 2016.

Contributions

All contributions to the Foundation are considered to be available for unrestricted use in the year received, unless specifically restricted by the donor. Amounts received that are designated for future periods or that are restricted by the donor for specific purposes, if any, are reported as temporarily restricted or permanently restricted support that increases those asset classes. If a restriction is fulfilled in the same period in which the donation was received, the amount is reported as unrestricted.

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.

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Notes to Financial Statements (Continued)

December 31, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost 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 allocated 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).

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, 2017 and 2016, 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 Association's tax returns may be subject to audit for three years after filing; hence, the Foundation's tax returns for years 2014 and onward are open to tax examination.

Subsequent Events

The financial statements have been reviewed by management for subsequent events requiring disclosure through **DATE**, the date the financial statements were available to be issued.

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Notes to Financial Statements (Continued)

December 31, 2017 and 2016

NOTE 3 - INVESTMENTS

Investments as of December 31, 2017 and 2016, consist of liquid funds and mutual funds. The *Fair Value Measurements* topic of the FASB Accounting Standards Codification establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

Level 1 Measurement – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Measurement – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Measurement – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The cost basis and fair values of investments at December 31, 2017 and 2016 are as follows:

	<u>2017</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Liquid funds	\$ 21,088	\$ 21,088	\$ -
Mutual Funds	401,581	432,862	31,281
Total	<u>\$ 422,669</u>	<u>\$ 453,950</u>	<u>\$ 31,281</u>

	<u>2016</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Liquid funds	\$ 9,909	\$ 9,909	\$ -
Mutual Funds	397,118	391,845	(5,273)
Total	<u>\$ 407,027</u>	<u>\$ 401,754</u>	<u>\$ (5,273)</u>

Debit

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Notes to Financial Statements (Continued)
December 31, 2017 and 2016

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NOTE 4 - RELATED PARTY TRANSACTIONS AND REVENUE CONCENTRATION

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The Foundation is related to Northwest Federal Credit Union (NWFCU) who donates office space, equipment, and services to the Foundation. The Chairman, Secretary/Treasurer, and ~~Executive Director~~ of the Foundation also sit 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 no amount owed to the Foundation for the years ended December 31, 2017 or 2016. Total support provided by NWFCU for the years ended December 31, 2017 and 2016 was \$363,820 and \$292,117, respectively. This amounts to approximately 51% and 59% of total revenue for the years ended December 31, 2017 and 2016, respectively. All cash accounts are held at the Credit Union.

NOTE 5 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2017 and 2016, 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 which reflect the fair market value of similar materials and services. In-kind contributions on the statement of activities consisted of the following:

	<u>2017</u>	<u>2016</u>
Salaries and fringe	\$ 300,907	\$ 273,657
Program events	41,667	-
Office space	18,460	18,460
Marketing and advertising	18,351	-
Miscellaneous	12,907	11,685
Equipment and supplies	4,320	-
	<u>\$ 396,612</u>	<u>\$ 303,802</u>