



**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Northwest Federal Credit Union Foundation**

**Table of Contents**

	<b>Page</b>
<b>Independent Auditors' Report on the Financial Statements.....</b>	<b>1 - 2</b>
<b>Basic Financial Statements:</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Functional Expenses - 2018 .....	5
Statements of Functional Expenses - 2017 .....	6
Statements of Cash Flows.....	7
<b>Notes to Financial Statements.....</b>	<b>8 - 13</b>

## **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, 2018 and 2017, 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, 2018 and 2017, 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.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, as of December 31, 2018, Northwest Federal Credit Union Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

*DeLeon & Stang, CPAs*

**DeLeon & Stang, CPAs  
Gaithersburg, Maryland  
April 8, 2019**

**Northwest Federal Credit Union Foundation**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b><u>Assets:</u></b>		
Cash and cash equivalents	\$ 133,308	\$ 290,935
Restricted cash	103,115	68,533
Investments	598,342	453,950
Accounts receivable	425	3,050
Accounts receivable, related party	2,695	-
Prepaid expenses	2,500	2,000
	<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>
	<b>\$ 840,385</b>	<b>\$ 818,468</b>
<b>NET ASSETS</b>		
<b><u>Net assets:</u></b>		
Without donor restrictions	\$ 737,270	\$ 749,935
With donor restrictions	103,115	68,533
	<b>NET ASSETS</b>	<b>NET ASSETS</b>
	<b>\$ 840,385</b>	<b>\$ 818,468</b>

**Northwest Federal Credit Union Foundation**  
**Statements of Activities**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>			<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support:</b>						
Contributions, individual	\$ 80,637	\$ 81,906	\$ 162,543	\$ 85,835	\$ 80,541	\$ 166,376
Contributions, corporate	128,927	-	128,927	76,535	-	76,535
Fundraisers	-	-	-	15,391	-	15,391
In-kind contributions	431,672	-	431,672	396,612	-	396,612
Interest, dividend, and realized gain/loss	31,487	-	31,487	18,985	-	18,985
Investment (loss) income	(85,107)	-	(85,107)	34,325	-	34,325
Net assets released from restrictions	47,324	(47,324)	-	60,290	(60,290)	-
<b>Total revenue and support</b>	<b>634,940</b>	<b>34,582</b>	<b>669,522</b>	<b>687,973</b>	<b>20,251</b>	<b>708,224</b>
<b>Expenses:</b>						
Program services	380,555	-	380,555	364,563	-	364,563
Supporting services	267,050	-	267,050	233,924	-	233,924
<b>Total expenses</b>	<b>647,605</b>	<b>-</b>	<b>647,605</b>	<b>598,487</b>	<b>-</b>	<b>598,487</b>
<b>Change in net assets</b>	<b>(12,665)</b>	<b>34,582</b>	<b>21,917</b>	<b>89,486</b>	<b>20,251</b>	<b>109,737</b>
<b>Net assets, beginning of year</b>	<b>749,935</b>	<b>68,533</b>	<b>818,468</b>	<b>660,449</b>	<b>48,282</b>	<b>708,731</b>
<b>Net assets, end of year</b>	<b>\$ 737,270</b>	<b>\$ 103,115</b>	<b>\$ 840,385</b>	<b>\$ 749,935</b>	<b>\$ 68,533</b>	<b>\$ 818,468</b>

See Accompanying Notes to Financial Statements

**Northwest Federal Credit Union Foundation**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2018 and 2017**

**2018**

	Program services				Supporting services			Total expenses
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and fringe	\$ -	\$ 119,046	85,033	\$ 204,079	\$ 51,020	\$ 85,033	\$ 136,053	\$ 340,132
Fundraising Fees	-	-	-	-	67,292	-	67,292	67,292
DeFelice scholarships	-	63,119	-	63,119	-	-	-	63,119
Scholarships	-	35,000	-	35,000	-	-	-	35,000
CIRA scholarships	-	35,000	-	35,000	-	-	-	35,000
Grants to other organizations	31,500	-	-	31,500	-	-	-	31,500
Printing and copying	-	-	-	-	-	20,791	20,791	20,791
Rent	-	-	-	-	-	18,460	18,460	18,460
Banquets and events	-	-	11,857	11,857	-	-	-	11,857
Travel	-	-	-	-	-	5,089	5,089	5,089
Equipment and Supplies	-	-	-	-	-	4,725	4,725	4,725
Professional fees	-	-	-	-	-	3,527	3,527	3,527
Miscellaneous	-	-	-	-	-	3,255	3,255	3,255
Volunteer recognition	-	-	-	-	-	3,248	3,248	3,248
Credit card processing fees	-	-	-	-	-	1,238	1,238	1,238
Postage and delivery	-	-	-	-	-	1,092	1,092	1,092
Telephone	-	-	-	-	-	883	883	883
Depreciation	-	-	-	-	-	701	701	701
Bad debt	-	-	-	-	-	495	495	495
Membership dues	-	-	-	-	-	201	201	201
<b>Total expense</b>	<b>\$ 31,500</b>	<b>\$ 252,165</b>	<b>\$ 96,890</b>	<b>\$ 380,555</b>	<b>\$ 118,312</b>	<b>\$ 148,738</b>	<b>\$ 267,050</b>	<b>\$ 647,605</b>

(Continued)

See Accompanying Notes to Financial Statements

**Northwest Federal Credit Union Foundation**  
**Statements of Functional Expenses (Continued)**  
**For the Years Ended December 31, 2018 and 2017**

	2017							
	Program services				Supporting services			
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	Total expenses
Salaries and fringe	\$ -	\$ 105,317	75,227	\$ 180,544	\$ 45,136	\$ 75,227	\$ 120,363	\$ 300,907
DeFelice 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
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	<u>\$ 22,100</u>	<u>\$ 237,219</u>	<u>\$ 105,244</u>	<u>\$ 364,563</u>	<u>\$ 86,568</u>	<u>\$ 147,356</u>	<u>\$ 233,924</u>	<u>\$ 598,487</u>

See Accompanying Notes to Financial Statements

**Northwest Federal Credit Union Foundation**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 21,917	\$ 109,737
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Unrealized loss (gain) on investments	80,979	(36,554)
Decrease (increase) in operating assets:		
Accounts receivable	2,625	5,695
Accounts receivable, related party	(2,695)	-
Prepaid expenses	(500)	(2,000)
Total adjustments	80,409	(32,859)
Net cash provided by operating activities	102,326	76,878
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchases of investments, net	(225,371)	(15,642)
Net cash used in investing activities	(225,371)	(15,642)
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash</b>	(123,045)	61,236
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	359,468	298,232
<b>Cash, cash equivalents, and restricted cash, end of year</b>	\$ 236,423	\$ 359,468

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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.

New Accounting Pronouncement

During 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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, 2018 and 2017 were \$103,115 and \$68,533 , 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.

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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 133,308	\$ 290,935
Restricted cash	<u>103,115</u>	<u>68,533</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 236,423</u>	<u>\$ 359,468</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.

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2018 and 2017, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2018 or 2017.

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 net assets with donor restrictions 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 without donor restrictions.

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 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). Salaries and fringe is attributable to multiple programs and is allocated based on time spent for the program.

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2018 and 2017, 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 2015 and onward are open to tax examination.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements' presentation to correspond to the current year's format.

Subsequent Events

The financial statements have been reviewed by management for subsequent events requiring disclosure through April 8, 2019, the date the financial statements were available to be issued.

*This space intentionally left blank.*

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 3 - INVESTMENTS**

The cost, fair values and unrealized (loss) gain of investments at December 31, 2018 and 2017 are as follows:

	<b>2018</b>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Liquid funds	\$ 14,462	\$ 14,462	\$ -
Mutual Funds	633,578	583,880	(49,698)
Total	<u>\$ 648,040</u>	<u>\$ 598,342</u>	<u>\$ (49,698)</u>

  

	<b>2017</b>		
	<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>

Investment income for the years ended December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest, dividends, and realized gain/loss	\$ 31,487	\$ 18,985
Unrealized (losses) gains	(80,979)	36,554
Investment fees	(4,128)	(2,229)
	<u>\$ (53,620)</u>	<u>\$ 53,310</u>

**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. \$2,695 was owed to the Foundation at December 31, 2018. No amount was owed to the Foundation at December 31, 2017. Total support provided by NWFCU for the years ended December 31, 2018 and 2017 was \$398,422 and \$363,820, respectively. This amounts to approximately 60% and 51% of total revenue for the years ended December 31, 2018 and 2017, respectively. All cash accounts are held at the Credit Union.

**Northwest Federal Credit Union Foundation**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 5 - IN-KIND CONTRIBUTIONS**

During the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Salaries and fringe	\$ 340,132	\$ 300,907
Program events	29,944	41,667
Office space	18,460	18,460
Marketing and advertising	29,351	18,351
Miscellaneous	9,060	12,907
Equipment and supplies	4,725	4,320
	<u>\$ 431,672</u>	<u>\$ 396,612</u>

**NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the Foundation's financial assets as of December 31, 2018 and 2017, 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 on year as of December 31,

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash	\$ 133,308	\$ 290,935
Investments, at fair value	598,342	453,950
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 731,650</u>	<u>\$ 744,885</u>