



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

For the Years Ended December 31, 2016 and 2015

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

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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, 2016 and 2015, 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 auditor's 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)
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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, 2016 and 2015, 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

DeLeon & Stang, CPAs
Gaithersburg, Maryland
June 1, 2017

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
ASSETS		
<u>Assets:</u>		
Cash and cash equivalents	\$ 249,950	\$ 203,269
Restricted cash	48,282	66,096
Investments	401,754	402,498
Accounts receivable	8,745	695
Accounts receivable, related party	-	4,219
Deposits	-	1,332
Prepaid expenses	-	5,000
	TOTAL ASSETS	TOTAL ASSETS
	\$ 708,731	\$ 683,109
NET ASSETS		
<u>Net assets:</u>		
Net assets, unrestricted	\$ 660,449	\$ 617,013
Net assets, temporarily restricted	48,282	66,096
	NET ASSETS	NET ASSETS
	\$ 708,731	\$ 683,109

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and support:</u>						
Contributions, individual	\$ 68,375	\$ 23,608	\$ 91,983	\$ 72,421	\$ 4,170	\$ 76,591
Contributions, corporate	92,187	-	92,187	36,996	25,000	61,996
Grants	-	-	-	40,612	2,500	43,112
Fundraisers	-	-	-	7,202	-	7,202
In-kind contributions	303,802	-	303,802	355,992	-	355,992
Interest income	14,493	-	14,493	24,258	-	24,258
Realized and unrealized loss on investments	(11,697)	-	(11,697)	(39,558)	-	(39,558)
Other income	-	-	-	-	1,448	1,448
Net assets released from restrictions	41,422	(41,422)	-	57,035	(57,035)	-
Total revenue and support	508,582	(17,814)	490,768	554,958	(23,917)	531,041
<u>Expenses:</u>						
Program services	207,526	-	207,526	250,029	-	250,029
Supporting services	257,620	-	257,620	264,720	-	264,720
Total expenses	465,146	-	465,146	514,749	-	514,749
Change in net assets	43,436	(17,814)	25,622	40,209	(23,917)	16,292
Net assets, beginning of year	617,013	66,096	683,109	576,804	90,013	666,817
Net assets, end of year	<u>\$ 660,449</u>	<u>\$ 48,282</u>	<u>\$ 708,731</u>	<u>\$ 617,013</u>	<u>\$ 66,096</u>	<u>\$ 683,109</u>

See Accompanying Notes to Financial Statements

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Functional Expenses
For the Years Ended December 31, 2016 and 2015

	2016							
	Program services			Supporting services				
	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

(Continued)

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Functional Expenses (Continued)
For the Years Ended December 31, 2016 and 2015

	2015							
	Program services				Supporting services			
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	Total expenses
Salaries and fringe	\$ -	\$ 69,162	41,498	\$ 110,660	\$ 69,162	\$ 96,828	\$ 165,990	\$ 276,650
DeFelice scholarships	-	95,000	-	95,000	-	-	-	95,000
Staff reimbursement	-	-	-	-	-	26,706	26,706	26,706
Grants to other organizations	26,593	-	-	26,593	-	-	-	26,593
Rent	-	-	-	-	-	18,460	18,460	18,460
CIRA scholarships	-	15,000	-	15,000	-	-	-	15,000
Fundraising Fees	-	-	-	-	13,150	-	13,150	13,150
Banquets and events	-	-	-	-	-	10,995	10,995	10,995
Postage and delivery	-	-	-	-	-	9,083	9,083	9,083
Professional fees	-	-	-	-	-	6,120	6,120	6,120
Miscellaneous	-	-	-	-	-	6,019	6,019	6,019
Supplies	-	-	-	-	-	3,560	3,560	3,560
Scholarships	-	2,776	-	2,776	-	-	-	2,776
Advertising	-	-	-	-	-	2,325	2,325	2,325
Volunteer recognition	-	-	-	-	-	1,709	1,709	1,709
Mileage	-	-	-	-	-	438	438	438
Membership dues	-	-	-	-	-	150	150	150
Credit card processing fees	-	-	-	-	-	15	15	15
Total expense	<u>\$ 26,593</u>	<u>\$ 181,938</u>	<u>\$ 41,498</u>	<u>\$ 250,029</u>	<u>\$ 82,312</u>	<u>\$ 182,408</u>	<u>\$ 264,720</u>	<u>\$ 514,749</u>

See Accompanying Notes to Financial Statements

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 25,622	\$ 16,292
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Realized and unrealized loss on investments	11,697	39,558
Decrease (increase) in operating assets:		
Restricted cash	17,814	23,917
Accounts receivable	(8,050)	3,525
Accounts receivable, related party	4,219	3,396
Prepaid expenses	5,000	(5,000)
Deposits	1,332	(1,332)
Total adjustments	32,012	64,064
Net cash provided by operating activities	57,634	80,356
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments, net	(10,953)	(91,606)
Net cash used in investing activities	(10,953)	(91,606)
Net increase (decrease) in cash and cash equivalents	46,681	(11,250)
Cash and cash equivalents, beginning of year	203,269	214,519
Cash and equivalents, end of year	\$ 249,950	\$ 203,269

NORTHWEST FEDERAL CREDIT UNION FOUNDATION
Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 were \$48,282. Temporarily restricted net assets were \$66,096 at December 31, 2015.
- *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, 2016 or 2015.

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, 2016 and 2015

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, 2016 and 2015, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2016 or 2015.

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 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, 2016 and 2015

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, 2016 and 2015, 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 2013 and onward are open to tax examination.

Subsequent Events

The financial statements have been reviewed by management for subsequent events requiring disclosure through June 1, 2017, the date the financial statements were available to be issued.

NORTHWEST FEDERAL CREDIT UNION FOUNDATION**Notes to Financial Statements (Continued)****December 31, 2016 and 2015****NOTE 3 - INVESTMENTS**

Investments as of December 31, 2016, consist of exchange traded 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, 2016 and 2015 are and follows:

	2016		
	Cost	Fair Value	Unrealized Loss
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>

	2015		
	Cost	Fair Value	Unrealized Loss
Liquid funds	\$ 15,512	\$ 15,512	\$ -
Mutual Funds	392,534	386,986	(5,548)
Total	<u>\$ 408,046</u>	<u>\$ 402,498</u>	<u>\$ (5,548)</u>

NORTHWEST FEDERAL CREDIT UNION FOUNDATION

Notes to Financial Statements (Continued)

December 31, 2016 and 2015

NOTE 4 - RELATED PARTY TRANSACTIONS AND REVENUE CONCENTRATION

The Foundation is related to Northwest Federal Credit Union (NWFCU) who donates office space, products, 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 year ended December 31, 2016. There was \$4,219 owed to the Foundation for the year ended December 31, 2015. Total support provided by NWFCU for the years ended December 31, 2016 and 2015 was \$292,117 and \$345,358, respectively. This amounts to approximately 59% and 65% of total revenue for the years ended December 31, 2016 and 2015, respectively. All cash accounts are held at the Credit Union.

NOTE 5 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2016 and 2015, the Foundation received in-kind contributions in the form of office space, products, 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>2016</u>	<u>2015</u>
Salaries and fringe	\$ 273,657	\$ 276,650
Office space	18,460	18,460
Miscellaneous	11,685	60,882
	<u>\$ 303,802</u>	<u>\$ 355,992</u>