



**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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)
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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, 2019 and 2018, 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 and Advisors
Gaithersburg, Maryland
April 7, 2020

Northwest Federal Credit Union Foundation
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
<u>Assets:</u>		
Cash and cash equivalents	\$ 295,944	\$ 133,308
Restricted cash	111,141	103,115
Investments	740,921	598,342
Accounts receivable	430	425
Accounts receivable, related party	1,370	2,695
Prepaid expenses	7,030	2,500
TOTAL ASSETS	\$ 1,156,836	\$ 840,385
LIABILITIES AND NET ASSETS		
<u>Liabilities:</u>		
Accounts payable and accrued expenses	\$ 1,294	\$ -
Total liabilities	1,294	-
<u>Net assets:</u>		
Without donor restrictions	1,044,401	737,270
With donor restrictions	111,141	103,115
Total net assets	1,155,542	840,385
TOTAL NET LIABILITIES AND NET ASSETS	\$ 1,156,836	\$ 840,385

Northwest Federal Credit Union Foundation
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue and support:</u>						
Contributions, individual	\$ 76,049	\$ 26,105	\$ 102,154	\$ 80,637	\$ 81,906	\$ 162,543
Contributions, corporate	159,712	129,459	289,171	128,927	-	128,927
In-kind contributions	367,328	-	367,328	431,672	-	431,672
Interest, dividend, and realized gain/loss	30,887	-	30,887	31,487	-	31,487
Investment income (loss), net of fees	111,831	-	111,831	(85,107)	-	(85,107)
Net assets released from restrictions	147,538	(147,538)	-	47,324	(47,324)	-
Total revenue and support	893,345	8,026	901,371	634,940	34,582	669,522
<u>Expenses:</u>						
Program services	368,869	-	368,869	380,555	-	380,555
Supporting services	217,345	-	217,345	267,050	-	267,050
Total expenses	586,214	-	586,214	647,605	-	647,605
Change in net assets	307,131	8,026	315,157	(12,665)	34,582	21,917
Net assets, beginning of year	737,270	103,115	840,385	749,935	68,533	818,468
Net assets, end of year	<u>\$ 1,044,401</u>	<u>\$ 111,141</u>	<u>\$ 1,155,542</u>	<u>\$ 737,270</u>	<u>\$ 103,115</u>	<u>\$ 840,385</u>

See Accompanying Notes to Financial Statements

Northwest Federal Credit Union Foundation
Statement of Functional Expenses
For the Years Ended December 31, 2019 and 2018

2019

	Program services				Supporting services			Total expenses
	Grants	Scholarships	Community outreach	Total program services	Fundraising	General and administrative	Total supporting services	
Salaries and fringe	\$ -	\$ 103,254	73,753	\$ 177,007	\$ 44,252	\$ 73,751	\$ 118,003	\$ 295,010
DeFelice scholarships	-	60,000	-	60,000	-	-	-	60,000
Scholarships	-	50,000	-	50,000	-	-	-	50,000
CIRA scholarships	-	40,000	-	40,000	-	-	-	40,000
Fundraising Fees	-	-	-	-	31,973	-	31,973	31,973
Banquets and events	-	-	21,862	21,862	-	-	-	21,862
Printing and copying	-	-	-	-	-	20,475	20,475	20,475
Grants to other organizations	20,000	-	-	20,000	-	-	-	20,000
Rent	-	-	-	-	-	18,460	18,460	18,460
Miscellaneous	-	-	-	-	-	7,576	7,576	7,576
Professional fees	-	-	-	-	-	7,025	7,025	7,025
Travel	-	-	-	-	-	6,959	6,959	6,959
Equipment and Supplies	-	-	-	-	-	3,513	3,513	3,513
Postage and delivery	-	-	-	-	-	2,134	2,134	2,134
Credit card processing fees	-	-	-	-	-	557	557	557
Telephone	-	-	-	-	-	322	322	322
Public relations and marketing	-	-	-	-	-	199	199	199
Board support	-	-	-	-	-	110	110	110
Volunteer recognition	-	-	-	-	-	39	39	39
Total expense	<u>\$ 20,000</u>	<u>\$ 253,254</u>	<u>\$ 95,615</u>	<u>\$ 368,869</u>	<u>\$ 76,225</u>	<u>\$ 141,120</u>	<u>\$ 217,345</u>	<u>\$ 586,214</u>

(Continued)

See Accompanying Notes to Financial Statements

Northwest Federal Credit Union Foundation
Statement of Functional Expenses (Continued)
For the Years Ended December 31, 2019 and 2018

	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
Total expense	<u>\$ 31,500</u>	<u>\$ 252,165</u>	<u>\$ 96,890</u>	<u>\$ 380,555</u>	<u>\$ 118,312</u>	<u>\$ 148,738</u>	<u>\$ 267,050</u>	<u>\$ 647,605</u>

See Accompanying Notes to Financial Statements

Northwest Federal Credit Union Foundation
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 315,157	\$ 21,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(116,340)	80,979
Realized gain on investments	(3,631)	-
Decrease (increase) in operating assets:		
Accounts receivable	(5)	2,625
Accounts receivable, related party	1,325	(2,695)
Prepaid expenses	(4,530)	(500)
Increase in operating liabilities:		
Accounts payable and accrued expenses	1,294	-
Total adjustments	(121,887)	80,409
Net cash provided by operating activities	193,270	102,326
<u>Cash Flows From Investing Activities:</u>		
Purchases of investments, net	(22,608)	(225,371)
Net cash used in investing activities	(22,608)	(225,371)
Net increase (decrease) in cash, cash equivalents, and restricted cash	170,662	(123,045)
Cash, cash equivalents, and restricted cash, beginning of year	236,423	359,468
Cash, cash equivalents, and restricted cash, end of year	\$ 407,085	\$ 236,423

Northwest Federal Credit Union Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018 were \$111,141 and \$103,115, 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.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 295,944	\$ 133,308
Restricted cash	<u>111,141</u>	<u>103,115</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 407,085</u>	<u>\$ 236,423</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, 2019 and 2018, there were no accounts receivable in delinquent status. No allowance for uncollectible accounts was required at December 31, 2019 or 2018.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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, 2019 and 2018, 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 2016 and onward are open to tax examination.

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain reclassifications have been made to the 2018 financial statement' presentation to correspond to the current year's format.

Subsequent Events

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the Foundation's revenues, expenses and cash flows cannot be determined at this time. All subsequent events have been evaluated through April 7, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.

NOTE 3 - INVESTMENTS

The cost, fair values and unrealized (loss) gain of investments at December 31, 2019 and 2018 are as follows:

	2019		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Liquid funds	\$ 3,584	\$ 3,584	\$ -
Mutual Funds	<u>670,695</u>	<u>737,337</u>	<u>66,642</u>
Total	<u>\$ 674,279</u>	<u>\$ 740,921</u>	<u>\$ 66,642</u>
	2018		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Liquid funds	\$ 14,462	\$ 14,462	\$ -
Mutual Funds	<u>633,578</u>	<u>583,880</u>	<u>(49,698)</u>
Total	<u>\$ 648,040</u>	<u>\$ 598,342</u>	<u>\$ (49,698)</u>

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 3 - INVESTMENTS (Continued)

Investment income for the years ended December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest, dividends, and realized gain/loss	\$ 30,887	\$ 31,487
Unrealized gain (loss)	116,340	(80,979)
Investment fees	(4,509)	(4,128)
	<u>\$ 142,718</u>	<u>\$ (53,620)</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. The Foundation was owed \$1,370 and \$2,695, respectively at December 31, 2019 and 2018. Total support provided by NWFCU for the years ended December 31, 2019 and 2018 was \$345,221 and \$398,422, respectively. This amounts to approximately 38% and 60% of total revenue for the years ended December 31, 2019 and 2018, respectively. All cash accounts are held at the Credit Union.

NOTE 5 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Salaries and fringe	\$ 295,010	\$ 340,132
Fundraising fees	22,000	-
Printing and copying	20,475	29,944
Office space	18,460	18,460
Travel	3,869	-
Equipment and supplies	3,513	4,725
Postage and delivery	2,134	-
Banquet and Events	1,545	29,351
Telephone	322	-
Miscellaneous	-	9,060
	<u>\$ 367,328</u>	<u>\$ 431,672</u>

Northwest Federal Credit Union Foundation
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 6 - LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Foundation's financial assets as of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial assets		
Cash	\$ 295,944	\$ 133,308
Investments, at fair value	<u>740,921</u>	<u>598,342</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,036,865</u>	<u>\$ 731,650</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, 2019, \$157,085 was uninsured. No amount was uninsured at December 31, 2018. 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.