



Building Changes

Financial Statements

Years Ended December 31, 2019 and 2018

Building Changes

Financial Statements
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Building Changes

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statements of Financial Position	6
Statements of Activities	7
Statement of Functional Expenses - 2019	8
Statement of Functional Expenses - 2018	9
Statements of Cash Flows	10
Notes to Financial Statements	11-20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22



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Independent Auditor's Report

To the Board of Directors
Building Changes
Seattle, Washington

We have audited the accompanying financial statements of Building Changes, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Building Changes as of December 31, 2019, 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.

Other Matter - Prior Period Financial Statements

The financial statements of Building Changes as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated April 19, 2019.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, on our consideration of Building Changes' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Building Changes' internal control over financial reporting and compliance.

BDO USA, LLP

April 24, 2020

Financial Statements

Building Changes

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,889,216	\$ 4,181,361
Restricted cash	2,402	55,664
Investments	7,679,142	7,122,811
Current portion of accounts and grants receivable	2,409,677	1,298,821
Current portion of promises to give	2,090,529	3,463,663
Prepaid expenses and deposits	1,968	52,740
Total Current Assets	14,072,934	16,175,060
Accounts and Grants Receivable, less current portion	1,759,529	996,256
Promises to Give, less current portion	-	1,740,397
Property and Equipment, net	23,362	58,403
Total Assets	\$ 15,855,825	\$ 18,970,116
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 261,849	\$ 247,054
Current portion of grants payable	4,181,028	4,340,878
Total Current Liabilities	4,442,877	4,587,932
Grants Payable, less current portion	1,759,529	996,257
Total Liabilities	6,202,406	5,584,189
Net Assets		
Without donor restrictions:		
Undesignated	648,559	886,790
Board-designated	1,216,637	888,079
	1,865,196	1,774,869
With donor restrictions	7,788,223	11,611,058
Total Net Assets	9,653,419	13,385,927
Total Liabilities and Net Assets	\$ 15,855,825	\$ 18,970,116

See accompanying notes to financial statements.

Building Changes

Statements of Activities

Years Ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Foundation and corporation contributions	\$ 153,044	\$ 1,987,038	\$ 2,140,082	\$ 187,467	\$ 4,509,338	\$ 4,696,805
Government grants and contracts	3,907,306	-	3,907,306	3,696,210	-	3,696,210
Technical assistance	64,150	-	64,150	45,001	-	45,001
Individual contributions	211,818	10,000	221,818	252,008	17,000	269,008
Net assets released from restrictions	6,080,771	(6,080,771)	-	4,921,164	(4,921,164)	-
Total Support and Revenue	10,417,089	(4,083,733)	6,333,356	9,101,850	(394,826)	8,707,024
Expenses						
Program services	9,582,760	-	9,582,760	8,205,273	-	8,205,273
Management and general	615,164	-	615,164	587,057	-	587,057
Fundraising	195,451	-	195,451	240,921	-	240,921
Total Expenses	10,393,375	-	10,393,375	9,033,251	-	9,033,251
Change in Net Assets						
Before Investment Income	23,714	(4,083,733)	(4,060,019)	68,599	(394,826)	(326,227)
Investment Income	66,613	260,898	327,511	56,242	40,201	96,443
Change in Net Assets	90,327	(3,822,835)	(3,732,508)	124,841	(354,625)	(229,784)
Net Assets, beginning of year	1,774,869	11,611,058	13,385,927	1,650,028	11,965,683	13,615,711
Net Assets, end of year	\$ 1,865,196	\$ 7,788,223	\$ 9,653,419	\$ 1,774,869	\$ 11,611,058	\$ 13,385,927

See accompanying notes to financial statements.

Building Changes

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Grantmaking and Evaluation	Research and Evaluation	Capacity Building	Advocacy and Policy	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 259,056	\$ 319,559	\$ 571,074	\$ 266,360	\$ 1,416,049	\$ 315,732	\$ 120,503	\$ 1,852,284
Payroll taxes and benefits	53,328	56,854	98,172	46,799	255,153	71,343	24,330	350,826
Total Payroll Expenses	312,384	376,413	669,246	313,159	1,671,202	387,075	144,833	2,203,110
Grants to others	6,577,290	-	-	-	6,577,290	-	-	6,577,290
Professional fees	111,210	522,945	221,996	114,807	970,958	90,782	20,581	1,082,321
Occupancy	21,620	24,804	32,250	18,424	97,098	26,264	8,635	131,997
Conferences and meetings	19,322	2,559	22,749	3,592	48,222	10,704	11,118	70,044
Partner stipend	17,608	20,452	25,394	100	63,554	-	558	64,112
Travel	10,143	7,571	30,002	6,291	54,007	3,928	686	58,621
Staff recruitment and development	877	1,549	1,979	4,923	9,328	35,909	1,094	46,331
Depreciation and amortization	5,715	6,591	8,259	4,839	25,404	7,300	2,337	35,041
Bank charges	-	-	-	-	-	28,353	-	28,353
Telephone	4,678	6,326	4,913	3,270	19,187	4,863	1,391	25,441
Equipment rental and maintenance	2,459	5,537	3,583	2,124	13,703	7,463	1,089	22,255
Dues and licenses	5,667	2,738	1,741	6,074	16,220	1,391	306	17,917
Insurance	1,063	1,227	1,662	1,087	5,039	8,503	435	13,977
Supplies	1,474	1,998	2,811	1,436	7,719	1,723	586	10,028
Printing and publications	125	298	373	1,768	2,564	571	99	3,234
Postage and delivery	76	77	151	122	426	171	1,123	1,720
Miscellaneous	-	-	839	-	839	164	580	1,583
Total Expenses	\$ 7,091,711	\$ 981,085	\$1,027,948	\$ 482,016	\$ 9,582,760	\$ 615,164	\$ 195,451	\$10,393,375

See accompanying notes to financial statements.

Building Changes

Statement of Functional Expenses

<i>Year Ended December 31, 2018</i>	Grantmaking and Evaluation	Research and Evaluation	Capacity Building	Advocacy and Policy	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 256,284	\$ 415,791	\$312,081	\$ 189,084	\$ 1,173,240	\$ 327,344	\$ 126,554	\$ 1,627,138
Payroll taxes and benefits	49,378	72,488	53,447	38,172	213,485	60,743	25,871	300,099
Total Payroll Expenses	305,662	488,279	365,528	227,256	1,386,725	388,087	152,425	1,927,237
Grants to others	5,139,924	-	-	-	5,139,924	-	-	5,139,924
Professional fees	33,809	651,421	370,492	172,333	1,228,055	91,453	55,979	1,375,487
Occupancy	18,123	29,311	23,070	13,073	83,577	23,772	9,628	116,977
Partner stipend	262	29,129	62,689	-	92,080	-	-	92,080
Conferences and meetings	5,952	35,613	24,817	4,304	70,686	15,039	2,164	87,889
Travel	6,354	17,182	20,848	4,992	49,376	7,361	562	57,299
Depreciation and amortization	7,120	11,155	8,552	4,669	31,496	8,789	3,622	43,907
Supplies	1,703	22,406	1,791	3,501	29,401	11,701	671	41,773
Equipment rental and maintenance	2,198	20,051	3,097	1,702	27,048	3,162	1,306	31,516
Telephone	3,344	9,084	4,022	2,486	18,936	4,271	1,610	24,817
Staff recruitment and development	565	9,979	4,028	3,074	17,646	4,781	605	23,032
Bank charges	-	-	-	-	-	20,217	-	20,217
Dues and licenses	4,621	3,960	1,103	3,505	13,189	471	731	14,391
Printing and publications	123	1,979	438	4,563	7,103	560	3,092	10,755
Insurance	559	1,040	922	585	3,106	6,699	391	10,196
Postage and delivery	198	290	264	5,873	6,625	188	1,489	8,302
Miscellaneous	-	-	300	-	300	506	6,646	7,452
Total Expenses	\$ 5,530,517	\$ 1,330,879	\$891,961	\$ 451,916	\$ 8,205,273	\$ 587,057	\$ 240,921	\$ 9,033,251

See accompanying notes to financial statements.

Building Changes

Statements of Cash Flows

<i>Years Ended December 31,</i>	2019	2018
Cash Flows Used in Operating Activities		
Cash received from:		
Contributions	\$ 5,475,431	\$ 4,238,093
Government grants and contracts	2,033,177	2,753,416
Technical assistance	64,150	45,001
Investment income	180,936	98,763
Cash paid for:		
Grants to others	(5,973,868)	(5,479,900)
Personnel	(2,179,461)	(1,897,569)
Services and supplies	(1,536,016)	(1,925,104)
Net Cash Flows Used in Operating Activities	(1,935,651)	(2,167,300)
Cash Flows Used in Investing Activities		
Purchases of investments	(1,092,049)	(10,194,171)
Proceeds from sales of investments	682,293	5,493,511
Net Cash Flows Used in Investing Activities	(409,756)	(4,700,660)
Change in Cash, Cash Equivalents, and Restricted Cash	(2,345,407)	(6,867,960)
Cash, Cash Equivalents, and Restricted Cash, beginning of year	4,237,025	11,104,985
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 1,891,618	\$ 4,237,025

See accompanying notes to financial statements.

Building Changes

Notes to Financial Statements

1. Nature of Activities and Organization

Building Changes is a nonprofit organization conducting activities in Washington State with the following vision and mission:

Vision: Everyone has a home and the opportunity for a healthy, fulfilling life.

Mission: Building Changes believes everyone in Washington can be stably housed. Building Changes strengthens the leaders, organizations, and systems that make it possible.

Building Changes' values are integrity, equity, collaboration, and results. Building Changes focuses on families and young people, and Building Changes' reach is statewide

Building Changes' Approach

Building Changes has spent nearly a decade working directly with local communities and nonprofits in a concentrated effort to strengthen the ways it serves families and youth experiencing homelessness. Understanding the imperative for a broad-based response to family and youth homelessness, Building Changes pulls together the resources of government, philanthropy, and nonprofits and unleashes their collective power to affect change.

Building Changes develops and advances strategies that move families and youth quickly and safely out of homelessness and empowers them to remain stably housed. Those strategies include: Diversion, Rapid Re-Housing, Coordinated Entry, and Permanent Supportive Housing. Building Changes supports cross-sector areas, such as employment, education, and health. The Building Changes approach to employment includes strategies for persons experiencing homelessness to find a family-sustaining wage job, earn consistent income, obtain housing, and maintain it. Building Changes also promotes strategies and solutions in education for students experiencing homelessness, and solutions in health for mothers and infants with unstable or no housing. Building Changes emphasizes families and youth of color because they disproportionately experience homelessness. Building Changes tests ideas and strategies that directly target the disparities people of color face in accessing services and closes gaps in outcomes.

Building Changes functions as a “laboratory” for its field by testing innovative new ideas and promising practices through pilot projects. Building Changes offers technical assistance and training to participating counties and nonprofits, including coaching on how to leverage data more meaningfully.

Building Changes learns through program experience, data analysis, and project evaluation, and shares knowledge with the field. Building Changes uses its learnings to catalyze solutions in counties and nonprofits that make systemic and structural improvements to the practices and policies they use to address family and youth homelessness, including funding and policy decisions.

Notable Accomplishments in 2019

During 2019, Building Changes strengthened its impact and influence on the field, contributing to a more equitable, effective, and efficient homeless response system for the tens of thousands of families and young people across Washington State who access it for support and services.

Building Changes

Notes to Financial Statements

Building Changes administers the state Washington Youth and Families Fund to improve system performance by building on local strengths and address racial disparities. Building Changes also leads the Family Homelessness Initiative, an intensive 11-year effort in King, Pierce, and Snohomish counties to develop a high-performing, data-driven homeless response system. The initiative also promotes the realignment of resources around strategies known to most positively impact family homelessness. Additionally, Building Changes leads the Schoolhouse Washington Project, a statewide effort to improve academic outcomes for the more than 40,000 students experiencing homelessness in Washington state.

Washington Youth and Families Fund: In 2019, Building Changes approved projects in two tribes, Samish Indian Nation and Cowlitz Indian Tribe, and three Washington counties: Mason, Skagit, and Whatcom. We will evaluate performance of these projects in three areas: increasing permanent housing, reducing the duration homelessness, and reducing returns to homelessness. Each project and service provider detailed a specific strategy for addressing racial disparities. Building Changes trains and provides technical assistance to service providers. Importantly, we are examining how to best provide culturally-tailored services with American Indian/ Alaska Native communities.

Centralized Diversion Fund: The strategy of Diversion helps families quickly identify their own realistic options for stable housing and develop a plan for securing it. Diversion offers one-time financial assistance and other short-term services, such as mediation with a landlord or relative, to help families make a smooth and safe transition out of homelessness. Considered a “light touch” approach, Diversion is a low-cost alternative to deeper interventions, thus freeing up resources that can be invested to help more families in need of stable housing.

In 2019, Building Changes expanded the use of Diversion into Yakima County with Yakima Neighborhood Health Services. Building Changes provides Diversion training to staff at agencies that operate Coordinated Entry and then gives those agencies access to a centralized pool of funds to help people transition from homelessness to stable housing. Our own research reveals that families of color - in particular, Black/African American families - benefit from Diversion at higher rates than white families. This project, as a comparison group study, will add to the base of evidence evaluating the effectiveness of Diversion as a strategy for helping families successfully resolve their homelessness.

Care Coordination: The strategy of care coordination provides services to families as soon as they are placed in the coordinated entry system for a housing referral. In 2019, Building Changes supported Pierce County to have a mobile team that provides “care coordination.” We believe this support will increase the number of successful housing placements and reduce the amount of time that families experience homelessness.

Knowledge Sharing: Building Changes prioritizes sharing knowledge we acquire through our projects and relationships across the state. In 2019, Building Changes hosted Promote Progress, a special event for the general public to highlight what we have learned over our past decade of work. Partnering with design firm Intentional Futures, we shared our insights through a museum-style exhibit, videos, and a keynote presentation that grounded our audience in the common pathways to homelessness and the current experience of those navigating the homeless system in Washington. Building Changes was able to reach and expose new audiences to our innovative and data-driven solutions for reducing homelessness. About 100 people attended.

Building Changes

Notes to Financial Statements

In 2019, Building Changes released a second-annual public report on the academic outcomes of students experiencing homelessness in Washington's K-12 public education system. The report provided multi-year trend analysis never before publicly released. Building Changes accompanied the report with online data dashboards allowing users to view summary characteristics and outcome data on students experiencing homelessness at three levels of aggregation: school district, legislative district, and county.

Building Changes supported C4 Innovations to conduct an analysis of coordination entry systems and their use of prioritization assessments at intake. The report, released in Fall of 2019, showcased the racial disparities in prioritization that lead to disparate outcomes in access to housing and homeless services. Building Changes supported the dissemination of the report nationally.

Schoolhouse Washington: Through the Schoolhouse Washington project, a statewide initiative to improve housing stability and advance educational success for students experiencing homelessness, Building Changes continued support for three South King County school districts: Federal Way, Kent, and Tukwila. In 2019, Building Changes also facilitated the School/Housing Network, a peer-learning group with dozens of school administrators and housing providers. The network serves in part as a forum to share knowledge. Additionally, Building Changes conducted McKinney-Vento 101 trainings in Spokane and Pierce counties with McKinney-Vento liaisons from school districts and staff from shelter and homeless-housing providers. These trainings help educate the nonprofit field about what services the students are entitled to under the law.

2. Significant Accounting Policies

Financial Statement Presentation

Building Changes reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions or grants restricted for particular purposes or time periods. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions expire. Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Washington Youth and Families Fund ("WYFF") expansion	\$ 5,367,396	\$ 9,732,914
WYFF service grantmaking	1,046,112	1,038,148
Schoolhouse Washington	1,157,482	676,725
Economic opportunities	11,505	62,459
Contributions restricted for time and other	205,728	100,812
	\$ 7,788,223	\$ 11,611,058

Building Changes

Notes to Financial Statements

A portion of the contributions restricted for WYFF expansion and Schoolhouse Washington also have implied time restrictions and are generally to be released from restrictions upon awarding grants under the programs. Contributions restricted for WYFF service grantmaking represent contributions received to match Washington State Department of Commerce funding and are generally to be released from restrictions upon awarding WYFF service grants. The release of these matching contributions occurs concurrently with the recognition of revenue under the Washington State Department of Commerce grant.

Net Assets without Donor Restrictions

A portion of net assets without donor restrictions are designated by the board for an Emergency Reserve Fund. The Emergency Reserve Fund is intended to cover any unexpected material funding shortfall related to operational needs and amount to \$1,216,637 and \$888,079 at December 31, 2019 and 2018, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts, and include funds collected from donors that are restricted for particular purposes. Cash balances held in investment accounts are included with investments in the statements of financial position. Building Changes regularly has amounts deposited with financial institutions in excess of federally insured limits.

Restricted Cash

Restricted cash is not available to meet general expenditures and is restricted by donors to be used to fund grants under the Washington Youth and Families Fund program.

Cash, cash equivalents, and restricted cash consisted of the following:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 1,889,216	\$ 4,181,361
Restricted cash	2,402	55,664
Total Cash, Cash Equivalents, and Restricted Cash, shown in the statements of cash flows	\$ 1,891,618	\$ 4,237,025

Investments

Investments are reported at fair value (using Level 1 inputs of the fair value hierarchy, which are quoted market prices in active markets for identical assets) in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Accounts and Grants Receivable

Accounts and grants receivable are due primarily from the Washington State Department of Commerce. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are

Building Changes

Notes to Financial Statements

written off through a charge to the valuation allowance and a credit to the receivable account. Management determined that no allowance was necessary at December 31, 2019 or 2018. Accounts and grants receivable expected to be collected after one year from the statement of financial position date are presented as long term in the accompanying financial statements and are initially recorded at fair value, which is measured as the present value of the expected future cash flows. The expected cash flows were discounted using a rate of 3% at both December 31, 2019 and 2018. The amortization of the discount is reported as government grants and contracts revenue in the statements of activities.

Promises to Give

Promises to give consist of contributions pledged but not yet received from individuals, foundations, and corporations. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give expected to be collected in future years are presented as long term in the accompanying financial statements and are initially recorded at fair value, which is measured as the present value of the expected future cash flows. The expected cash flows were discounted using a rate of 3% at both December 31, 2019 and 2018. The amortization of the discount is reported as a contribution in the statements of activities. Of the total promises to give, 99% and 94% were due from one foundation as of December 31, 2019 and 2018, respectively. Management determined that no allowance was necessary at December 31, 2019 or 2018.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at date of receipt. Building Changes capitalizes all expenditures for property and equipment with a useful life greater than one year and a cost in excess of its capitalization threshold of \$5,000. Depreciation is provided for using the straight-line method over the assets' estimated useful lives. Amortization for leasehold improvements is recorded over the shorter of the useful life or the lease term using the straight-line method. Property and equipment consist of the following at December 31:

	2019	2018
Leasehold improvements	\$ 81,755	\$ 81,755
Furniture and equipment	133,347	133,347
	215,102	215,102
Accumulated depreciation and amortization	(191,740)	(156,699)
	\$ 23,362	\$ 58,403

Grants Payable

Grants payable consist of unconditional promises to pay grants to others. Grants expected to be paid within one year are recognized as expense, and the related liability is recognized at the amount awarded in the period the award is made. Grants payable in more than one year are recognized as expense, and the related liability is recognized using the present value of the expected future cash flows. The expected cash flows were discounted using a rate of 3% at both December 31, 2019 and 2018.

Building Changes

Notes to Financial Statements

Revenue Recognition

Contributions: Unconditional promises to give are recognized as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions during the period a cash gift or noncash gift is received or pledged.

Government grants: Revenue related to governmental grants and contracts is recognized when grants payable to others have been awarded or paid.

Technical assistance service fees: Technical assistance service fees represent fees for training and consulting services and are recognized as the services are provided.

One foundation and the Washington State Department of Commerce accounted for 30% and 62%, respectively, of total support and revenue for 2019. One foundation and the Washington State Department of Commerce accounted for 34% and 42%, respectively, of total support and revenue for 2018.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. The expenses that are allocated include salaries, payroll taxes, benefits, occupancy, depreciation and amortization, professional fees, supplies, and insurance, which are allocated on the basis of time and effort. The methodologies used to allocate expenses on a functional basis are consistent during the periods presented.

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 the estimated amounts.

Income Taxes

Building Changes is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain amounts from the December 31, 2018, financial statements have been reclassified to conform to the current year presentation. Such reclassifications have no effect on previously reported change in net assets.

Building Changes

Notes to Financial Statements

Recently Adopted Accounting Guidance

On January 1, 2019, Building Changes adopted ASU 2016-18, “Restricted Cash”, using the “full retrospective” method, as required by the standard. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The adoption of ASU 2016-18 resulted in a decrease of \$32,086 in net cash flows used in investing activities from what was previously reported for the year ended December 31, 2018. See the “Restricted Cash” section of Note 2 for details of the restricted cash balance.

Subsequent Events

Building Changes has evaluated subsequent events through the date these financial statements were available to be issued, which was April 24, 2020.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin.

In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on Building Changes’ financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Building Changes is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was signed into law. Building Changes is examining the impact of the CARES Act on its operations, but has not yet determined how it will affect its financial statements.

3. Liquidity and Availability of Financial Assets

Building Changes strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in cash and cash equivalents and other short-term investments.

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Building Changes

Notes to Financial Statements

The following table reflects Building Changes' financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include the board-designated Emergency Reserve Fund. In the event the need arises to utilize the Emergency Reserve Fund for liquidity purposes, the reserves could be drawn upon through board resolution.

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 1,889,216	\$ 4,181,361
Restricted cash	2,402	55,664
Investments	7,679,142	7,122,811
Accounts and grants receivable - current portion	2,409,677	1,298,821
Promises to give - current portion	2,090,529	3,463,663
Accounts and grants receivable - long-term portion	1,759,529	996,256
Promises to give - long-term portion	-	1,740,397
Total Financial Assets	15,830,495	18,858,973
Less amounts not available to meet general expenditures:		
Board-designated Emergency Reserve Fund	(1,216,637)	(888,079)
Restricted cash	(2,402)	(55,664)
Accounts and grants receivable - long-term portion	(1,759,529)	(996,256)
Promises to give - long-term portion	-	(1,740,397)
Financial Assets Available to Meet General Expenditures within One Year	\$ 12,851,927	\$ 15,178,577

4. Investments

Investments consist of the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 432,316	\$ 247,466
Fixed-income securities		
Government mortgage-backed securities	1,466,078	643,517
Corporate bonds	739,028	754,622
Certificates of deposit	3,330,675	3,319,242
Treasury notes	1,711,045	2,157,964
	\$ 7,679,142	\$ 7,122,811

Building Changes
Notes to Financial Statements

Investment income was composed of the following for the years ended December 31:

	2019		2018
Realized and unrealized gains (losses)	\$ 146,575	\$	(2,320)
Interest income	180,936		98,763
	\$ 327,511	\$	96,443

5. Accounts and Grants Receivable

Accounts and grants receivable are due as follows as of December 31:

	2019		2018
Receivable in less than one year	\$ 2,409,677	\$	1,298,821
Receivable in one to five years	1,884,536		1,056,928
	4,294,213		2,355,749
Unamortized discount (3%)	(125,007)		(60,672)
	\$ 4,169,206	\$	2,295,077

These amounts are included in the statements of financial position as follows:

	2019		2018
Accounts and grants receivable - current portion	\$ 2,409,677	\$	1,298,821
Accounts and grants receivable - long-term portion	1,759,529		996,256
	\$ 4,169,206	\$	2,295,077

6. Promises to Give

Promises to give are due as follows as of December 31:

	2019		2018
Receivable in less than one year	\$ 2,090,529	\$	3,463,663
Receivable in one to five years	-		1,846,387
	2,090,529		5,310,050
Unamortized discount (3%)	-		(105,990)
	\$ 2,090,529	\$	5,204,060

Building Changes

Notes to Financial Statements

These amounts are included in the statements of financial position as follows:

	2019	2018
Promises to give - current portion	\$ 2,090,529	\$ 3,463,663
Promises to give - long-term portion	-	1,740,397
	\$ 2,090,529	\$ 5,204,060

7. Grants Payable

Grants are payable as follows as of December 31:

	2019	2018
Payable in less than one year	\$ 4,181,028	\$ 4,340,878
Payable in one to five years	1,884,536	1,056,929
	6,065,564	5,397,807
Unamortized discount (3%)	(125,007)	(60,672)
	\$ 5,940,557	\$ 5,337,135

These amounts are included in the statements of financial position as follows:

	2019	2018
Grants payable - current portion	\$ 4,181,028	\$ 4,340,878
Grants payable - long-term portion	1,759,529	996,257
	\$ 5,940,557	\$ 5,337,135

8. Operating Leases

Building Changes leases office space and certain equipment under operating leases. The office space lease expires in August 2020. Rent expense under these operating leases amounted to \$131,988 and \$116,977 for the years ended December 31, 2019 and 2018, respectively. Future minimum payments under the leases for the year ending December 31, 2020, are \$46,838.

9. Retirement Plan

Building Changes participates in a defined contribution tax sheltered 403(b) annuity plan covering substantially all permanent employees upon commencement of employment. Employees are eligible to receive employer contributions after one year of service. Employer contributions are a minimum of 3% of eligible employees' annual compensation. Total expense related to contributions to the plan were \$42,896 and \$39,028 for the years ended December 31, 2019 and 2018, respectively. Building Changes also sponsors a tax deferred annuity plan to which employees may make voluntary contributions.



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Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Building Changes
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Building Changes, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Building Changes’ internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Building Changes’ internal control. Accordingly, we do not express an opinion on the effectiveness of Building Changes’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Building Changes' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Building Changes' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Building Changes' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

April 24, 2020