



Building Changes

Financial Statements
Years Ended December 31, 2020 and 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



Building Changes

Financial Statements
Years Ended December 31, 2020 and 2019

Building Changes

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Independent Auditor's Report

To the Board of Directors
Building Changes
Seattle, Washington

Opinion

We have audited the financial statements of Building Changes (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Building Changes as of December 31, 2020 and 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2021 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 solely 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 the effectiveness of Building Changes' 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 21, 2021

Financial Statements

Building Changes

Statements of Financial Position

<i>December 31,</i>	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,872,164	\$ 1,891,618
Restricted cash - fiscal sponsorships	268,936	-
Investments	6,720,937	7,679,142
Current portion of accounts and grants receivable	1,877,015	2,409,677
Current portion of promises to give	5,600	2,090,529
Prepaid expenses and deposits	149,570	1,968
Total Current Assets	10,894,222	14,072,934
Accounts and grants receivable, less current portion	577,739	1,759,529
Promises to give, less current portion	-	-
Property and equipment, net	-	23,362
Total Assets	\$ 11,471,961	\$ 15,855,825
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 376,857	\$ 261,849
Fiscal sponsorships	268,936	-
Current portion of grants payable	1,387,722	4,181,028
Total Current Liabilities	2,033,515	4,442,877
Grants payable, less current portion	577,739	1,759,529
Total Liabilities	2,611,254	6,202,406
Net Assets		
Without donor restrictions		
Undesignated	1,005,276	648,559
Board-designated	1,312,256	1,216,637
	2,317,532	1,865,196
With donor restrictions	6,543,175	7,788,223
Total Net Assets	8,860,707	9,653,419
Total Liabilities and Net Assets	\$ 11,471,961	\$ 15,855,825

See accompanying notes to financial statements.

Building Changes

Statements of Activities

Year Ended December 31,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Foundation and corporation contributions	\$ 232,126	\$ 1,917,000	\$ 2,149,126	\$ 153,044	\$ 1,987,038	\$ 2,140,082
COVID-19 relief contributions	-	3,270,586	3,270,586	-	-	-
Government grants and contracts	628,874	-	628,874	3,907,306	-	3,907,306
Technical assistance	300,328	-	300,328	64,150	-	64,150
Individual contributions	296,558	310,000	606,558	211,818	10,000	221,818
Net assets released from restrictions	6,931,486	(6,931,486)	-	6,080,771	(6,080,771)	-
Total Support and Revenue	8,389,372	(1,433,900)	6,955,472	10,417,089	(4,083,733)	6,333,356
Expenses						
Program services	7,082,648	-	7,082,648	9,555,751	-	9,555,751
Management and general	629,991	-	629,991	642,174	-	642,174
Fundraising	297,178	-	297,178	195,450	-	195,450
Total Expenses	8,009,817	-	8,009,817	10,393,375	-	10,393,375
Change in Net Assets						
before Investment Income	379,555	(1,433,900)	(1,054,345)	23,714	(4,083,733)	(4,060,019)
Investment Income	72,781	188,852	261,633	66,613	260,898	327,511
Change in Net Assets	452,336	(1,245,048)	(792,712)	90,327	(3,822,835)	(3,732,508)
Net Assets, beginning of year	1,865,196	7,788,223	9,653,419	1,774,869	11,611,058	13,385,927
Net Assets, end of year	\$ 2,317,532	\$ 6,543,175	\$ 8,860,707	\$ 1,865,196	\$ 7,788,223	\$ 9,653,419

See accompanying notes to financial statements.

Building Changes

Statement of Functional Expenses

<i>Year Ended December 31, 2020</i>	Housing Crisis	Education/ Student Homelessness	Knowledge Sharing & Policy	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 820,190	\$ 433,787	\$ 288,122	\$ 1,542,099	\$ 396,363	\$ 194,335	\$ 2,132,797
Payroll taxes and benefits	127,970	76,737	50,640	255,347	60,335	33,115	348,797
Total Payroll Expenses	948,160	510,524	338,762	1,797,446	456,698	227,450	2,481,594
Grants to others	911,506	3,183,928	-	4,095,434	-	-	4,095,434
Professional fees	631,557	123,195	145,150	899,902	104,886	37,016	1,041,804
Occupancy	45,060	18,082	15,403	78,545	22,879	11,934	113,358
Partner stipend	22,340	52,685	300	75,325	-	-	75,325
Staff recruitment/development	30,484	4,247	4,099	38,830	5,645	1,732	46,207
Bank charges	19,837	39	-	19,876	4,305	6,003	30,184
Equipment rental and maintenance	8,164	1,876	1,358	11,398	13,635	1,294	26,327
Depreciation and amortization	9,733	3,709	3,091	16,533	4,420	2,409	23,362
Telecommunications	7,407	2,557	3,091	13,055	4,431	1,870	19,356
Supplies	6,675	929	834	8,438	3,953	612	13,003
Dues and licenses	1,054	240	4,650	5,944	5,162	96	11,202
Conferences/meetings/networking	2,222	2,618	2,584	7,424	1,703	515	9,642
Travel	5,512	1,271	1,711	8,494	516	17	9,027
Insurance	3,034	1,192	1,066	5,292	1,404	815	7,511
Printing and publications	363	110	107	580	240	1,028	1,848
Postage and delivery	132	-	-	132	97	541	770
Miscellaneous	-	-	-	-	17	3,846	3,863
Total Expenses	\$ 2,653,240	\$ 3,907,202	\$ 522,206	\$ 7,082,648	\$ 629,991	\$ 297,178	\$ 8,009,817

See accompanying notes to financial statements.

Building Changes

Statement of Functional Expenses

<i>Year Ended December 31, 2019</i>	Housing Crisis	Education/ Student Homelessness	Knowledge Sharing & Policy	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 948,325	\$ 343,009	\$ 124,715	\$ 1,416,049	\$ 315,732	\$ 120,503	\$ 1,852,284
Payroll taxes and benefits	161,268	69,756	24,129	255,153	71,343	24,330	350,826
Total Payroll Expenses	1,109,593	412,765	148,844	1,671,202	387,075	144,833	2,203,110
Grants to others	6,577,290	-	-	6,577,290	-	-	6,577,290
Professional fees	747,240	101,536	106,126	954,902	106,839	20,581	1,082,322
Occupancy	65,236	21,329	9,172	95,737	27,625	8,635	131,997
Partner stipend	38,160	19,203	-	57,363	6,191	558	64,112
Staff recruitment/development	4,999	1,167	3,162	9,328	35,909	1,094	46,331
Bank charges	-	-	-	-	28,353	-	28,353
Equipment rental and maintenance	10,187	2,469	1,047	13,703	7,463	1,089	22,255
Depreciation and amortization	17,395	5,673	2,336	25,404	7,300	2,336	35,040
Telecommunications	14,239	2,959	1,989	19,187	4,863	1,391	25,441
Supplies	4,653	1,829	907	7,389	2,053	586	10,028
Dues and licenses	9,072	1,402	5,746	16,220	1,391	306	17,917
Conferences/meetings/networking	28,157	13,999	3,307	45,463	13,463	11,118	70,044
Travel	33,119	14,402	6,200	53,721	4,214	686	58,621
Insurance	3,238	1,180	621	5,039	8,503	435	13,977
Printing and publications	568	253	1,743	2,564	571	99	3,234
Postage and delivery	270	61	95	426	171	1,123	1,720
Miscellaneous	-	813	-	813	190	580	1,583
Total Expenses	\$ 8,663,416	\$ 601,040	\$ 291,295	\$ 9,555,751	\$ 642,174	\$ 195,450	\$ 10,393,375

See accompanying notes to financial statements.

Building Changes

Statements of Cash Flows

<i>Year Ended December 31,</i>	2020	2019
Cash Flows for Operating Activities		
Cash received from		
Contributions	\$ 8,111,199	\$ 5,475,431
Government grants and contracts	2,343,326	2,033,177
Technical assistance	300,328	64,150
Investment income	159,881	180,936
Fiscally sponsored projects	268,936	-
Cash paid for		
Grants to others	(8,070,530)	(5,973,868)
Personnel	(2,455,054)	(2,179,461)
Services and supplies	(1,468,561)	(1,536,016)
Net Cash Flows for Operating Activities	(810,475)	(1,935,651)
Cash Flows from (for) Investing Activities		
Purchases of investments	(404,710)	(1,092,049)
Proceeds from sales of investments	1,464,667	682,293
Net Cash Flows from (for) Investing Activities	1,059,957	(409,756)
Cash Flows from (for) Financing Activities		
Proceeds from Payroll Protection Program Loan	382,900	-
Repayment of Payroll Protection Program Loan	(382,900)	-
Net Cash Flows from (for) Financing Activities	-	-
Change in Cash, Cash Equivalents, and Restricted Cash	249,482	(2,345,407)
Cash, Cash Equivalents, and Restricted Cash, beginning of year	1,891,618	4,237,025
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 2,141,100	\$ 1,891,618
Cash, cash equivalents, and restricted cash is presented in the statements of financial position as follows as of December 31,		
	2020	2019
Cash and cash equivalents	\$ 1,872,164	\$ 1,891,618
Restricted cash - fiscal sponsorships	268,936	-
	\$ 2,141,100	\$ 1,891,618

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.

Our Vision: Communities thrive when people have safe and stable housing and can equitably access and use services.

Our Mission: Building Changes advances equitable responses to homelessness in Washington State, with a focus on children, youth, and families and the systems that serve them.

Our Statement on Racial Equity: At Building Changes, we seek to hold ourselves accountable for addressing racism and discrimination. Black, Indigenous, and other people of color disproportionately experience homelessness due to historical and systemic racism. We cannot address homelessness without addressing racism at its roots and the trauma it continues to perpetuate. We set universal goals to end homelessness and pursue targeted solutions to achieve these goals.

Our work in race equity does not stop there. We are committed to building an internal culture that challenges racism within our organization.

Our Values: Building Changes' organizational values are equity, people, partnership, and integrity.

Building Changes' Approach

We believe communities thrive when people have safe and stable housing. Unfortunately, homelessness and housing instability is a reality for far too many of us, particularly children, youth, and families of color. Systemic failings, inequitable access to services, and lack of coordination between the housing, education, and health systems contribute to this growing problem. Building Changes works at the intersection of these systems, advancing racial equity and advocating for change, so that children, youth, and families experiencing homelessness are effectively served and get equitable access to the support they need. Resolving a housing crisis and maintaining housing stability are not possible without this. We focus our experience and expertise at this unique level because it is where we see great need and where we can have greatest impact.

Building Changes uses an interdisciplinary approach to influence systems, centering racial equity and aligning our work with the needs of people with lived expertise.

- We **innovate** by developing and field-testing equitable strategies.
- We **collaborate** by partnering to build capacity and coordination across systems.
- We **evaluate** by conducting research and analyzing data.
- We **advocate** by pushing to advance equitable, research-informed strategies.

2020 was a uniquely challenging year. We pivoted in many ways, with our staff working 100% remotely for most of the year and taking on significant COVID-19 response efforts, as noted below. Yet we were still able to make important progress in our housing, education, and health work.

Building Changes

Notes to Financial Statements

Notable Accomplishments in 2020

COVID-19 RESPONSE

Student Support Survey

To quickly identify and respond to the needs of students and families experiencing homelessness during the pandemic, Building Changes surveyed 500 McKinney-Vento and foster care liaisons across Washington State in April 2020. We heard from liaisons across 32 counties who pinpointed food, internet access, electronic devices needed for distance learning, hygiene supplies, and rental assistance as their students' top needs. Their responses have helped drive the development of and advocacy for specific resources and additional public funds to meet some of the most pressing local needs.

Washington State Student and Youth Homelessness COVID-19 Response Fund

In partnership with the Raikes Foundation, Building Changes launched the Washington State Student and Youth Homelessness COVID-19 Response Fund to augment existing public dollars and provide flexible funding to entities and communities who work directly with youth and students. By the end of 2020, we had raised \$3.25 million and awarded \$3.1 million in flexible funding to 192 organizations, schools, school districts, and tribes in 24 different counties. On average, 77% of individuals served by the fund are students and youth of color.

Eviction Moratorium Extension Advocacy

In spring 2020, Building Changes advocated for the extension of the eviction moratorium to support children, youth, and families experiencing housing crises during the pandemic. To further demonstrate the negative and racially inequitable impacts the eviction moratorium's end would have on people experiencing housing instability, we contributed additional data toward federal and state-level briefs. Without housing relief, individuals and families experiencing housing instability are left to worry about maintaining housing and to take on additional crises brought on by the pandemic. The briefs we supported through our advocacy work were ruled favorably, and the eviction moratorium has since been extended through the end of March 2021 across Washington State and nationwide.

Housing

Family Homelessness Initiative

For the past ten years, Building Changes led the Family Homelessness Initiative (FHI), a focused effort to reduce family homelessness by improving the homeless response systems in King, Pierce, and Snohomish Counties. Supported through a sustained financial commitment of the Bill & Melinda Gates Foundation, Building Changes assisted in the design and implementation of 79 projects totaling \$29.8 million, working with the three counties and their community-based providers to improve experiences and outcomes for families engaging with the systems.

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2020 marked the final year of the initiative. The majority of remaining FHI grants closed at the end of December, with the last few set to end in early 2021. While the grants are ending, our commitment to supporting efforts to reduce family homelessness in the three counties continues. In addition, through another investment from the Gates Foundation, Building Changes will work with four communities outside of outside Snohomish, King, and Pierce counties in 2021 to help them apply key learnings from FHI to their own homeless response systems.

Washington Youth and Families Fund

Building Changes continued leading and administering the Washington Youth and Families Fund (WYFF), a combination of public and private dollars awarded to organizations and tribes across the state in support of innovative strategies to reduce youth and family homelessness. In response to COVID-19, we provided \$10,000 in emergency funds to each of our 11 WYFF grantees in 2020. We also began our contracts with our newest grantees, The Samish Indian Nation and the Cowlitz Indian Tribe. Both are piloting Enhanced Rapid Re-Housing, a housing support model that utilizes housing placement, culturally enhanced support services, case management, and short-term rent subsidy, and flexible funding to quickly move individuals and families out of homelessness and into permanent housing.

The Cowlitz Indian Tribe, along with grantees Northwest Youth Services and Shelton Family Center, are piloting Critical Transition Coaching (CTC). CTC is an evidence-based outreach model we've adapted to provide young people the support they need during their transition out of institutional care to stable housing in Washington State. CTC provided comprehensive support by working with young people develop skills, find employment, identify education goals, and build a support network before and during their transition.

Mary's Place Family Diversion Center Evaluation

Building Changes completed an evaluation of the first year of Mary's Place Family Diversion Center (FDC). FDC is a housing support model that pairs Diversion services with shelter. Our evaluation included analysis of staff and families' perspectives on FDC, shelter utilization rates, costs of running the center, and the demographics and characteristics of families who used FDC. We also analyzed outcomes for families who used FDC services as opposed to those who sought out shelters or Diversion services separately.

Education

Beating the Odds & Menu of Strategies

Building Changes published two resources earlier last year to help schools and school districts better support students experiencing homelessness. In February 2020, we released "Beating the Odds: How Can Schools and Districts Support Students Experiencing Homelessness?" a report summarizing promising practices from high-performing schools and districts that show positive educational outcomes for students experiencing homelessness. In March 2020, we published the first iteration of the Menu of Strategies, a working collection of recommendations for schools, districts, and community partners to better support students and families experiencing homelessness in the state. We pulled together insights from surveys and interviews with school staff, district staff, students and families with lived expertise, and student data from the Office of Superintendent of Public Instruction to address topics especially pertinent to students experiencing homelessness and their families.

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Assessment and Building Capacity Tool

Building off the Menu of Strategies, Building Changes developed the Assessment and Building Capacity Tool (ABC Tool) to help schools and school districts identify areas to improve their capacity to effectively meet the needs of students experiencing homelessness. With the ABC Tool, we hope to develop racially equitable and culturally responsive strategies to help meet students' needs. The ABC Tool facilitates our goal to increase students' outcomes by bringing clarity and structure to how schools and school districts can improve services and supports.

Youth Ascend WA

To support students experiencing homelessness as they transition out of high school, Building Changes developed Youth Ascend WA, a web-based tool designed to connect students with resources that will help them explore options on their path toward achieving post-graduation stability. The resource tool is a collaborative project made possible through interviews, workshops, and focus group with youth and advocates in schools, public agencies, and community-based organizations. Youth Ascend WA's goal is to be an inclusive, accessible, and youth-centered resource tool that will help strengthen relationships between providers and students.

School/Housing Network

To provide a peer-to-peer learning space for school district homeless liaisons and local housing providers across Washington State, Building Changes continued hosting a monthly virtual conference. An average of 30 liaisons and providers participate in our monthly call by sharing their own experiences supporting students in their communities and discuss best practices on supporting students experiencing homelessness in their schools. In the beginning of pandemic-related school closures, we increased the frequency of our conference calls to bi-weekly. We did this to respond to liaisons and providers' heightened need to ensure students are still adequately supported despite growing concerns over the public health crisis. The School/Housing Network is an outlet for liaisons and providers across the state to learn from each other and to collaborate on ways to better support students experiencing homelessness in their communities.

Health

Strengthening Advocacy and Partnerships

Throughout 2020, Building Changes worked to strengthen our advocacy, partnerships, and efforts in the health system to advance equitable strategies in support of support people experiencing homelessness and housing instability. Our advocacy work comprised the following efforts: joining health advocates to persuade the Washington State Department of Health to disaggregate COVID-19 data by race and ethnicity; partnering with nutrition advocates to raise awareness and webinars on accessing Pandemic Electronic Benefit Transfer (P-EBT) on food; advocating for the continuation of Maternity Support Services (MSS); surveying MSS providers to learn about their clients' demographics and top needs; and ensuring the renewal of Foundational Community Supports (FCS), a Medicaid benefit that helps eligible clients with complex health needs find and maintain housing and employment.

In 2020, Building Changes also joined the state legislature's Children and Youth Behavioral Health Workgroup and continued to cultivate new partnerships with community health organizations and advocacy groups. In addition to our advocacy and partnership efforts, we completed an evaluation

Building Changes

Notes to Financial Statements

of the impacts of our Perinatal Housing Grants (PHG), a pilot project designed to improve housing and health outcomes for pregnant women and postpartum mothers who need additional support to prepare and provide for their babies.

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:

	2020	2019
Family Homelessness Initiative	\$ 2,918,225	\$ 5,367,396
Schoolhouse Washington	1,180,749	1,157,482
Washington Youth and Families Fund	1,036,828	1,046,112
Equitable Systems	1,009,629	-
Maternal Health	166,162	-
Contributions restricted for time and other	96,776	205,728
COVID-19 relief	84,806	-
Partners Group	50,000	-
Economic opportunities	-	11,505
	\$ 6,543,175	\$ 7,788,223

A portion of the contributions restricted for Family Homelessness Initiative 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 the WYFF 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 \$1,312,256 and \$1,216,637 at December 31, 2020 and 2019, respectively.

Building Changes

Notes to Financial Statements

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, Lived Experience Coalition, and Look, Listen, and Learn.

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

<i>December 31,</i>	2020	2019
Cash and cash equivalents	\$ 1,872,164	\$ 1,891,618
Restricted cash	268,936	-
Total Cash, Cash Equivalents, and Restricted Cash, shown in the statements of cash flows	\$ 2,141,100	\$ 1,891,618

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.

Fair Value Measurements

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

Level 1: This level consists of observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: This level consists of observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3: This level consists of unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value measurement of the investments was determined using Level 1 observable market inputs within the fair value hierarchy.

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Notes to Financial Statements

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 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, 2020 or 2019. 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, 2020 and 2019. 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, 2020 and 2019. The amortization of the discount is reported as a contribution in the statements of activities. Of the total promises to give, 89% and 99% were due from one foundation as of December 31, 2020 and 2019, respectively. Management determined that no allowance was necessary at December 31, 2020 or 2019.

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:

	2020	2019
Leasehold improvements	\$ 81,755	\$ 81,755
Furniture and equipment	133,347	133,347
	215,102	215,102
Less: Accumulated depreciation and amortization	(215,102)	(191,740)
	\$ -	\$ 23,362

Building Changes

Notes to Financial Statements

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 also 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, 2020 and 2019.

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 - Government grants are generally conditional based on related program expenditures. 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.

The Washington State Department of Commerce accounted for 80% of total support and revenue for 2020. One foundation and the Washington State Department of Commerce accounted for 30% and 62%, respectively, of total support and revenue for 2019.

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.

Building Changes

Notes to Financial Statements

Reclassifications

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

Recent Accounting Pronouncements Adopted

ASU 2014-09, Revenue from Contracts with Customers

During the year ended December 31, 2020, Building Changes adopted the provisions of Accounting Standards Update (ASU) No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (commonly referred to as Accounting Standards Codification Topic 606 (ASC 606), issued by the Financial Accounting Standards Board (FASB) using the “modified retrospective” method; as such, Building Changes applied the guidance only to the most recent period presented in the financial statements. The pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the organization satisfies a performance obligation

Building Changes recognizes technical assistance revenue at a point in time when the related service is provided (the sole performance obligation). There are no significant judgments affecting the determination of amount and timing of technical assistance revenue and there are no contract assets or liabilities.

Subsequent Events

Building Changes has evaluated subsequent events through the date these financial statements were available to be issued, which was April 21, 2021.

On February 10, 2021, Building Changes was awarded a grant from the Raikes Foundation and Champion Foundation in the total amount of \$1,375,000 and \$270,000, respectively to support the prevention and end of homelessness in King County. Both grants were awarded as a part of the Partners Group, which is an initiative to support the end and prevention of homelessness in Seattle and King County.

Building Changes

Notes to Financial Statements

On March 11, 2021, President Biden signed into law the “American Rescue Plan Act of 2021” (the American Rescue Plan), which included additional economic stimulus and tax credits, including the expansion of the Employee Retention Credit. Building Changes continues to examine the impact that the American Rescue Plan will have on its financial condition, results of operations, and liquidity. See Note 10 for further discussion on the impact of the COVID-19 outbreak and related federal programs.

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 money market funds and other short-term investments.

The following table reflects Building Changes’ financial assets as of December 31, 2020 and 2019, 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 for general expenditure include a board-designated emergency reserve fund that is intended to cover unexpected material funding shortfall related to operational needs. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 1,872,164	\$ 1,891,618
Restricted cash	268,936	-
Investments	6,720,937	7,679,142
Accounts and grants receivable - current portion	1,877,015	2,409,677
Promises to give - current portion	5,600	2,090,529
Accounts and grants receivable - long-term portion	577,739	1,759,529
Total Financial Assets	11,322,391	15,830,495
Less: Amounts not available to meet general expenditures		
Board-designated Emergency Reserve Fund	(1,312,256)	(1,216,637)
Restricted cash	(268,936)	-
Accounts and grants receivable - long-term portion	(577,739)	(1,759,529)
Donor restricted net assets	(6,543,175)	(7,788,223)
Financial Assets Available to Meet General Expenditures within One Year	\$ 2,620,285	\$ 5,066,106

Building Changes

Notes to Financial Statements

4. Investments

Investments consist of the following at December 31:

	2020	2019
Cash and cash equivalents	\$ 1,523,870	\$ 432,316
Fixed-income securities		
Government mortgage-backed securities	893,352	1,466,078
Corporate bonds	762,300	739,028
Certificates of deposit	1,879,680	3,330,675
Treasury notes	1,661,735	1,711,045
	\$ 6,720,937	\$ 7,679,142

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

	2020	2019
Realized and unrealized gains	\$ 101,752	\$ 146,575
Interest income	159,881	180,936
	\$ 261,633	\$ 327,511

5. Accounts and Grants Receivable

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

	2020	2019
Receivable in less than one year	\$ 1,877,015	\$ 2,409,677
Receivable in one to five years	612,923	1,884,536
	2,489,938	4,294,213
Unamortized discount (3%)	(35,184)	(125,007)
	\$ 2,454,754	\$ 4,169,206

Building Changes

Notes to Financial Statements

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

	2020	2019
Accounts and grants receivable - current portion	\$ 1,877,015	\$ 2,409,677
Accounts and grants receivable - long-term portion	577,739	1,759,529
	\$ 2,454,754	\$ 4,169,206

6. Grants Payable

Grants are payable as follows as of December 31:

	2020	2019
Payable in less than one year	\$ 1,387,722	\$ 4,181,028
Payable in one to five years	612,923	1,884,536
	2,000,645	6,065,564
Unamortized discount (3%)	(35,184)	(125,007)
	\$ 1,965,461	\$ 5,940,557

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

	2020	2019
Grants payable - current portion	\$ 1,387,722	\$ 4,181,028
Grants payable - long-term portion	577,739	1,759,529
	\$ 1,965,461	\$ 5,940,557

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Building Changes

Notes to Financial Statements

7. Operating Leases

Building Changes leases office space and certain equipment under operating leases. The office space lease expires in August 2025. Rent expense under these operating leases amounted to \$113,358 and \$131,988 for the years ended December 31, 2020 and 2019, respectively. Future minimum payments under the leases for the years ending December 31:

2021	\$	71,962
2022		73,917
2023		75,931
2024		78,021
2025		55,185

	\$	355,016
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8. 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 \$52,930 and \$42,896 for the years ended December 31, 2020 and 2019, respectively. Building Changes also sponsors a tax-deferred annuity plan to which employees may make voluntary contributions.

9. Fiscal Sponsorships

During 2020, Building Changes fiscally sponsored three projects: Lived Experience Coalition (LEC), Look, Listen, and Learn (LLL), and the African American Leadership Forum (AALF). Building Changes does not have variance power over the funds of the fiscally sponsored projects, so no income or expense is recognized from the fiscally sponsored projects. Cash belonging to the fiscally sponsored projects is presented as restricted cash. The cash balance is offset by a related liability.

Building Changes charges each fiscally sponsored project an administrative fee based on a percentage of their activity. The administrative fees totaled \$70,476 for the year ended December 31, 2020. No similar fees were charged in 2019. The administrative fee is presented as part of technical assistance on the statements of activities.

10. COVID-19, CARES Act, and Consolidated Appropriations Act

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency resulting from the outbreak 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.

Building Changes

Notes to Financial Statements

While Building Changes has not experienced material adverse impacts thus far, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, and operations. 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 2021.

Although Building Changes cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on its results of future operations, financial position, and liquidity in future years.

The CARES Act

On March 27, 2020, former President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak. In April 2020, Building Changes applied for and received a PPP loan in the amount of \$382,900. Upon evaluating its financial condition, Building Changes determined that the PPP loan was not imperative for continuing its operations and returned the funds to the bank within one month of the receipt. There were no conditions for the return of the PPP loan and Building Changes was not required to pay interest on the PPP loan.

Building Changes does not believe any other provisions of the CARES Act will have a significant impact on its financial condition, results of operation, and liquidity.

The Consolidated Appropriations Act

On December 27, 2020, former President Trump signed into law the Consolidated Appropriations Act, 2021 bill which included additional economic stimulus and COVID-19 related relief including additional PPP funds and expansion of the Employment Retention Credit. Building Changes continues to examine the impact that the Consolidated Appropriations Act will have on its financial condition, results of operation, and liquidity.



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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

Report on Internal Control

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, 2020, 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 21, 2021.

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. However, material weaknesses or significant deficiencies may exist that have not been identified.



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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 21, 2021