

## **BUILDING CHANGES**

Financial Statements with Supplementary Report  
in Accordance with *Government Auditing Standards*

December 31, 2022 and 2021

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Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Building Changes  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of Building Changes (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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. 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 Building Changes 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.

### **Prior Period Financial Statements**

The financial statements of Building Changes as of December 31, 2021 were audited by other auditors whose report dated May 18, 2023 expressed an unmodified opinion on those statements.

### **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 Building Changes' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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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 generally accepted auditing standards 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 Building Changes' 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 Building Changes' 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 on our consideration of Building Changes' internal control over financial reporting and 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 the 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.

*Greenwood Ohlund*

Seattle, Washington  
December 21, 2023

## BUILDING CHANGES

### STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 1,340,650	\$ 3,933,378
Cash and cash equivalents - held as fiscal agent	1,300,447	422,571
Investments	8,198,013	8,526,998
Contributions and grants receivable	2,215,834	1,551,428
Prepaid expenses and other assets	<u>33,398</u>	<u>41,998</u>
Total current assets	13,088,342	14,476,373
Contributions and Grants Receivable, net	<u>-</u>	<u>664,816</u>
Total assets	<u><u>\$ 13,088,342</u></u>	<u><u>\$ 15,141,189</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 749,022	\$ 423,356
Funds held as fiscal agent	1,300,447	422,571
Grants payable	<u>-</u>	<u>612,918</u>
Total liabilities	2,049,469	1,458,845
Net Assets		
Without donor restrictions		
Undesignated	4,582,313	1,312,030
Board-designated	<u>1,489,838</u>	<u>1,575,334</u>
Total net assets without donor restrictions	6,072,151	2,887,364
With donor restrictions	<u>4,966,722</u>	<u>10,794,980</u>
Total net assets	<u>11,038,873</u>	<u>13,682,344</u>
Total liabilities and net assets	<u><u>\$ 13,088,342</u></u>	<u><u>\$ 15,141,189</u></u>

*See accompanying notes to financial statements.*

## BUILDING CHANGES

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 6,561,088	\$ 631,873	\$ 7,192,961	\$ 1,847,891	\$ 8,380,040	\$ 10,227,931
Government grants	2,218,371	-	2,218,371	417,779	-	417,779
Technical assistance and other	650,371	-	650,371	177,536	-	177,536
Net assets released from restrictions	6,460,131	(6,460,131)	-	4,128,235	(4,128,235)	-
<b>Total support and revenue</b>	<b>15,889,961</b>	<b>(5,828,258)</b>	<b>10,061,703</b>	<b>6,571,441</b>	<b>4,251,805</b>	<b>10,823,246</b>
Expenses						
Programs	11,346,829	-	11,346,829	4,486,323	-	4,486,323
Administration	646,612	-	646,612	899,557	-	899,557
Fundraising	232,825	-	232,825	341,269	-	341,269
<b>Total expenses</b>	<b>12,226,266</b>	<b>-</b>	<b>12,226,266</b>	<b>5,727,149</b>	<b>-</b>	<b>5,727,149</b>
Change in net assets before investment return	3,663,695	(5,828,258)	(2,164,563)	844,292	4,251,805	5,096,097
Investment Return	(478,908)	-	(478,908)	(274,460)	-	(274,460)
<b>Change in net assets</b>	<b>3,184,787</b>	<b>(5,828,258)</b>	<b>(2,643,471)</b>	<b>569,832</b>	<b>4,251,805</b>	<b>4,821,637</b>
Net Assets, beginning of year	2,887,364	10,794,980	13,682,344	2,317,532	6,543,175	8,860,707
Net Assets, end of year	<u>\$ 6,072,151</u>	<u>\$ 4,966,722</u>	<u>\$ 11,038,873</u>	<u>\$ 2,887,364</u>	<u>\$ 10,794,980</u>	<u>\$ 13,682,344</u>

*See accompanying notes to financial statements.*

## BUILDING CHANGES

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2022

	Programs				Total Programs	Management and General	Fundraising	Total
	Housing Crisis	Education / Student Homelessness	Knowledge Sharing & Policy	Partner's Group				
Salaries and wages	\$ 823,901	\$ 553,051	\$ 66,694	\$ 469,855	\$ 1,913,501	\$ 293,797	\$ 141,596	\$ 2,348,894
Payroll taxes and benefits	178,254	148,838	20,964	100,174	448,230	95,050	36,761	580,041
<b>Total payroll expenses</b>	<b>1,002,155</b>	<b>701,889</b>	<b>87,658</b>	<b>570,029</b>	<b>2,361,731</b>	<b>388,847</b>	<b>178,357</b>	<b>2,928,935</b>
Grants to others	2,753,873	34,875	-	4,629,710	7,418,458	-	-	7,418,458
Professional fees	145,628	87,008	132,433	813,887	1,178,956	139,770	23,481	1,342,207
Occupancy	35,974	36,906	9,532	18,598	101,010	30,652	6,592	138,254
Supplies	5,293	5,850	4,314	69,104	84,561	4,547	1,049	90,157
Partner stipend	2,933	1,482	300	55,744	60,459	100	675	61,234
Bank charges	7,471	320	80	135	8,006	27,582	5,449	41,037
Telecommunications	4,965	5,031	1,886	16,188	28,070	4,892	656	33,618
Staff recruitment/development	5,947	4,484	418	3,260	14,109	17,527	1,285	32,921
Equipment rental and maintenance	3,682	7,235	1,410	2,435	14,762	12,287	965	28,014
Conferences/meetings/networking	2,456	4,086	2,410	9,109	18,061	9,067	93	27,221
Taxes, dues and licenses	3,823	901	5,399	9,631	19,754	1,081	969	21,804
Travel	54	2,011	19	15,697	17,781	3,256	267	21,304
Insurance	4,528	4,657	1,179	1,644	12,008	3,598	651	16,257
Miscellaneous	2,400	-	591	-	2,991	1,920	7,354	12,265
Staff racial equity	2,070	1,092	77	-	3,239	1,445	309	4,993
Printing and publications	-	-	2,799	-	2,799	-	1,167	3,966
Postage and delivery	30	33	8	3	74	41	3,506	3,621
<b>Total expenses</b>	<b>\$ 3,983,282</b>	<b>\$ 897,860</b>	<b>\$ 250,513</b>	<b>\$ 6,215,174</b>	<b>\$ 11,346,829</b>	<b>\$ 646,612</b>	<b>\$ 232,825</b>	<b>\$ 12,226,266</b>

*See accompanying notes to financial statements.*

## BUILDING CHANGES

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2021

	Programs					Management and General	Fundraising	Total
	Housing Crisis	Education / Student Homelessness	Knowledge Sharing & Policy	Partner's Group	Total Programs			
Salaries and wages	\$ 716,409	\$ 261,186	\$ 224,845	\$ 114,374	\$ 1,316,814	\$ 609,444	\$ 226,716	\$ 2,152,974
Payroll taxes and benefits	123,572	52,395	46,825	16,970	239,762	92,568	43,106	375,436
<b>Total payroll expenses</b>	<b>839,981</b>	<b>313,581</b>	<b>271,670</b>	<b>131,344</b>	<b>1,556,576</b>	<b>702,012</b>	<b>269,822</b>	<b>2,528,410</b>
Grants to others	584,045	988,669	128,000	35,875	1,736,589	35,184	-	1,771,773
Professional fees	229,277	66,750	142,830	446,521	885,378	50,582	32,768	968,728
Occupancy	35,746	25,847	24,197	485	86,275	19,248	15,948	121,471
Supplies	13,773	7,213	13,282	13,616	47,884	23,906	6,245	78,035
Partner stipend	34,432	2,582	2,070	22,235	61,319	-	25	61,344
Staff recruitment/development	25,466	716	4,014	517	30,713	12,089	1,457	44,259
Equipment rental and maintenance	10,461	3,634	2,996	2,422	19,513	14,910	2,403	36,826
Bank charges	4,282	862	116	10	5,270	20,464	6,671	32,405
Telecommunications	3,225	2,466	2,882	10,997	19,570	4,909	1,655	26,134
Conferences/meetings/networking	4,025	6,263	1,726	213	12,227	3,870	346	16,443
Insurance	794	574	537	-	1,905	10,306	354	12,565
Taxes, dues and licenses	1,730	193	4,885	4	6,812	873	577	8,262
Postage and delivery	18	13	12	-	43	51	1,670	1,764
Printing and publications	-	68	15	-	83	74	1,326	1,483
Travel	-	383	-	218	601	40	-	641
Miscellaneous	-	-	-	15,565	15,565	1,039	2	16,606
<b>Total expenses</b>	<b>\$ 1,787,255</b>	<b>\$ 1,419,814</b>	<b>\$ 599,232</b>	<b>\$ 680,022</b>	<b>\$ 4,486,323</b>	<b>\$ 899,557</b>	<b>\$ 341,269</b>	<b>\$ 5,727,149</b>

*See accompanying notes to financial statements.*



## BUILDING CHANGES

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 7,193,371	\$ 3,735,554
Government agencies	2,218,371	2,154,266
Technical assistance and other	650,371	177,536
Investment return	142,719	126,823
Fiscal agency projects	816,642	153,185
Cash paid for:		
Grants to others	(8,031,376)	(3,124,316)
Personnel	(2,755,842)	(2,388,396)
Services and supplies	(1,656,466)	(1,412,459)
Net cash flows from operating activities	(1,422,210)	(577,807)
Cash flows from Investing Activities		
Purchases of investments	(1,977,624)	(4,633,803)
Proceeds from sales of investments	1,684,982	5,902,589
Net cash flows from investing activities	(292,642)	1,268,786
<b>Net change in cash and cash equivalents</b>	<b>(1,714,852)</b>	<b>690,979</b>
Cash and Cash Equivalents, beginning of the year	4,355,949	3,664,970
Cash and Cash Equivalents, end of the year	\$ 2,641,097	\$ 4,355,949
Cash is presented on the statement of financial position as follows:		
Cash and cash equivalents	\$ 1,340,650	\$ 3,933,378
Cash and cash equivalents - held as fiscal agent	1,300,447	422,571
	\$ 2,641,097	\$ 4,355,949

*See accompanying notes to financial statements.*

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

#### **Note 1 – Organization and Summary of Significant Accounting Policies**

Building Changes is a nonprofit organization conducting activities in Washington State. Building Changes believes communities thrive when people have safe and stable housing and can equitably access and use services. Building Changes advance equitable responses to homelessness in Washington State, with a focus on children, youth, and families and the systems that serve them. Building Changes seeks to hold themselves accountable for addressing racism and discrimination. Building Changes is committed to building an internal culture that challenges racism within the organization.

Building Changes works at the intersections of housing, education, and health to ensure our systems better serve people experiencing homelessness, and that policies, practices, and processes are equitable to Black, Indigenous, and people of color who are disproportionately impacted by housing crises. Building Changes uses an interdisciplinary approach to influence systems, centering racial equity and aligning work with the needs of people with lived experience of homelessness.

In 2022, Building Changes made progress in our statewide housing crisis, education, and health work by:

- Continuing to lead the Washington Youth & Families Fund (WYFF) through developing a new round of WYFF funding strategies, in collaboration with external partners and people with lived experience; awarding a total of \$3.04M in grants to six partners across the state focused on healing and housing for families and supporting young people exiting systems of care; and preparing a policy and communications strategy to increase Building Changes' 2023 legislative budget request for WYFF by \$6M to expand the fund and its statewide impact.
- Publishing a new statewide study of Diversion—an approach that empowers people to resolve their housing crises quickly, safely, and permanently—that analyzed the impact of Diversion services on housing outcomes for families in Washington State and the extent to which these services are racially equitable.
- Launching the Youth Diversion Infrastructure Project, in partnership with A Way Home Washington and with funding from the state Office of Homeless Youth, to reduce homelessness for young people exiting child welfare or foster care systems, juvenile detention and rehabilitation centers, behavioral health facilities, and other publicly funded systems of care.
- Continuing to support and advocate for the state's Homeless Student Stability Program (HSSP) through facilitating alignment between the two state agencies tasked with implementing HSSP; helping to identify, select, and contract with new HSSP grantees from Clark, Pierce, Yakima, Thurston, Okanagan counties; and preparing a bill to improve HSSP and a strategy for substantially increasing funding for HSSP in the 2023 legislative session.
- Designing and delivering a series of trainings to help homeless student liaisons, other school staff, and community-based organizations better identify students experiencing homelessness and serve them through educational supports and wraparound services. In 2022, Building Changes offered 12 trainings that were attended by a total of 627 people across 134 cities, 33 counties, and 126 school districts in Washington State.

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

- Providing tailored technical assistance to 7 school districts across the state (Bethel, Tukwila, Renton, Sumner-Bonney Lake, Richland, Puyallup, and Burlington-Edison), working with them 1:1 to help them identify gaps, build community partnerships, and improve support for students experiencing homelessness.
- Continuing to host the School/Housing Network as a forum to build community and share practices and strategies between providers working in education and housing systems.
- Securing passage of Senate Bill 5883, which allows unaccompanied homeless youth under 18 to consent to their own primary health care, during the 2022 legislative session; and publishing a flyer and FAQ to help young people understand and get access to health care under the new law.
- Beginning a statewide landscape assessment to better understand what is happening at the intersection of housing and health care for those experiencing homelessness, particularly youth and young adults and families. As part of this work, we planned listening sessions in 6 counties (King, Pierce, Snohomish, Yakima, Spokane, Okanogan, and Walla Walla.)
- Continuing to work with Yakima Neighborhood Health Services on a project to offer Diversion services to pregnant and postpartum individuals on Medicaid who are receiving maternal support services and who identified as experiencing homelessness or housing instability in Yakima County.
- Disseminating flyers on COVID-19 vaccine access for unaccompanied homeless youth that we produced in English and Spanish through funding from the state Department of Health to improve access to services and to educate and inform systems.
- Publishing a report and related blog post on "Mental Health, Hope, and Adverse Childhood Experiences Among Students Experiencing Housing Insecurity," based on analysis of data from Washington's 2018 and 2021 Healthy Youth Survey.

In 2022, Building Changes made progress in internal culture and racial equity goals by:

- Building Changes' staff Race, Diversity, Equity, & Inclusion (RDEI) Committee establishing a vision and mission that aligns with the organization's strategic plan and guides the committee's work; drafting and enacting an Equity Agreement to both normalize and operationalize our collective commitment to RDEI work; crafting a "Commitment to Resourcing Antiracist Work within Building Changes" that was voted into formal organizational policy by Building Changes' board of directors at its meeting in September 2022; creating a workplan and goals for 2023 that were shared with staff and board for collective commitment and stewardship.
- In accordance with the board resolution on resourcing the organization's RDEI work, establishing dedicated funds for professional development focused on race and equity, trainings for all staff, and project-specific support.
- Establishing salaries for all positions to start at \$70,000, a fair living wage for the Puget Sound region, and offering dependent health stipends of \$200 for staff on the HMO medical plan, promoting equity in access to benefits.
- Reading "Four Pivots" by Dr. Shawn Ginwright as a staff and board to focus on the individual, personal work that feeds our relationships and Building Changes' work to address systems of oppression.

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

- Building Changes' infrastructure teams (HR, Finance, Operations) working together to update Building Changes' Employee Handbook with a lens to equity and centering employee needs, including incorporating Building Changes' Equity Agreement into the handbook.
- Building Changes' Executive Director and Director of People & Culture collaborating with leaders of partner organizations to both share and expand Building Changes' own knowledge and practice towards becoming an anti-racist organization.
- Building Changes' Director of People & Culture elevating Building Changes' RDEI work at the state Conference on Ending Homelessness, where she co-facilitated a conversation with other organizations about implementing RDEI strategies and positions.
- Building Changes' Director of People & Culture establishing a coalition of race equity practitioners doing anti-racist work to strengthen collective practice, knowledgebase, and impact within various nonprofits and elevate the importance of operationalizing race, equity, and justice—while also supporting one another and offering assistance and support in this challenging work.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *Financial Statement Presentation*

The financial statements have been prepared on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Building Changes are reported in each of the following two classes: without donor restrictions and with donor restrictions.

The net assets of Building Changes are classified as follows:

- Net assets without donor restrictions are available without restriction for support of Building Changes' operations. 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 amounted to \$1,489,838 and \$1,575,334 at December 31, 2022 and 2021, respectively.

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## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

- 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:

	2022	2021
Day 1 Fund	\$ 2,533,376	\$ 4,984,875
Family Homelessness Initiative	1,011,449	1,193,530
Washington Youth and Families Fund	835,116	1,709,297
Partner's Group	235,350	827,067
Schoolhouse Washington	112,500	-
Equitable Systems	107,805	45,832
Community Solutions	66,894	425,334
Other	42,969	100,000
Youth Diversion Infrastructure	16,757	17,331
Maternal Health	4,506	37,986
COVID-19 Relief	-	1,053,728
	4,966,722	10,394,980
Total net assets with purpose restrictions		
Restricted for future time periods	-	400,000
	\$ 4,966,722	\$ 10,794,980

#### *Cash and Cash Equivalents*

Cash and cash equivalents consist of checking, savings, and money market accounts. Building Changes regularly has amounts deposited with financial institutions in excess of federally insured limits.

#### *Cash and Cash Equivalents – Held as a Fiscal Agent*

Building Changes acts as a fiscal agent for 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 held as a fiscal agent with a corresponding liability.

Building Changes charges each fiscally sponsored project an administrative fee based on a percentage of their activity. The administrative fees totaled \$156,682 and \$117,148 for the years ended December 31, 2022 and 2021, respectively. The administrative fee is included within technical assistance and other on the statements of activities.

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

#### *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.

#### *Investments*

Investments in debt and equity securities 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. Certificates of deposit are recorded at cost-plus accrued interest.

Investments are composed of the following at December 31:

	<u>2022</u>	<u>2021</u>
United States Treasury securities	\$ 5,057,954	\$ 2,281,164
Corporate bonds	1,995,143	690,935
Government mortgage-backed securities	767,019	1,383,901
Certificates of deposit	377,897	1,826,958
Equities	-	2,344,040
	<u>\$ 8,198,013</u>	<u>\$ 8,526,998</u>

Investment return consists of interest and dividends, realized and unrealized gains and losses, net of investment fees.

#### *Contributions and Grants Receivable*

Contributions and grants receivable that are expected to be collected in one year are recorded at net realizable value. Contributions and grants receivable over periods in excess of one year are initially recorded at fair value, and in arriving at fair value, management considers discounting these contributions using donor specific risk adjusted discount rates. The initial discount and subsequent amortization are recognized to contribution and grant revenue. Management reviews the collectability of contributions and grants receivable on a periodic basis and determines the amount estimated to be uncollectible. A reserve for doubtful accounts is then established. Building Changes charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance for contributions and grants receivable was considered necessary at December 31, 2022 or 2021.

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

Receivables from one donor and one government agency comprised approximately 58% of contributions and grants receivable at December 31, 2022. Receivables from one government agency comprised approximately 27% of contributions and grants receivable at December 31, 2021.

Contributions and grants receivable consists of the following at December 31:

	2022	2021
Receivable in less than one year	\$ 2,215,834	\$ 1,551,428
Receivable in one to five years		700,000
	2,215,834	2,251,428
Unamortized discount (3%)	-	(35,184)
	<u>\$ 2,215,834</u>	<u>\$ 2,216,244</u>

These amounts are included in the statements of financial position as follows at December 31:

	2022	2021
Contributions and grants receivable - current portion	\$ 2,215,834	\$ 1,551,428
Contributions and grants receivable - noncurrent portion	-	664,816
	<u>\$ 2,215,834</u>	<u>\$ 2,216,244</u>

#### *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.

#### *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. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2022 and 2021, no such adjustments were made.

Two sources accounted for 40% and 60% of total support and revenue during the years ended December 31, 2022 and 2021, respectively.

## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

Technical Assistance Service Fees and Other - Technical assistance service fees and other primarily represent fees for training and consulting services and fiscal agency fees and are over time as 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.

Conditional promises to give – that is, those with a measurable performance or barrier and a right of return – are not recognized until the conditions on which they depend have been met. Building Changes had approximately \$6,100,000 in conditional contributions of which it was notified during the year ended December 31, 2022. These promises are conditional upon Building Changes achieving certain goals related to specific programs run by Building Changes. Due to the uncertainty regarding meeting the conditions, revenue was not recognized for these contributions during the year ended December 31, 2022.

#### *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, 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.

#### *Tax Exemption*

Building Changes has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### *Reclassifications*

Certain prior year balances have been reclassified in order to conform to the current year presentation.

#### *Subsequent Events*

Management of Building Changes has evaluated subsequent events through the date these financial statements were available to be issued, which was December 21, 2023.

#### **Note 2 – Liquidity and Availability of Resources**

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.



## BUILDING CHANGES

### NOTES TO FINANCIAL STATEMENTS

The following table reflects Building Changes' financial assets as of December 31, 2022 and 2021, 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.

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 1,340,650	\$ 3,933,378
Cash and cash equivalents - held as fiscal agent	1,300,447	422,571
Investments	8,198,013	8,526,998
Contributions and grants receivable	2,215,834	2,216,244
	13,054,944	15,099,191
Less: Amounts Not Available to Meet General Expenditures		
Board-designated Emergency Reserve Fund	(1,489,838)	(1,575,334)
Cash and cash equivalents - held as fiscal agent	(1,300,447)	(422,571)
Noncurrent grants and contributions receivable	-	(664,816)
Net assets with donor restrictions for purpose (excluding those within noncurrent grants and contributions receivable)	(4,966,722)	(10,094,980)
	\$ 5,297,937	\$ 2,341,490

**SUPPLEMENTAL REPORT IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



INDEPENDENT AUDITORS' 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 and the standards applicable to financial auditing standards generally accepted 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, 2022, 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 December 21, 2023.

### **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 opinions 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 of employees, on 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 controls, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Statement of Findings and Responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

### **Report on 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



### **Building Changes' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Building Changes' response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Building Changes' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 the entity's 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.

*Greenwood Ohlund*

Seattle, Washington  
December 21, 2023

## BUILDING CHANGES

### SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2022

#### A. Summary of Audit Results

##### Financial Statements

Type of Auditors' report issued: Unmodified

##### Internal Control over Financial Reporting

Material weaknesses identified: Yes  
Significant deficiencies identified not considered to be material weaknesses: None reported  
Noncompliance material to financial statements noted: None reported

#### B. Financial Statement Findings

##### 2022-001 – Net Assets with Donor-imposed Restrictions

Criteria: Management is responsible for applying ASC 958-210, Not-for-Profit Entities – Balance Sheet, and ASC 958-605, Not-for-Profit Entities – Revenue Recognition, and therefore is responsible for the design, implementation, and maintenance of internal controls relevant to this standard to ensure the preparation and fair presentation of financial statements in accordance with the accrual basis of accounting that are free from material misstatement, whether due to fraud or error.

Condition: During our testing of net assets, we noted two instances in which net assets were improperly classified based on the absence of donor-imposed restrictions.

Cause: Management failed to appropriately assess net assets for the existence or absence of donor-imposed restrictions related to contributions and grants, due to a lack of understanding of applicable accounting standards.

Effect or Potential Effect: Contributions that included net assets with donor restrictions and releases of net assets with donor restrictions were overstated by \$1,158,132 and \$1,152,402 (a misstatement of \$5,730 in the aggregate), due to improper assessment of underlying contributions.

Recommendation: We believe that the occurrence of these adjustments could have been reduced had contributions been analyzed and reviewed for donor-imposed restrictions in accordance with ASC 958-210 and ASC 958-605 during the preparation of the financial statements. In addition, management should implement additional training on net assets and revenue recognition under ASC 958 for members of the accounting team.

Views of Responsible Officials: Management agrees with the finding. See the attached unaudited corrective action plan.

## **BUILDING CHANGES**

### **SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2022**

#### 2022-002 – Fiscal Agency Transactions

Criteria: Management is responsible for applying ASC 958-605, Not-for-Profit Entities – Revenue Recognition, and therefore is responsible for the design, implementation, and maintenance of internal controls relevant to this standard to ensure the preparation and fair presentation of financial statements in accordance with the accrual basis of accounting that are free from material misstatement, whether due to fraud or error.

Condition: There were three instances of fiscal agency relationships treated as fiscal sponsorships in Building Changes' financial statements, causing an overstatement in revenue and expense.

Cause: Management failed to appropriately assess ASC 958-605 and ASC 958-720 for transactions in which the Organization was acting as an agent.

Effect or Potential Effect: There was an overstatement of revenues of \$2,954,700 and an overstatement of expenses of \$1,923,189 due to the improper assessment.

Recommendation: We believe that the occurrence of these adjustments could have been reduced had the activity been analyzed and reviewed for variance power in accordance with ASC 958-605 and ASC 958-720 during the preparation of the financial statements. We recommend management implement a policy to analyze all new fiscal agreements upon execution for proper treatment. In addition, management should implement additional training on ASC 958-605 and ASC 958-720 for members of the accounting team.

Views of Responsible Officials: Management agrees with the finding. See the attached unaudited corrective action plan.

## **BUILDING CHANGES**

### **CORRECTIVE ACTION PLAN** For the Year Ended December 31, 2022

This letter outlines a Corrective Action Plan in response to the findings and recommendations you provided, I am directing and committing our staff to take the following actions and remediations:

1. Net Assets with Donor-imposed Restrictions: Building Changes will ensure and recognize funds are utilized for the purpose established by donors in accordance with their written instruments. We have already imposed internal controls to ensure expenses are properly identified and associated with their funding source.
2. Fiscal Agency/Sponsorship: Agreements and policies will be in place which define the roles and responsibilities of Building Changes and the sponsored operating entity.

Upon review of the 2022 financial records and policies, the above commitments have already been implemented.

If you have any questions related to this corrective action plan, please reach out to either myself or Jaclyn Pueyo, Building Changes' Controller.

Daniel Zavala, Executive Director