

BUILDING CHANGES

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

December 31, 2023 and 2022

Table of Contents

	Page
Independent Auditor's Report	1 and 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2023	5
Statement of Functional Expenses - 2022	6
Statements of Cash Flows	7
Notes to Financial Statements	8-15
 Supplementary Report in Accordance with <i>Government Auditing Standards</i>	
 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	 17 and 18

Amanda O'Rourke, CPA
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 statements of financial position as of December 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Building Changes as of December 31, 2023 and 2022, 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 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.

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 September 20, 2024 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
September 20, 2024

BUILDING CHANGES

STATEMENTS OF FINANCIAL POSITION December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,326,124	\$ 1,340,650
Cash and cash equivalents - held as fiscal agent	320,125	1,300,447
Investments	6,481,906	8,198,013
Contributions and grants receivable	717,927	2,215,834
Prepaid expenses and other assets	32,109	33,398
Total assets	<u>\$ 8,878,191</u>	<u>\$ 13,088,342</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 435,059	\$ 749,022
Funds held as fiscal agent	320,125	1,300,447
Total liabilities	755,184	2,049,469
Net Assets		
Without donor restrictions		
Undesignated	2,446,518	4,582,313
Board-designated	1,489,838	1,489,838
Total net assets without donor restrictions	3,936,356	6,072,151
With donor restrictions	4,186,651	4,966,722
Total net assets	<u>8,123,007</u>	<u>11,038,873</u>
Total liabilities and net assets	<u>\$ 8,878,191</u>	<u>\$ 13,088,342</u>

See accompanying notes to financial statements.

BUILDING CHANGES

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 1,419,178	\$ 3,303,005	\$ 4,722,183	\$ 6,561,088	\$ 631,873	\$ 7,192,961
Government grants	3,048,877	-	3,048,877	2,218,371	-	2,218,371
Technical assistance and other	539,651	-	539,651	650,371	-	650,371
Net assets released from restrictions	4,083,076	(4,083,076)	-	6,460,131	(6,460,131)	-
Total support and revenue	9,090,782	(780,071)	8,310,711	15,889,961	(5,828,258)	10,061,703
Expenses						
Programs	10,059,266	-	10,059,266	11,346,829	-	11,346,829
Management and general	1,378,448	-	1,378,448	646,612	-	646,612
Fundraising	135,420	-	135,420	232,825	-	232,825
Total expenses	11,573,134	-	11,573,134	12,226,266	-	12,226,266
Change in net assets before investment return	(2,482,352)	(780,071)	(3,262,423)	3,663,695	(5,828,258)	(2,164,563)
Investment Return	346,557	-	346,557	(478,908)		(478,908)
Change in net assets	(2,135,795)	(780,071)	(2,915,866)	3,184,787	(5,828,258)	(2,643,471)
Net Assets, beginning of year	6,072,151	4,966,722	11,038,873	2,887,364	10,794,980	13,682,344
Net Assets, end of year	\$ 3,936,356	\$ 4,186,651	\$ 8,123,007	\$ 6,072,151	\$ 4,966,722	\$ 11,038,873

See accompanying notes to financial statements.

BUILDING CHANGES

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2023

	Programs				Total Programs	Management and General	Fundraising	Total
	Housing Crisis	Education / Student Homelessness	Knowledge Sharing & Policy	Partner's Group				
Salaries and wages	\$ 664,960	\$ 689,105	\$ 53,516	\$ 754,559	\$ 2,162,140	\$ 581,816	\$ 78,164	\$ 2,822,120
Payroll taxes and benefits	182,912	173,794	17,029	139,599	513,334	173,445	28,369	715,148
Total payroll expenses	847,872	862,899	70,545	894,158	2,675,474	755,261	106,533	3,537,268
Grants to others	1,686,436	46,625	-	3,318,193	5,051,254	-	-	5,051,254
Professional fees	81,643	34,390	120,646	1,515,640	1,752,319	327,054	16,333	2,095,706
Partner stipend	120	6,551	-	242,841	249,512	2,630	558	252,700
Occupancy	-	-	-	-	-	131,260	-	131,260
Staff recruitment/development	200	-	2,298	50,891	53,389	39,282	514	93,185
Supplies	1,047	222	7	75,460	76,736	11,854	91	88,681
Travel	7,362	9,777	5,581	41,749	64,469	10,966	552	75,987
Conferences/meetings/networking	5,148	9,541	2,868	36,073	53,630	15,054	4,616	73,300
Equipment rental and maintenance	331	958	214	27,981	29,484	26,764	384	56,632
Bank charges	14,072	-	102	13	14,187	20,843	3,250	38,280
Taxes, dues and licenses	3,865	150	9,761	10,869	24,645	1,707	425	26,777
Insurance	-	-	-	-	-	17,129	-	17,129
Telecommunications	560	745	1,915	2,575	5,795	9,226	-	15,021
Staff racial equity	48	-	-	6,504	6,552	4,100	-	10,652
Miscellaneous	-	-	474	92	566	5,316	-	5,882
Printing and publications	-	-	1,131	74	1,205	-	1,436	2,641
Postage and delivery	-	-	-	49	49	2	728	779
Total expenses	<u>\$ 2,648,704</u>	<u>\$ 971,858</u>	<u>\$ 215,542</u>	<u>\$ 6,223,162</u>	<u>\$ 10,059,266</u>	<u>\$ 1,378,448</u>	<u>\$ 135,420</u>	<u>\$ 11,573,134</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
Total payroll expenses	1,002,155	701,889	87,658	570,029	2,361,731	388,847	178,357	2,928,935
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
Total expenses	<u>\$ 3,983,282</u>	<u>\$ 897,860</u>	<u>\$ 250,513</u>	<u>\$ 6,215,174</u>	<u>\$ 11,346,829</u>	<u>\$ 646,612</u>	<u>\$ 232,825</u>	<u>\$ 12,226,266</u>

See accompanying notes to financial statements.

BUILDING CHANGES

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Cash received from:		
Donors	\$ 9,268,967	\$ 9,411,742
Customers of technical assistance and other	539,651	650,371
Interest and dividends	196,530	142,719
Fiscal agency projects	(1,233,022)	816,642
Cash paid for:		
Grants to others	(5,051,254)	(8,031,376)
Personnel	(3,364,175)	(2,755,842)
Services and supplies	(3,217,679)	(1,656,466)
Net cash flows from operating activities	(2,860,982)	(1,422,210)
Cash flows from Investing Activities		
Purchases of investments	(276,080)	(1,977,624)
Proceeds from sales of investments	2,142,214	1,684,982
Net cash flows from investing activities	1,866,134	(292,642)
Net change in cash and cash equivalents	(994,848)	(1,714,852)
Cash and Cash Equivalents, beginning of the year	2,641,097	4,355,949
Cash and Cash Equivalents, end of the year	\$ 1,646,249	\$ 2,641,097
Cash is presented on the statement of financial position as follows:		
Cash and cash equivalents	\$ 1,326,124	\$ 1,340,650
Cash and cash equivalents - held as fiscal agent	320,125	1,300,447
	\$ 1,646,249	\$ 2,641,097

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 2023, Building Changes made progress in our statewide housing crisis, education, and health work by:

- Securing increased funding for state’s Homeless Student Stability Program (HSSP) and Washington Youth & Families Fund (WYFF)—two vital programs serving students, youth, and families experiencing homelessness in Washington State—during the 2023 legislative session. The proactive media outreach resulted in media coverage in The Seattle Times, The Columbian, and The Spokesman-Review that highlighted the importance of these statewide resources and why more funding is needed.
- Securing passage of House Bill 1622, which helps improve the Homeless Student Stability Program (HSSP), during the 2023 legislative session. Sponsored by Representative Fey (D-Tacoma), this bill does three important things: 1) Increases collaboration between HSSP agency partners; 2) Ensures HSSP funding is used flexibly to effectively meet the unique needs of students and families experiencing homelessness; and 3) Makes it easier for nonprofits to apply for HSSP grants.
- Continuing to lead the Washington Youth & Families Fund (WYFF) by providing funding, technical assistance, and capacity building support to six grantee partners across the state focused on innovative housing interventions and strategies for young people and families experiencing homelessness; and by developing new WYFF funding strategies for a new round of statewide grantmaking in 2024.
- Partnering with A Way Home Washington on the Youth Diversion Infrastructure Project (YDIP) to respond to Washington State’s commitment that no young person exits publicly funded systems of care into homelessness. In 2023 through YDIP, Building Changes partnered with community-based organizations across the state and set up five “fiscal administrators” to work within their communities to get flexible funding to young people exiting systems such as child welfare, foster care, juvenile detention and rehabilitation centers, and behavioral health facilities.
- Publishing key learnings from the Equitable Homeless System Design project, through which Building Changes supported four organizations serving geographically and population-diverse counties in Washington State to provide collaboratively designed, culturally appropriate, tailored support for families of color in their communities.

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

- Continuing to support effective implementation of the Homeless Student Stability Program (HSSP) by facilitating alignment between the two state agencies tasked with implementing HSSP; supporting statewide HSSP grantees through training, technical assistance, and capacity building; and initiating the competitive RFP and selection process for 2024-2025 HSSP awards, in partnership with the Washington State Department of Commerce Office of Homeless Youth.
- Providing tailored technical assistance to 18 school districts across the state (Auburn, Bellevue, Bellingham, Bethel, Burlington-Edison, Clover Park, Franklin-Pierce, Granite Falls, Longview, Mukilteo, Renton, Richland, Puyallup, Sequim, Shelton, Spokane, Sumner-Bonney, and Tukwila) and one charter school (Rainier Valley Leadership Academy), working with them 1:1 to help them identify gaps, build community partnerships, and improve support for students experiencing homelessness.
- 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 2023, Building Changes offered 13 trainings that were attended by a total of 362 people across 101 cities, 30 counties, 97 school districts, and 39 organizations/non-school district partners in Washington State.
- Continuing to strengthen collaboration between schools and community-based organizations statewide by hosting an in-person "School/Housing Community Partnership Convening" on May 19, 2023, bringing together more than 100 homeless student liaisons, school-based student support staff, and housing service providers for a day of sharing and learning; and by hosting monthly virtual School/Housing Network meetings during the school year as a forum to build community and share practices and strategies between providers working in education and housing systems.
- Raising awareness about student homelessness in Washington State by publishing an in-depth analysis, "Students Experiencing Homelessness in Washington's K-12 Public Schools: Trends, Characteristics, and Academic Outcomes, 2015-2022," along with an updated set of dashboards that provide data on the characteristics and academic outcomes of students experiencing homelessness during the 2021-22 school year, summarized statewide and by school district, legislative district, and county.
- Advocating for sustained support for homeless student liaisons, who play an indispensable role in ensuring that students experiencing homelessness are identified and that students and their families get connected to services, by publishing and disseminating a "solidarity statement" urging schools and school districts across the state to ensure that homeless student liaison positions are fully funded in current and future budgets.
- Completing a statewide landscape assessment to better understand statewide efforts to integrate health and housing services for youth and families experiencing homelessness. This work included a literature review and interviews with housing and service providers in King, Pierce, Snohomish, Spokane, Yakima, Okanogan, and Walla Walla counties, as well as listening sessions with families and youth and young adults in King, Snohomish, Pierce, and Spokane counties. Findings from the assessment were shared in a webinar on August 25, 2023, which drew 49 attendees, and learnings were also highlighted in a published Q&A with Building Changes' senior health strategy specialist, Miranda Vargas.

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

- Publishing an evaluation report and research brief on the Yakima County Maternal-Child Health Diversion Project, which demonstrated the efficacy of incorporating Diversion—a light touch, person-centered housing approach—with existing Maternity Support Services & Infant Care Management to support housing stability for pregnant and postpartum individuals on Medicaid who identified as experiencing homelessness or housing instability.
- Publishing a policy brief highlighting key outcomes and learnings from two projects—one in Pierce County and one in Yakima County—that successfully integrated Diversion into Maternity Support Services & Infant Case Management to meet the housing needs of pregnant and postpartum persons experiencing or at risk of homelessness.

In 2023, Building Changes made progress in internal culture and racial equity goals by:

- Continuing to provide dedicated funds for professional development focused on race and equity, trainings for all staff, and project-specific support.
- Holding RDEI workshops for all staff in April, June, September, and November 2023 to continue the collective internal work and journey to becoming an anti-racist organization and fostering belonging and inclusion for everyone.
- Receiving Tier II Living Wage Certification in 2023, in follow-up to establishing salaries for all positions to start at \$70,000, a fair living wage for the Puget Sound (Seattle area) region, and offering dependent health stipends of \$200 for staff on the HMO medical plan, promoting equity in access to benefits. The Tier II Living Wage Certification means that Building Changes is not only ensuring that every single worker is earning a living wage, but we have gone above and beyond with pay and benefits to earn Living Wage For Us' highest tier of certification.
- Reading the book, *Miss Major Speaks: Conversations with a Black Trans Revolutionary*, as a staff and board to further our understanding of transformative commitment to community and the fight for justice.
- Continuing to build and support partnerships with other organizations in our community focusing on meaningful RDEI work. While we were reading the *Miss Major Speaks* book, we reached out to Lavender Rights Project (LRP) to explore opportunities to support and be in community with them. This culminated in Building Changes collaborating with LRP on a community screening of the award-winning documentary "Major!", which was held on November 16, 2023 in honor of Transgender Awareness Week. The event included a conversation with a lived experience panel, featuring four inspiring Black trans advocates all deeply rooted in their communities.
- Building Changes Director of People & Culture elevating the organization's RDEI work at the state Conference on Ending Homelessness and National Alliance to End Homelessness annual conference, where she co-facilitated/facilitated conversations with other organizations about implementing RDEI strategies and positions and holding space for the blessing and the burdens that come with a commitment to racial equity 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.

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

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 at December 31, 2023 and 2022, respectively.
- 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:

	2023	2022
Day 1 Fund	\$ 2,442,890	\$ 2,533,376
Family Homelessness Initiative	1,011,449	1,011,449
Partner's Group	502,439	235,350
Equitable Systems	96,751	107,805
Other	92,230	42,969
Community Solutions	40,892	66,894
Washington Youth and Families Fund	-	835,116
Schoolhouse Washington	-	112,500
Youth Diversion Infrastructure	-	16,757
Maternal Health	-	4,506
	<u>\$ 4,186,651</u>	<u>\$ 4,966,722</u>

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, although does not believe it is exposed to any significant credit risk.

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents – Held as a Fiscal Agent

During 2023, Building Changes acted 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 \$36,734 and \$156,682 for the years ended December 31, 2023 and 2022, respectively. The administrative fee is included within technical assistance and other on the statements of activities.

Building Changes terminated their fiscal agent relationships with LEC and AALF during 2023, and with LLL in January 2024.

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. Certificates of deposit are recorded at cost-plus accrued interest.

Investments are composed of the following at December 31:

	<u>2023</u>	<u>2022</u>
United States Treasury securities	\$ 3,756,810	\$ 5,057,954
Corporate bonds	2,018,730	1,995,143
Government mortgage-backed securities	513,688	767,019
Certificates of deposit	<u>192,678</u>	<u>377,897</u>
	<u>\$ 6,481,906</u>	<u>\$ 8,198,013</u>

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

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

Contributions and Grants Receivable

Contributions and grants receivable are expected to be collected in one year and are recorded at net realizable value. 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, 2023 or 2022.

Receivables from one government agency comprised all contributions and grants receivable at December 31, 2023. Receivables from one donor and one government agency comprised approximately 58% of contributions and grants receivable at December 31, 2022.

Revenue Recognition

Contributions - Unconditional promises to give are recognized as support with or without 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 incurring qualified expenditures. 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, 2023 and 2022, no such adjustments were made.

Three and two sources accounted for 68% and 40% of total support and revenue during the years ended December 31, 2023 and 2022, respectively.

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 \$9,500,000 in conditional contributions of which it was notified during the year ended December 31, 2023. 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, 2023.

BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

Grants Payable

Grants payable and the related expense are recognized when the unconditional award is made to the grantee.

Conditional grants payable – 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 \$800,000 in conditional grants payable of which it notified grantees during the year ended December 31, 2023. These promises are conditional upon the grantees achieving certain goals related to specific programs. Due to the uncertainty of the grantee meeting the conditions, expenses were not recognized for these grants during the year ended December 31, 2023.

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 and wages, payroll taxes, benefits, professional fees, partner stipends, and other, 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.

Subsequent Events

Management of Building Changes has evaluated subsequent events through the date these financial statements were available to be issued, which was September 20, 2024.

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BUILDING CHANGES

NOTES TO FINANCIAL STATEMENTS

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 within Building Changes' investment pool.

The following table reflects Building Changes' financial assets as of December 31, 2023 and 2022, 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 with a fiscal agent or donor, 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.

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 1,326,124	\$ 1,340,650
Cash and cash equivalents - held as fiscal agent	320,125	1,300,447
Investments	6,481,906	8,198,013
Contributions and grants receivable	<u>717,927</u>	<u>2,215,834</u>
	8,846,082	13,054,944
Less: Amounts Not Available to Meet General Expenditures		
Board-designated Emergency Reserve Fund	(1,489,838)	(1,489,838)
Cash and cash equivalents - held as fiscal agent	(320,125)	(1,300,447)
Net assets with donor restrictions	<u>(4,186,651)</u>	<u>(4,966,722)</u>
	<u>\$ 2,849,468</u>	<u>\$ 5,297,937</u>

**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 statements of financial position as of December 31, 2023, and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 20, 2024.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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



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
September 20, 2024