

**OPERATION NIGHTWATCH**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 (AUDITED)**  
**AND**  
**DECEMBER 31, 2017 (UNAUDITED)**

**OPERATION NIGHTWATCH**  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

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**Independent Auditors' Report**

Board of Directors  
Operation Nightwatch

We have audited the accompanying financial statements of Operation Nightwatch (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Nightwatch as of December 31, 2018, 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.

**Independent Auditors' Report, continued**

***Prior Period Financial Statements***

The 2017 financial statements were reviewed by us, and our report thereon, dated August 15, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

***Emphasis of Matter – Effect of Adopting New Accounting Standard***

As discussed in Note 1, Operation Nightwatch adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. The requirements of the ASU have been applied retrospectively to all periods presented. Our 2018 audit opinion and our 2017 review report are not modified with respect to this matter.

*Finney, Neill & Company, P.S.*

Seattle, Washington  
July 10, 2019

**OPERATION NIGHTWATCH**  
**Statements of Financial Position**  
December 31, 2018 (Audited) and 2017 (Unaudited)

	2018 (Audited)	2017 (Unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 527,635	527,142
Grants and pledges receivable	180,471	-
Short-term investments	104,603	211,329
Prepaid expenses and other assets	21,275	17,854
Total current assets	833,984	756,325
Long-term investments	108,607	-
Property and equipment:		
Furniture and equipment	109,242	83,990
Land	160,000	160,000
Building and leasehold improvements	939,145	666,850
Less accumulated depreciation	(590,025)	(566,777)
Property and equipment, net	618,362	344,063
Total assets	\$ 1,560,953	1,100,388
 <b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 9,113	20,274
Accrued liabilities	28,490	23,987
Prepaid rents	7,237	6,637
Key and security deposits	2,100	2,025
Total current liabilities	46,940	52,923
Net assets:		
Without donor restrictions	1,328,953	1,033,374
With donor restrictions	185,060	14,091
Total net assets	1,514,013	1,047,465
Total liabilities and net assets	\$ 1,560,953	1,100,388

*See accompanying notes and independent auditors' report.*

**OPERATION NIGHTWATCH**  
Statement of Activities  
Year ended December 31, 2018 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Donations	\$ 1,422,714	-	1,422,714
Grants and contracts	68,477	180,820	249,297
Rental income	82,735	-	82,735
Interest income	2,093	-	2,093
Net assets released from restrictions	9,851	(9,851)	-
Total support and revenue	<u>1,585,870</u>	<u>170,969</u>	<u>1,756,839</u>
Expenses:			
Program services:			
Street ministry	140,257	-	140,257
Dispatch center	722,983	-	722,983
Senior housing	212,688	-	212,688
Education	8,728	-	8,728
Total program services	<u>1,084,656</u>	<u>-</u>	<u>1,084,656</u>
Supporting services:			
Administrative and general	115,000	-	115,000
Fund raising	90,635	-	90,635
Total supporting services	<u>205,635</u>	<u>-</u>	<u>205,635</u>
Total expenses	<u>1,290,291</u>	<u>-</u>	<u>1,290,291</u>
Change in net assets	295,579	170,969	466,548
Net assets at beginning of year	<u>1,033,374</u>	<u>14,091</u>	<u>1,047,465</u>
Net assets at end of year	<u>\$ 1,328,953</u>	<u>185,060</u>	<u>1,514,013</u>

*See accompanying notes and independent auditors' report.*

**OPERATION NIGHTWATCH**  
Statement of Activities  
Year ended December 31, 2017 (Unaudited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Donations	\$ 1,032,447	-	1,032,447
Grants and contracts	138,405	13,800	152,205
Rental income	81,531	-	81,531
Interest income	859	-	859
Net assets released from restrictions	23,082	(23,082)	-
Total support and revenue	<u>1,276,324</u>	<u>(9,282)</u>	<u>1,267,042</u>
Expenses:			
Program services:			
Street ministry	136,491	-	136,491
Dispatch center	658,462	-	658,462
Senior housing	189,179	-	189,179
Education	15,149	-	15,149
Total program services	<u>999,281</u>	<u>-</u>	<u>999,281</u>
Supporting services:			
Administrative and general	110,467	-	110,467
Fund raising	80,794	-	80,794
Total supporting services	<u>191,261</u>	<u>-</u>	<u>191,261</u>
Total expenses	<u>1,190,542</u>	<u>-</u>	<u>1,190,542</u>
Change in net assets	85,782	(9,282)	76,500
Net assets at beginning of year	<u>947,592</u>	<u>23,373</u>	<u>970,965</u>
Net assets at end of year	<u>\$ 1,033,374</u>	<u>14,091</u>	<u>1,047,465</u>

*See accompanying notes and independent auditors' report.*

**OPERATION NIGHTWATCH**  
Statement of Functional Expenses  
Year ended December 31, 2018 (Audited)

	Program Services				Supporting Services				
	Street Ministry	Dispatch Center	Senior Housing	Education	Total Program Services	Administrative & General	Fund Raising	Total Supporting Services	Total
Salaries and related benefits	\$ 127,419	206,500	117,558	8,728	460,205	70,263	31,075	101,338	561,543
Shelter	-	267,432	-	-	267,432	-	-	-	267,432
Food and other	5,825	156,155	2,111	-	164,091	23	330	353	164,444
Depreciation	-	10,072	15,376	-	25,448	302	-	302	25,750
Utilities	-	18,398	31,406	-	49,804	-	-	-	49,804
Office expense	3,206	6,471	4,418	-	14,095	17,094	4,726	21,820	35,915
Meals and events	209	567	325	-	1,101	112	27,376	27,488	28,589
Repair and maintenance	-	26,726	31,220	-	57,946	244	-	244	58,190
Professional services	829	919	829	-	2,577	12,211	3,000	15,211	17,788
Bus tickets and transportation	2,012	16,958	800	-	19,770	-	50	50	19,820
Printing and postage	24	14	-	-	38	2,469	12,948	15,417	15,455
Taxes, licenses and fees	208	343	472	-	1,023	6,287	10,816	17,103	18,126
Other losses	-	-	25	-	25	-	200	200	225
Telephone	525	1,946	2,033	-	4,504	3,598	114	3,712	8,216
Insurance	-	10,482	6,115	-	16,597	2,397	-	2,397	18,994
Totals	<u>\$ 140,257</u>	<u>722,983</u>	<u>212,688</u>	<u>8,728</u>	<u>1,084,656</u>	<u>115,000</u>	<u>90,635</u>	<u>205,635</u>	<u>1,290,291</u>

*See accompanying notes and independent auditors' report.*



**OPERATION NIGHTWATCH**  
Statement of Functional Expenses  
Year ended December 31, 2017 (Unaudited)

	Program Services					Supporting Services			
	Street Ministry	Dispatch Center	Senior Housing	Education	Total Program Services	Administrative & General	Fund Raising	Total Supporting Services	Total
Salaries and related benefits	\$ 121,306	182,950	95,582	15,149	414,987	61,376	29,222	90,598	505,585
Shelter	-	226,744	-	-	226,744	-	-	-	226,744
Food and other	7,707	138,055	1,346	-	147,108	43	45	88	147,196
Depreciation	304	7,777	16,606	-	24,687	470	-	470	25,157
Utilities	-	19,597	34,386	-	53,983	-	-	-	53,983
Office expense	3,570	11,928	5,218	-	20,716	19,507	4,292	23,799	44,515
Meals and events	138	623	140	-	901	74	17,409	17,483	18,384
Repair and maintenance	-	24,109	26,210	-	50,319	25	-	25	50,344
Professional services	473	15,023	473	-	15,969	15,195	5,934	21,129	37,098
Bus tickets and transportation	2,157	18,498	491	-	21,146	4	17	21	21,167
Printing and postage	33	36	1	-	70	2,237	14,665	16,902	16,972
Taxes, licenses and fees	319	895	653	-	1,867	4,790	9,146	13,936	15,803
Other losses	-	-	23	-	23	711	-	711	734
Telephone	484	1,864	2,005	-	4,353	3,683	64	3,747	8,100
Insurance	-	10,363	6,045	-	16,408	2,352	-	2,352	18,760
Totals	<u>\$ 136,491</u>	<u>658,462</u>	<u>189,179</u>	<u>15,149</u>	<u>999,281</u>	<u>110,467</u>	<u>80,794</u>	<u>191,261</u>	<u>1,190,542</u>

*See accompanying notes and independent auditors' report.*

**OPERATION NIGHTWATCH**  
**Statements of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**Years ended December 31, 2018 (Audited) and 2017 (Unaudited)**

	<u>2018</u> <u>(Audited)</u>	<u>2017</u> <u>(Unaudited)</u>
Cash flows from operating activities:		
Change in net assets	\$ 466,548	76,500
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	25,750	25,157
In-kind donations of assets	(44,500)	
Loss on disposal of assets	-	711
(Increase) decrease in assets:		
Receivables	(180,471)	25,421
Prepaid expenses and other assets	(3,421)	5,085
Increase (decrease) in liabilities:		
Accounts payable	(11,161)	19,745
Accrued liabilities	4,503	3,482
Prepaid rents	600	(308)
Key and security deposits	75	-
Total adjustments	<u>(208,625)</u>	<u>79,293</u>
Net cash provided by (used in) operating activities	<u>257,923</u>	<u>155,793</u>
Cash flows from investing activities:		
Purchases of investments	(1,881)	(841)
Purchases of property and equipment	<u>(255,549)</u>	<u>(12,952)</u>
Net cash provided by (used in) investing activities	<u>(257,430)</u>	<u>(13,793)</u>
Net increase (decrease) in cash and cash equivalents	493	142,000
Cash and cash equivalents at beginning of year	<u>527,142</u>	<u>385,142</u>
Cash and cash equivalents at end of year	<u>\$ 527,635</u>	<u>527,142</u>

*See accompanying notes and independent auditors' report.*

**OPERATION NIGHTWATCH**  
Notes to Financial Statements  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Operation Nightwatch (the Organization) is a Washington not-for-profit organization incorporated in 1976, dedicated to serving the poor and homeless people in the Seattle community. The Organization provides a variety of services, including street ministry, emergency shelter and meals, low-income housing, and community education. The services offered are funded principally by contributions from individual donors, with the support of hundreds of volunteers each month.

The programs of the Organization are four-fold:

- *Street Ministry*  
Bringing tangible and spiritual support in a variety of non-traditional settings: homeless camps, taverns, shelters, and wherever homeless people gather. Developing friendships and moving people into shelter, housing, treatment, or relocation.
- *Shelter Dispatch Center*  
Providing food and shelter for homeless adults nightly, including off-site shelters for 88 men. Survival and hygiene supplies, as well as socks, are also available.
- *Senior Housing Program*  
Housing 24 low-income seniors in an SRO (single-room-occupancy) building with shared bathrooms and kitchens. Support services help seniors to maintain housing stability.
- *Education*  
Providing input to decision-makers concerning homeless issues, inviting the broader community to participate in giving care, educating students and religious communities on current issues impacting homeless people.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-profit Entities*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Net assets without donor restrictions* are those currently available at the discretion of the board for use in the activities of the Organization.
- *Net assets with donor restrictions* restricted by donors to be used for certain purposes or in future periods. Other donor restrictions may be perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

**OPERATION NIGHTWATCH**  
Notes to Financial Statements, continued  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

Cash consists of balances held in checking and money market savings accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Grants and Pledges Receivable

Receivables consist of unsecured contribution and grant receivables. Uncollectible receivables are charged directly to bad debt expense when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Investments

Investments are composed of certificates of deposit held for investment that are not debt securities and are carried at fair value. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term investments. Certificates of deposit with remaining maturities greater than one year are classified as long-term investments. Marketable securities received by the Organization are, by policy, converted to cash soon after receipt, nearly immediately. Therefore, cash received is included in operating cash flows.

Property and Equipment and Depreciation

Leasehold improvements and equipment are recorded at cost. The Organization generally follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000 and with useful lives of greater than two years. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which is estimated by management to range from three to thirty-nine years. Depreciation expense for the years ended December 31, 2018 and 2017 was \$25,750 and \$25,157, respectively.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. There were no impairment losses recognized in 2018 or 2017.

Donated Services

The Organization recognizes donated services which create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization had numerous volunteers contribute approximately 13,706 and 14,242 hours of time to various projects and programs during 2018 and 2017, respectively. The value of these donated services were not reflected in the financial statements as they did not meet the criteria for recognition.

**OPERATION NIGHTWATCH**  
Notes to Financial Statements, continued  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Support and Revenue Recognition

Contributed support is recorded when cash is received or when ownership of donated assets is transferred. The Organization has adopted the FASB Accounting Standards Codification Topic 958, *Not-for-profit Entities*. In accordance with this Topic, contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted resources whose restrictions are met in the reporting period received are recorded as net assets without donor restrictions.

Rental income is recognized for apartment rentals as it accrues. Advance receipts of rental income are recorded as liabilities until earned.

Federal Income Taxes

Pursuant to a letter of determination from the Internal Revenue Service, the Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation under Section 509(a)(1) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization accounts for tax positions in accordance with the FASB Accounting Standards Codification Topic 740, *Income Taxes*. With few exceptions, the Organization is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2018 and 2017.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2018 and 2017, the Organization recognized no income tax related interest or penalties.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services on the basis of benefits received. Salaries and related expenses and certain other overhead expenses are allocated based upon a study of time and effort.

**OPERATION NIGHTWATCH**  
Notes to Financial Statements, continued  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Accounting 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. Accordingly, actual results could differ from those estimates.

Date of Management’s Review

Subsequent events have been evaluated through July 10, 2019, which is the date the financial statements were available to be issued.

2. LIQUIDITY

The following represents the availability of Operation Nightwatch’s financial assets at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 527,635	527,142
Investments	213,210	211,329
Grants and pledges receivable	180,471	-
Total	<u>921,316</u>	<u>738,471</u>
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(185,060)	(14,091)
Add back amounts available for general expenditure in following year	180,220	-
Investments with liquidity horizons greater than one year	<u>(108,607)</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 807,869</u>	<u>724,380</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has cash and cash equivalents without restrictions on hand of \$522,795. Additionally, to help manage unanticipated liquidity needs, the Organization maintains certificates of deposit with maturity dates ranging from 9 to 18 months for a total of \$213,210 which can be sold to help manage unanticipated liquidity needs.

**OPERATION NIGHTWATCH**  
Notes to Financial Statements, continued  
Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

3. CONCENTRATIONS

The Organization operates one property located in Seattle, Washington. Future operations could be affected by changes in economic or other conditions in that geographical area, by changes in federal and state low-income housing subsidies or the demand for such housing, or by zoning, building code or other regulatory restrictions.

Two donor pledges totaling \$150,000 comprise 83% of the grants and pledges receivable balance as of December 31, 2018.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Dispatch and street ministry programs	\$ 4,840	6,736
Kitchen equipment and other senior housing improvements	-	7,355
Subject to the passage of time:		
Pledged donations for periods after December 31:	<u>180,220</u>	<u>-</u>
	<u>\$ 185,060</u>	<u>14,091</u>

5. LEASES

The Organization provides low-income senior housing to qualified individuals. These leases are on a month-to-month basis.

The Organization leases office space under an operating lease with an expiration date of August 31, 2020 and monthly rent payments of \$1,236. In January 2019, the Organization entered into a lease for additional office space with an expiration date of December 31, 2020 and monthly rent payments of \$910. Total office rental expense, including in-kind donations, under the lease was \$26,400 and \$24,000 for the years ended December 31, 2018 and 2017. Office rental expense is included with office expense on the Statement of Functional Expenses.

Future minimum lease payments total \$25,752 in 2019 and \$20,808 in 2020 according to the office lease agreements.

The Organization entered into an operating lease agreement to rent shelter space as of October 1, 2017. The lease term ended February 28, 2019. Monthly lease payments under this lease agreement are \$1,950. Shelter rental expenses are included with shelter expenses on the Statement of Functional Expenses. In March 2019, the Organization signed a new lease for shelter space for a three-month lease term beginning March 1, 2019, with three-month renewal options available through February 28, 2021. Monthly lease payments under this lease are \$2,300.

*These notes are an integral part of the financial statements.*

## OPERATION NIGHTWATCH

Notes to Financial Statements, continued

Years ended December 31, 2018 (Audited) and 2017 (Unaudited)

### 6. RETIREMENT PLAN

As of July 1, 2013, the Organization established a SIMPLE type retirement plan for all eligible employees. The plan includes up to 3% of employees' gross earnings in matching contributions made by the Organization, and the Organization paid \$7,569 and \$7,268 into the plan during the years 2018 and 2017, respectively.

### 7. DONATED MATERIALS

Accounting principles generally accepted in the United States of America require that the Organization reflects donated materials or equipment, when received, as contributions in the financial statements at their estimated fair market values at the date of receipt. Items donated to the Organization for its programs typically consist of food, clothing, blankets, equipment, office space and personal toiletry products.

During the year ended December 31, 2018, the Organization received and recorded donated food with an estimated value of \$83,138 and donated items and services with an estimated value of \$122,989. During the year ended December 31, 2017, the Organization received and recorded donated food with an estimated value of \$100,503 and donated items and services with an estimated value of \$50,551. One donor was responsible for 56% and 54% of the food donations for 2018 and 2017, respectively.

The Organization provides a hot meal to homeless people of Seattle every night of the year. The number of meals served each night was, on average, approximately 125 and 124, in the years ended December 31, 2018 and 2017. The total number of meals served was 45,455 and 45,184 for the years ended December 31, 2018 and 2017, respectively. The direct cost of program food and supplies is recorded at cost for purchased items and at fair value, when measurable, for donated items. Volunteers prepare and serve the meals. The volunteers also provide a significant portion of the food for the meals, such as soup and other items. The value of food provided by the volunteers is not measurable in dollars, and is therefore not recorded in the financial statements of the Organization.

### 8. COMMITMENTS AND CONTINGENCIES

The Organization periodically receives grants and contracts funded by federal, state, and local agencies. These grants and contracts are awarded for periods of up to two years. There is no assurance that grants and contracts currently awarded to the Organization will be awarded in the future. Revenues from these awards and contracts are subject to audits, which could result in adjustments to revenues.

The Organization entered into a memorandum of understanding with Catholic Community Services, to provide staffing and operational support for the Organization's shelter ministry for a term of three years, beginning October 1, 2017, in exchange for reimbursement of staffing and supplies costs. Costs under this memorandum totaled \$170,117 and \$13,258 for the years ended December 31, 2018 and 2017, and are included in shelter expenses on the statements of functional expenses.