

OPERATION NIGHTWATCH
FINANCIAL STATEMENTS
DECEMBER 31, 2020 (AUDITED)
AND
DECEMBER 31, 2019 (UNAUDITED)

OPERATION NIGHTWATCH
Years ended December 31, 2020 (Audited) and 2019 (Unaudited)

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FINNEY, NEILL & COMPANY, P.S.
C E R T I F I E D P U B L I C A C C O U N T A N T S
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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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, 2020, 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.

Prior Period Financial Statements

The 2019 financial statements were reviewed by us, and our report thereon, dated October 15, 2020, stated we were not aware of any material modifications that should be made to those financial 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.

Finney, Neill & Company, P.S.

Seattle, Washington
September 13, 2021

OPERATION NIGHTWATCH
Statements of Financial Position
December 31, 2020 (Audited) and 2019 (Unaudited)

	2020 (Audited)	2019 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 650,061	551,456
Grants and pledges receivable	54,270	81,539
Short-term investments	105,891	216,590
Restricted cash - tenant deposits	13,176	13,134
Prepaid expenses and other assets	63,700	17,376
Total current assets	887,098	880,095
Long-term investments	112,898	-
Property and equipment:		
Furniture and equipment	109,821	110,235
Land	160,000	160,000
Building and leasehold improvements	1,066,092	939,145
Less accumulated depreciation	(682,865)	(637,558)
Property and equipment, net	653,048	571,822
Total assets	\$ 1,653,044	1,451,917
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 18,007	24,281
Accrued liabilities	40,550	31,606
Prepaid rents	6,937	7,012
Key and security deposits	2,150	2,150
Total current liabilities	67,644	65,049
Net assets:		
Without donor restrictions	1,525,786	1,292,016
With donor restrictions	59,614	94,852
Total net assets	1,585,400	1,386,868
Total liabilities and net assets	\$ 1,653,044	1,451,917

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Statement of Activities
Year ended December 31, 2020 (Audited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Donations	\$ 1,622,106	54,000	1,676,106
Grants and contracts	79,082	-	79,082
Rental income	77,900	-	77,900
Interest income	2,294	-	2,294
Net assets released from restrictions	<u>89,238</u>	<u>(89,238)</u>	<u>-</u>
Total support and revenue	<u>1,870,620</u>	<u>(35,238)</u>	<u>1,835,382</u>
Expenses:			
Program services:			
Street ministry	254,899	-	254,899
Dispatch center	815,176	-	815,176
Senior housing	276,217	-	276,217
Education	<u>3,449</u>	<u>-</u>	<u>3,449</u>
Total program services	<u>1,349,741</u>	<u>-</u>	<u>1,349,741</u>
Supporting services:			
Administrative and general	178,161	-	178,161
Fundraising	<u>108,948</u>	<u>-</u>	<u>108,948</u>
Total supporting services	<u>287,109</u>	<u>-</u>	<u>287,109</u>
Total expenses	<u>1,636,850</u>	<u>-</u>	<u>1,636,850</u>
Change in net assets	233,770	(35,238)	198,532
Net assets at beginning of year	<u>1,292,016</u>	<u>94,852</u>	<u>1,386,868</u>
Net assets at end of year	<u><u>\$ 1,525,786</u></u>	<u><u>59,614</u></u>	<u><u>1,585,400</u></u>

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Statement of Activities
Year ended December 31, 2019 (Unaudited)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Donations	\$ 1,129,844	-	1,129,844
Grants and contracts	150,056	94,000	244,056
Rental income	82,220	-	82,220
Interest income	3,909	-	3,909
Net assets released from restrictions	184,208	(184,208)	-
Total support and revenue	1,550,237	(90,208)	1,460,029
Expenses:			
Program services:			
Street ministry	214,564	-	214,564
Dispatch center	857,373	-	857,373
Senior housing	246,218	-	246,218
Education	8,368	-	8,368
Total program services	1,326,523	-	1,326,523
Supporting services:			
Administrative and general	152,469	-	152,469
Fundraising	108,182	-	108,182
Total supporting services	260,651	-	260,651
Total expenses	1,587,174	-	1,587,174
Change in net assets	(36,937)	(90,208)	(127,145)
Net assets at beginning of year	1,328,953	185,060	1,514,013
Net assets at end of year	\$ 1,292,016	94,852	1,386,868

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Statement of Functional Expenses
Year ended December 31, 2020 (Audited)

	Program Services					Supporting Services			
	Street Ministry	Dispatch Center	Senior Housing	Education	Total Program Services	Admin. & General	Fund Raising	Total Supporting Services	Total
Salaries and related benefits	\$ 194,582	276,819	147,637	3,449	622,487	102,713	47,591	150,304	772,791
Shelter	-	297,599	-	-	297,599	-	-	-	297,599
Food and other	17,324	161,254	1,259	-	179,837	292	-	292	180,129
Depreciation	433	8,458	36,421	-	45,312	184	-	184	45,496
Utilities	-	17,072	27,276	-	44,348	-	-	-	44,348
Office expense	38,389	4,652	3,970	-	47,011	41,956	4,216	46,172	93,183
Meals and events	196	186	173	-	555	57	18,751	18,808	19,363
Repair and maintenance	-	25,498	49,916	-	75,414	-	-	-	75,414
Professional services	748	998	748	-	2,494	15,440	-	15,440	17,934
Bus tickets and transportation	2,613	8,916	124	-	11,653	22	-	22	11,675
Printing and postage	66	1,401	17	-	1,484	2,265	23,477	25,742	27,226
Taxes, licenses and fees	99	921	1,026	-	2,046	7,875	14,872	22,747	24,793
Other losses	-	-	225	-	225	-	-	-	225
Telephone	449	2,095	2,021	-	4,565	4,985	41	5,026	9,591
Insurance	-	9,307	5,404	-	14,711	2,372	-	2,372	17,083
Totals	<u>\$ 254,899</u>	<u>815,176</u>	<u>276,217</u>	<u>3,449</u>	<u>1,349,741</u>	<u>178,161</u>	<u>108,948</u>	<u>287,109</u>	<u>1,636,850</u>

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Statement of Functional Expenses
Year ended December 31, 2019 (Unaudited)

	Program Services				Supporting Services				Total
	Street Ministry	Dispatch Center	Senior Housing	Education	Total Program Services	Admin. & General	Fund Raising	Total Supporting Services	
Salaries and related benefits	\$ 162,790	232,756	126,262	8,368	530,176	76,487	33,630	110,117	640,293
Shelter	-	361,761	-	-	361,761	-	4,200	4,200	365,961
Food and other	7,748	167,085	996	-	175,829	6	52	58	175,887
Depreciation	253	9,353	37,992	-	47,598	243	-	243	47,841
Utilities	-	18,670	31,356	-	50,026	-	-	-	50,026
Office expense	38,194	5,156	5,395	-	48,745	36,131	4,159	40,290	89,035
Meals and events	305	571	207	-	1,083	139	36,278	36,417	37,500
Repair and maintenance	299	27,623	33,788	-	61,710	48	-	48	61,758
Professional services	687	688	792	-	2,167	22,792	945	23,737	25,904
Bus tickets and transportation	3,376	19,740	470	-	23,586	23	7	30	23,616
Printing and postage	37	839	9	-	885	2,033	19,056	21,089	21,974
Taxes, licenses and fees	122	521	589	-	1,232	7,569	9,855	17,424	18,656
Telephone	753	2,384	2,397	-	5,534	4,586	-	4,586	10,120
Insurance	-	10,226	5,965	-	16,191	2,412	-	2,412	18,603
Totals	<u>\$ 214,564</u>	<u>857,373</u>	<u>246,218</u>	<u>8,368</u>	<u>1,326,523</u>	<u>152,469</u>	<u>108,182</u>	<u>260,651</u>	<u>1,587,174</u>

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Statements of Cash Flows
Years ended December 31, 2020 (Audited) and 2019 (Unaudited)

	<u>2020</u>	<u>2019</u>
	(Audited)	(Unaudited)
Cash flows from operating activities:		
Change in net assets	\$ 198,532	(127,145)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	45,496	47,841
In-kind donations of assets	(18,958)	-
Loss on disposal of assets	225	-
(Increase) decrease in assets:		
Receivables	27,269	98,932
Prepaid expenses and other assets	(46,324)	3,899
Increase (decrease) in liabilities:		
Accounts payable	(6,274)	15,168
Accrued liabilities	8,944	3,116
Prepaid rents	(75)	(225)
Key and security deposits	-	50
Total adjustments	<u>10,303</u>	<u>168,781</u>
Net cash provided by (used in) operating activities	<u>208,835</u>	<u>41,636</u>
Cash flows from investing activities:		
Purchases of investments	(2,199)	(3,380)
Purchases of property and equipment	<u>(107,989)</u>	<u>(1,301)</u>
Net cash provided by (used in) investing activities	<u>(110,188)</u>	<u>(4,681)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	98,647	36,955
Cash, cash equivalents, and restricted cash at beginning of year	<u>564,590</u>	<u>527,635</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 663,237</u>	<u>564,590</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 650,061	551,456
Restricted cash - tenant deposits	<u>13,176</u>	<u>13,134</u>
Total cash, cash equivalents, and restricted cash in statements of cash flows	<u>\$ 663,237</u>	<u>564,590</u>
NON-CASH INVESTING ACTIVITY:		
In-kind donation of building improvements	<u>\$ 18,958</u>	<u>-</u>

See accompanying notes and independent auditors' report.

OPERATION NIGHTWATCH
Notes to Financial Statements
Years ended December 31, 2020 (Audited) and 2019 (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, tiny house villages, 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 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, 2020 (Audited) and 2019 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. 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.

Restricted Cash

Restricted cash balances consist of security deposits held for tenants.

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, 2020 and 2019 was \$45,496 and \$47,841, 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 2020 or 2019.

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 12,349 and 13,548 hours of time to various projects and programs during 2020 and 2019, 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, 2020 (Audited) and 2019 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Support and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets, such as an unconditional promise to give or a notification of beneficial interest, is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions whose conditions are met in the same reporting period as the period in which the contribution was received are recorded as unconditional contributions.

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

Restricted Support

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.

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, 2020 and 2019.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2020 and 2019, 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.

These notes are an integral part of the financial statements.

OPERATION NIGHTWATCH
Notes to Financial Statements, continued
Years ended December 31, 2020 (Audited) and 2019 (Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 September 13, 2021, 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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 650,061	551,456
Investments	218,789	216,590
Grants and pledges receivable	54,270	81,539
Restricted cash - tenant deposits	<u>13,176</u>	<u>13,134</u>
Total	936,296	862,719
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(59,614)	(94,852)
Add back amounts available for general expenditure in following year	54,000	81,500
Less: cash restricted for tenants	(13,176)	(13,134)
Investments with liquidity horizons greater than one year	<u>(112,898)</u>	<u>-</u>
Financial assets available for general expenditures within one year	<u>\$ 804,608</u>	<u>836,233</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 \$650,061 at December 31, 2020. 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 \$218,789 as of December 31, 2020, which can be sold to help manage unanticipated liquidity needs.

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.

These notes are an integral part of the financial statements.

OPERATION NIGHTWATCH
Notes to Financial Statements, continued
Years ended December 31, 2020 (Audited) and 2019 (Unaudited)

3. CONCENTRATIONS, continued

One donor pledge totaling \$54,000 comprised 99% of the grants and pledges receivable balance as of December 31, 2020 and two donor pledges totaling \$66,500 comprised 82% of the grants and pledges receivable balance as of December 31, 2019.

4. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Dispatch and street ministry programs	\$ 5,614	7,852
Capital project funds	-	5,500
Subject to the passage of time:		
Pledged donations for periods after December 31:	<u>54,000</u>	<u>81,500</u>
	<u>\$ 59,614</u>	<u>94,852</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 two operating leases with total monthly rent payments of \$2,146 that are operating on a month-to-month basis. Total office rental expense, including in-kind donations, under these leases was \$79,756 and \$79,757 for the years ended December 31, 2020 and 2019. Office rental expense is included with office expense on the Statements of Functional Expenses.

In June 2021, the Organization's previous office lease agreements were terminated, and the Organization entered into one new office lease agreement with monthly payments of \$2,296, terminating on June 30, 2022. The lease includes a renewal option for an additional 12 months and an annual 5.0% increase in monthly rents.

In March 2019, the Organization entered into a 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 were \$2,300.

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 \$8,307 and \$8,090 into the plan during the years 2020 and 2019, respectively.

These notes are an integral part of the financial statements.

OPERATION NIGHTWATCH
Notes to Financial Statements, continued
Years ended December 31, 2020 (Audited) and 2019 (Unaudited)

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, 2020, the Organization received and recorded donated food with an estimated value of \$121,510 and donated items and services with an estimated value of \$125,254. During the year ended December 31, 2019, the Organization received and recorded donated food with an estimated value of \$109,340 and donated items and services with an estimated value of \$102,473. One donor was responsible for 61% and 65% of the food donations for 2020 and 2019, respectively.

The Organization provides a meal to homeless people of Seattle every night of the year. The number of meals served each night was, on average, approximately 84 and 118, in the years ended December 31, 2020 and 2019. The total number of meals served was 30,673 and 43,117 for the years ended December 31, 2020 and 2019, 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 \$227,834 and \$263,003 for the years ended December 31, 2020 and 2019, and are included in shelter expenses on the statements of functional expenses.

9. IMPACTS OF COVID-19

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. In response to the pandemic, the Organization has modified some activities and moved others to teleconference. The Organization has reduced shelter space capacity to accommodate for adequate social distancing and has altered the manner in which meals are provided in order to improve safety for guests. Changes to the operating environment may increase operating cost and change revenue sources. Additional impacts may include the cancellation of future events and activities, including fundraising events. The future effects of these issues are unknown.