

OPERATION NIGHTWATCH
FINANCIAL STATEMENTS
DECEMBER 31, 2021 (UNAUDITED)
AND
DECEMBER 31, 2020 (AUDITED)

OPERATION NIGHTWATCH
Years ended December 31, 2021 (Unaudited) and 2020 (Audited)

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Independent Accountants' Review Report

Board of Directors
Operation Nightwatch

We have reviewed the accompanying financial statements of Operation Nightwatch (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Operation Nightwatch and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Financial Statements

The 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 13, 2021. We have not performed any auditing procedures since that date.

Finney, Neill & Company, P.S.

Seattle, Washington
April 7, 2022

OPERATION NIGHTWATCH
Statements of Financial Position
December 31, 2021 (Unaudited) and 2020 (Audited)

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Audited)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,176,931	650,061
Grants and pledges receivable	55,128	54,270
Short-term investments	219,148	105,891
Restricted cash - tenant deposits	11,653	13,176
Prepaid expenses and other assets	<u>50,502</u>	<u>63,700</u>
Total current assets	<u>1,513,362</u>	<u>887,098</u>
Long-term investments	-	112,898
Property and equipment:		
Furniture and equipment	118,533	109,821
Land	160,000	160,000
Building and leasehold improvements	1,080,391	1,066,092
Less accumulated depreciation	<u>(729,523)</u>	<u>(682,865)</u>
Property and equipment, net	<u>629,401</u>	<u>653,048</u>
Total assets	<u>\$ 2,142,763</u>	<u>1,653,044</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 360	18,007
Accrued liabilities	56,742	40,550
Prepaid rents	6,971	6,937
Key and security deposits	<u>2,000</u>	<u>2,150</u>
Total current liabilities	<u>66,073</u>	<u>67,644</u>
Net assets:		
Without donor restrictions	1,799,191	1,525,786
With donor restrictions	<u>277,499</u>	<u>59,614</u>
Total net assets	<u>2,076,690</u>	<u>1,585,400</u>
Total liabilities and net assets	<u>\$ 2,142,763</u>	<u>1,653,044</u>

See accompanying notes and independent accountants' review report.

OPERATION NIGHTWATCH
Statement of Activities
Year ended December 31, 2021 (Unaudited)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:			
Donations	\$ 1,601,163	10,000	1,611,163
Grants and contracts	143,453	264,000	407,453
Rental income	76,216	-	76,216
Interest income	385	-	385
Net assets released from restrictions	<u>56,115</u>	<u>(56,115)</u>	<u>-</u>
Total support and revenue	<u>1,877,332</u>	<u>217,885</u>	<u>2,095,217</u>
Expenses:			
Program services:			
Street ministry	273,030	-	273,030
Dispatch center	733,633	-	733,633
Senior housing	296,456	-	296,456
Education	<u>4,999</u>	<u>-</u>	<u>4,999</u>
Total program services	<u>1,308,118</u>	<u>-</u>	<u>1,308,118</u>
Supporting services:			
Administrative and general	180,941	-	180,941
Fundraising	<u>114,868</u>	<u>-</u>	<u>114,868</u>
Total supporting services	<u>295,809</u>	<u>-</u>	<u>295,809</u>
Total expenses	<u>1,603,927</u>	<u>-</u>	<u>1,603,927</u>
Change in net assets	273,405	217,885	491,290
Net assets at beginning of year	<u>1,525,786</u>	<u>59,614</u>	<u>1,585,400</u>
Net assets at end of year	<u>\$ 1,799,191</u>	<u>277,499</u>	<u>2,076,690</u>

See accompanying notes and independent accountants' review report.

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	89,238	(89,238)	-
Total support and revenue	1,870,620	(35,238)	1,835,382
Expenses:			
Program services:			
Street ministry	254,899	-	254,899
Dispatch center	815,176	-	815,176
Senior housing	276,217	-	276,217
Education	3,449	-	3,449
Total program services	1,349,741	-	1,349,741
Supporting services:			
Administrative and general	178,161	-	178,161
Fundraising	108,948	-	108,948
Total supporting services	287,109	-	287,109
Total expenses	1,636,850	-	1,636,850
Change in net assets	233,770	(35,238)	198,532
Net assets at beginning of year	1,292,016	94,852	1,386,868
Net assets at end of year	\$ 1,525,786	59,614	1,585,400

See accompanying notes and independent accountants' review report.

OPERATION NIGHTWATCH
Statement of Functional Expenses
Year ended December 31, 2021 (Unaudited)

	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	\$ 210,647	371,721	123,914	4,999	711,281	86,617	36,385	123,002	834,283
Shelter	-	113,474	-	-	113,474	-	-	-	113,474
Food and other	15,657	165,882	3,169	-	184,708	958	-	958	185,666
Depreciation	434	12,494	45,518	-	58,446	509	-	509	58,955
Utilities	-	17,071	29,959	-	47,030	-	-	-	47,030
Office expense	41,171	9,563	8,341	-	59,075	38,745	4,294	43,039	102,114
Meals and events	568	803	322	-	1,693	188	20,946	21,134	22,827
Repair and maintenance	-	26,196	73,539	-	99,735	605	1,648	2,253	101,988
Professional services	469	2,163	2,044	-	4,676	24,953	4,964	29,917	34,593
Bus tickets and transportation	2,665	(202)	38	-	2,501	-	-	-	2,501
Printing and postage	78	1,071	737	-	1,886	2,606	25,772	28,378	30,264
Taxes, licenses and fees	127	974	1,470	-	2,571	10,012	20,723	30,735	33,306
Other losses	-	-	-	-	-	5,483	-	5,483	5,483
Telephone	1,192	3,203	2,027	-	6,422	7,853	136	7,989	14,411
Insurance	22	9,220	5,378	-	14,620	2,412	-	2,412	17,032
Totals	<u>\$ 273,030</u>	<u>733,633</u>	<u>296,456</u>	<u>4,999</u>	<u>1,308,118</u>	<u>180,941</u>	<u>114,868</u>	<u>295,809</u>	<u>1,603,927</u>

See accompanying notes and independent accountants' review 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 accountants' review report.

OPERATION NIGHTWATCH
Statements of Cash Flows
Years ended December 31, 2021 (Unaudited) and 2020 (Audited)

	<u>2021</u>	<u>2020</u>
	(Unaudited)	(Audited)
Cash flows from operating activities:		
Change in net assets	\$ 491,290	198,532
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation	58,955	45,496
In-kind donations of assets	-	(18,958)
Loss on disposal of assets	5,483	225
(Increase) decrease in assets:		
Receivables	(858)	27,269
Prepaid expenses and other assets	13,198	(46,324)
Increase (decrease) in liabilities:		
Accounts payable	(17,647)	(6,274)
Accrued liabilities	16,192	8,944
Prepaid rents	34	(75)
Key and security deposits	(150)	-
Total adjustments	<u>75,207</u>	<u>10,303</u>
Net cash provided by (used in) operating activities	<u>566,497</u>	<u>208,835</u>
Cash flows from investing activities:		
Purchases of investments	(359)	(2,199)
Purchases of property and equipment	<u>(40,791)</u>	<u>(107,989)</u>
Net cash provided by (used in) investing activities	<u>(41,150)</u>	<u>(110,188)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	525,347	98,647
Cash, cash equivalents, and restricted cash at beginning of year	<u>663,237</u>	<u>564,590</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 1,188,584</u>	<u>663,237</u>
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 1,176,931	650,061
Restricted cash - tenant deposits	<u>11,653</u>	<u>13,176</u>
Total cash, cash equivalents, and restricted cash in statements of cash flows	<u>\$ 1,188,584</u>	<u>663,237</u>
NON-CASH INVESTING ACTIVITY:		
In-kind donation of building improvements	<u>\$ -</u>	<u>18,958</u>

See accompanying notes and independent accountants' review report.

OPERATION NIGHTWATCH

Notes to Financial Statements

Years ended December 31, 2021 (Unaudited) and 2020 (Audited)

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, 2021 (Unaudited) and 2020 (Audited)

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, 2021 and 2020 was \$58,955 and \$45,496, 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 2021 or 2020.

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 9,289 and 12,349 hours of time to various projects and programs during 2021 and 2020, respectively. The value of these donated services was 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, 2021 (Unaudited) and 2020 (Audited)

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, 2021 and 2020.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2021 and 2020, 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, 2021 (Unaudited) and 2020 (Audited)

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 April 7, 2022, 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,176,931	650,061
Investments	219,148	218,789
Grants and pledges receivable	55,128	54,270
Restricted cash - tenant deposits	<u>11,653</u>	<u>13,176</u>
Total	1,462,860	936,296
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(277,499)	(59,614)
Add back amounts available for general expenditure in following year	54,000	54,000
Less: cash restricted for tenants	(11,653)	(13,176)
Investments with liquidity horizons greater than one year	<u>-</u>	<u>(112,898)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,227,708</u>	<u>804,608</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 over \$1 million at December 31, 2021. 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 \$219,148 as of December 31, 2021, 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, 2021 (Unaudited) and 2020 (Audited)

3. CONCENTRATIONS, continued

One donor pledge totaling \$54,000 comprised 98% of the grants and pledges receivable balance as of December 31, 2021 and one donor pledge totaling \$54,000 comprised 99% of the grants and pledges receivable balance as of December 31, 2020.

4. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Dispatch and street ministry programs	\$ 3,499	5,614
Capacity building and development	150,000	-
Dispatch vehicles and capital purchases	70,000	-
Subject to the passage of time:		
Pledged donations for periods after December 31:	<u>54,000</u>	<u>54,000</u>
	<u>\$ 277,499</u>	<u>59,614</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 total monthly rent payments of \$2,296. The lease agreement terminates on June 30, 2022, with a renewal option for an additional 12 months and an annual 5% increase in monthly rents. Total office rental expense, including in-kind donations, under these leases was \$80,356 and \$79,756 for the years ended December 31, 2021 and 2020. Office rental expense is included with office expense on the Statements of Functional Expenses. Future minimum monthly payments under this lease agreement total \$13,776 for the year ended December 31, 2022.

In March 2022, the Organization's previous office lease agreements were terminated early by the lessor due to fire damage rendering the office space unusable. On March 14, 2022, the Organization entered into a six-month office lease agreement for office space with monthly payments of \$2,901, plus monthly triple net payments, terminating on September 30, 2022 with an option to renew on a month-to-month basis following the end of the initial lease term.

In 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. The lease was terminated on January 31, 2021.

OPERATION NIGHTWATCH
Notes to Financial Statements, continued
Years ended December 31, 2021 (Unaudited) and 2020 (Audited)

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 \$10,768 and \$8,307 into the plan during the years 2021 and 2020, 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, 2021, the Organization received and recorded donated food with an estimated value of \$105,407 and donated items and services with an estimated value of \$92,089. 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. One donor was responsible for 62% and 61% of the food donations for 2021 and 2020, 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 97 and 84, in the years ended December 31, 2021 and 2020. The total number of meals served was 35,515 and 30,673 for the years ended December 31, 2021 and 2020, 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. This agreement terminated in June 2021, and the Organization began staffing and supplying the shelter after that date with internal resources. Costs under this memorandum totaled \$80,436 and \$227,834 for the years ended December 31, 2021 and 2020, and are included in shelter expenses on the statements of functional expenses.

OPERATION NIGHTWATCH
Notes to Financial Statements, continued
Years ended December 31, 2021 (Unaudited) and 2020 (Audited)

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.

10. SUBSEQUENT EVENT

In February 2022, a fire occurred in the office building where the Organization leases office space, which caused extensive damage to the building. This resulted in the early termination of the office lease agreement and the Organization entered into a new office lease agreement in March 2022 – see Note 5. While the Organization was able to recover equipment and some files from their former offices, certain archived files were lost to fire damage. Management cannot estimate the future financial or organizational impacts the fire recovery may have on the Organization.