

YOUTH DYNAMICS & SHEPHERD'S STAFF
COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020
(WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

YOUTH DYNAMICS & SHEPHERD'S STAFF

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Youth Dynamics and Shepherd's Staff
Burlington, Washington

We have reviewed the accompanying combined financial statements of Youth Dynamics (a nonprofit organization) and Shepherd's Staff (an affiliate, non profit company), which comprise the combined statements of financial position as of September 30, 2021 and 2020, and the related combined statements of activities, and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined 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 combined 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 the combined financial statements that are free from material misstatement whether due to fraud or error.

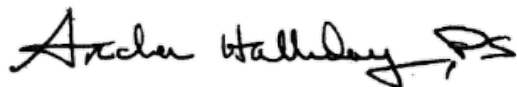
Accountant's Responsibility

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 combined 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.

Accountant's Conclusion

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

ARCHER HALLIDAY, PS



Bellingham, Washington
October 13, 2022

YOUTH DYNAMICS AND SHEPHERD'S STAFF
 COMBINED STATEMENTS OF FINANCIAL POSITION
 AS OF SEPTEMBER 30, 2021 AND 2020

ASSETS

	2021	2020
Current assets		
Cash & cash equivalents	\$ 1,616,372	\$ 983,651
Prepaid expenses	33,025	33,658
Accounts receivable	500	-
Total current assets	1,649,897	1,017,309
Property and equipment, net	2,763,411	2,740,810
Total assets	\$ 4,413,308	\$ 3,758,119

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 27,190	\$ 25,462
Accrued payroll and related expenses	231,965	197,263
Unearned Revenue	-	1,154
Current portion of notes payable	26,035	33,583
Total current liabilities	285,190	257,462
Notes payable, net of current portion	95,428	97,381
Total liabilities	380,618	354,843
Net assets		
Without donor restrictions		
Net investment in property and equipment, net debt	2,665,720	2,641,049
Board-designated for branch locations	359,698	248,636
Undesignated	902,339	443,354
Total without donor restrictions	3,927,757	3,333,039
With donor restrictions	104,933	70,237
Total net assets	4,032,690	3,403,276
Total liabilities and net assets	\$ 4,413,308	\$ 3,758,119

YOUTH DYNAMICS AND SHEPHERD'S STAFF
 COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and gains				
General donations	\$ 2,716,781	\$ 355,265	\$ 3,072,046	\$ 2,271,997
Federal financial assistance	-	-	-	379,300
Program fees	298,958	-	298,958	125,565
Rent	129,836	-	129,836	108,782
Area and special events	73,436	-	73,436	50,221
In-kind donations	31,762	-	31,762	32,220
Grants	171,910	-	171,910	115,312
Interest	408	-	408	353
Other	14,631	-	14,631	42,589
Total revenue and gains	3,437,722	355,265	3,792,987	3,126,339
Expenses				
Program services	2,301,162	-	2,301,162	1,937,309
Management and general	488,133	-	488,133	729,581
Fund-raising	374,278	-	374,278	82,955
Total expenses	3,163,573	-	3,163,573	2,749,845
Increase (decrease) in net assets	274,149	355,265	629,414	376,494
Net assets released from donor restrictions	320,569	(320,569)	-	-
Change in net assets	594,718	34,696	629,414	376,494
Net assets, beginning of the year	3,333,039	70,237	3,403,276	3,036,838
Prior period adjustment	-	-	-	(10,056)
Net assets, end of the year	\$ 3,927,757	\$ 104,933	\$ 4,032,690	\$ 3,403,276

YOUTH DYNAMICS AND SHEPHERD'S STAFF
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2020)

	2021			2020	
	Program Service Expenses	Management and General Expenses	Fundraising Expenses	Total	Total
Advertising	\$ 9,316	\$ 13,118	\$ 1,859	\$ 24,293	\$ 11,269
Computer related	16,267	19,534	8,372	44,172	25,931
Conferences & training	13,248	6,665	1,411	21,324	9,502
Depreciation	100,573	6,420	-	106,993	101,460
Dues and service charges	29,708	18,145	38,074	85,927	81,921
Event fees	11,276	-	10,219	21,495	41,327
Food	64,666	5,312	13,039	83,017	65,733
Gifts	5,391	9,531	11,307	26,229	15,596
Horse supplies	12,962	-	-	12,962	10,801
Insurance	82,479	13,173	5,645	101,297	103,895
Interest	-	7,243	-	7,243	7,379
Occupancy	6,700	6,825	2,925	16,450	13,065
Office	51,777	47,072	22,012	120,861	123,652
Professional fees	11,608	17,114	500	29,222	20,549
Salaries, wages & related expenses	1,707,079	273,241	245,049	2,225,370	1,894,063
Small equipment & maintenance	39,431	12,655	-	52,086	48,789
Travel	75,686	17,938	8,668	102,292	96,190
Utilities	50,394	12,128	5,198	67,719	70,722
Other	12,601	2,020	-	14,621	8,001
Total expenses	\$ 2,301,162	\$ 488,133	\$ 374,278	\$ 3,163,573	\$ 2,749,845

YOUTH DYNAMICS AND SHEPHERD'S STAFF
 COMBINED STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 629,414	\$ 376,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,993	101,460
(Gain) loss on sale of assets	(8,700)	-
Decrease (increase) in:		
Receivables	(500)	31,000
Prepaid expenses	633	(26,262)
Increase (decrease) in:		
Accounts payable	1,728	16,383
Accrued liabilities	34,702	39,045
Deferred revenues	(1,154)	1,154
Net cash provided (used) by operating activities	763,116	539,274
Cash flow from investing activities		
Purchase of property and equipment	(129,594)	-
Proceeds from sale of assets	8,700	(107,763)
Net cash provided (used) by investing activities	(120,894)	(107,763)
Cash flow from financing activities		
Current year borrowings	79,310	85,808
Payments on note payable	(88,811)	(56,456)
Net cash provided (used) by financing activities	(9,501)	29,352
Net increase (decrease) in cash	632,721	460,863
Cash, beginning of year	983,651	522,788
Cash, end of year	\$ 1,616,372	\$ 983,651
Supplemental cash flow information		
Cash paid for interest	\$ 7,243	\$ 7,379

YOUTH DYNAMICS AND SHEPHERD'S STAFF
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities. Youth Dynamics is a Washington public benefit corporation organized to invite and challenge youth to a lifelong adventure with Christ and his church. Additionally, by connecting with school campuses, churches, families, and local service organizations in communities in Washington, Idaho and Oregon, Youth Dynamics offers the hope, acceptance, and love found in knowing God personally. Youth Dynamics was incorporated with the State of Washington in 1970, and is supported primarily through contributions from individuals and organizations interested in, and supportive of, its mission.

Shepherd's Staff is a Washington State nonprofit corporation organized to support Youth Dynamics through acquisition, maintenance and operation of assets utilized by Youth Dynamics. Shepherd's Staff was incorporated with the State of Washington in 2004.

Combined financial statements. The combined financial statements include the accounts of Youth Dynamics and Shepherd's Staff (collectively, the Organization). Significant balances and transactions between the two organizations have been eliminated in the combination.

Basis of accounting. The Organization prepares its combined financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting and follows the recommendations of the Financial Accounting Standards Board (FASB) in Accounting Standards Codification (ASC) 958; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation. The financial statements are prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application of tax exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions are resources that are subject to donor imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor restrictions or by law. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions. When donor restrictions are met during the same period that the contribution is received, the contribution is recorded as without donor restrictions.

Cash and cash equivalents. For the purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less are considered 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.

YOUTH DYNAMICS AND SHEPHERD'S STAFF
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables. Receivables are recorded at their net realizable value. Net realizable value is equal to the gross amount of receivables less an estimated allowance for doubtful accounts. Management of the Organization bases its estimate of doubtful accounts on several factors. These factors include the Organization's prior experience collecting receivables, the aging of receivables at year-end, and management's appraisal of current economic conditions. Based upon the above factors, management considers all receivables to be fully collectible and therefore has not made any allowance for uncollectable receivables. All receivables are expected to be collected within one year.

Property and equipment. The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Property and equipment are recorded at cost or, if acquired as a donation, at the estimated fair market value at the date of donation. Additions, improvements, or expenditures which add to productive capacity or extend the life of an asset are capitalized. Expenditures for repair and maintenance are charged to operations as incurred. Depreciation is recorded using the straight-line method over estimated useful lives of the assets, which range from 3 to 40 years.

Functional allocation of expenses. The cost of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain cost have been allocated among program and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. Salaries, wages, and related cost are allocated based on time and effort. All other allocated expenses are allocated based on estimates of usage.

Federal income tax. Youth Dynamics and Shepherd's Staff are nonprofit organizations, which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, are not subject to federal income tax except for income derived from unrelated business activities, if any. As of September 30, 2021, tax returns for the prior three fiscal years remain subject to examination by major tax jurisdictions.

Use of estimates. The preparation of combined financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of combined assets and liabilities and disclosures of combined contingent assets and liabilities at the date of the combined financial statements and the reported amounts of combined revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising. The Organization expenses advertising cost as they are incurred. Advertising expenses totaled \$24,293 and \$11,269 for the years ended September 30, 2021 and 2020 respectively.

Reclassifications have been made to prior year's statements to conform them to the current year's format.

NOTE 2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30:

	2021	2020
Building improvements	\$ 104,933	\$ -
Vehicle purchases	-	49,170
Horse program	-	12,157
Water system improvements	-	8,910
	\$ 104,933	\$ 70,237

YOUTH DYNAMICS AND SHEHERD'S STAFF
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 3. IN-KIND DONATIONS

In-kind donations of roofing materials, paint, a dryer and other goods are recorded at fair value on the date of receipt. In-kind donations for the years ended September 30, 2021 and 2020 were \$31,762 and \$32,220, respectively. Donated services are recognized only if services received; (a) create or enhance non financials assets or (b) require special skills, and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying combined financial statements as they do not meet the criteria for recognition.

NOTE 4. LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual, donor-imposed, or board imposed restrictions within one year of the statement of financial position date.

	2021	2020
Financial assets at year-end	\$ 1,616,372	\$ 983,651
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(104,933)	(70,237)
Board-imposed restrictions:		
Restricted by board with time or purpose restrictions	(359,698)	(248,636)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,151,741	\$ 664,778

The Organization has certain donor-restricted and board-designated assets limited to use, which are not available for general expenditure within one year in the normal course of business. Accordingly, these assets have been excluded from the quantitative information above. The Organization is in the process of developing its cash management and reserves policy. Historically, the Organization has informally attempted to maintain a minimum of two months operating expenses.

NOTE 5. CONCENTRATION OF CREDIT RISK OF FINANCIAL INSTRUMENTS

The Organization has bank accounts at several financial institutions with an aggregate balance of \$1,615,978 as of September 30, 2021. The FDIC insurance limit is \$250,000; therefore, the loss due to credit risk that the Organization could incur if the bank were completely unable to perform would be \$753,210 from a single financial institution. The bank accounts at other financial institutions are below the FDIC insurance limit and are not subject to credit risk.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30:

	2021	2020
Buildings	\$ 1,933,823	\$ 1,933,823
Land	1,288,938	1,288,938
Vehicles, equipment and improvements	1,179,716	1,075,489
Total Property and equipment	4,402,477	4,298,250
Less accumulated depreciation	(1,639,066)	(1,557,440)
Property and equipment - Net	\$ 2,763,411	\$ 2,740,810

Depreciation expense for the years ended September 30, 2021 and 2020 were \$106,993 and \$101,460, respectively.

YOUTH DYNAMICS AND SHEPHERD'S STAFF
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 7. PAYMENTS TO AFFILIATED ORGANIZATIONS

Youth Dynamics leases several facilities from Shepherd's Staff for use in the Organization's programs and operations. Youth Dynamics leases facilities in Washington State in Anacortes, Chelan County, and Burlington, as well as in Boise, Idaho, under the terms of five-year operating lease agreements that mature on December 31, 2025. The agreements contain four additional options to extend five years each. Youth Dynamics pays no monthly rental payments for these related party operating lease agreements. In 2019, Youth Dynamics began leasing space from Shepherd's staff in Idaho. Monthly payments are set at \$639. The rent expense associated with these lease agreements have been eliminated.

NOTE 8. NOTE PAYABLE

In January 2019, the Organization entered into a \$103,000 promissory note with Heritage Bank, maturing in January 2029 to finance the purchase of a new facility in Idaho. Monthly interest payments are due at a rate of 5.52% for the first 60 months, followed by monthly interest payments at the Federal Home Loan Bank rate plus 2.5%, with a floor interest rate of 5.52% for the remainder of the term.

Each year, the Organization obtains a short-term loan from Capital Premium Financing to pay for insurance. The loan taken out in February 2020, was fully paid by February 2021, the loan take out in February 2021 will be fully paid by February 2022 and requires interest at a rate of 4% per annum. The outstanding balance is \$23,772 and \$31,203 at September 30, 2021 and 2020, respectively.

Annual principal payments on long term debt for future years ending September 30 are as follows:

2022	\$ 26,035
2023	2,393
2024	2,515
2025	2,474
2026	2,828
Thereafter	<u>85,218</u>
	<u>\$ 121,463</u>

NOTE 9. OPERATING LEASES

In April 2017, the Organization entered into an operating lease agreement for facilities in Canby, Oregon. Monthly payments are set at \$750 through March 31, 2022. The lessor reserves the right to adjust the monthly rate on no more than an annual basis, and by no more than five percent of the existing monthly rental fee.

In July 2017, the Organization entered into an operating lease agreement for facilities in Stanwood, Washington. Monthly payments are set at \$300 through December 31, 2021. The lease agreement is subject to a review commencing January 1, 2022.

In October 2018, the Organization entered into an operating lease agreement for a copier/scanner to be used in the corporate office. Monthly payments are \$259 plus tax for 63 month with payments made quarterly through December 2023.

The Organization leases other facilities and equipment under operating lease agreements on a month to month basis.

Future minimum annual lease payments for the years ended September 30 are as follows:

2022	\$ 10,875
2023	<u>844</u>
	<u>\$ 11,719</u>

YOUTH DYNAMICS AND SHEPHERD'S STAFF
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 10. LINE-OF-CREDIT

The Organization had available a \$50,000 unsecured revolving line-of-credit with Heritage Bank with a maturity date of October 2021. The Organization did not renew the line-of-credit.

NOTE 11. FEDERAL FINANCIAL ASSISTANCE

On April 17, 2020 the Organization received loan proceeds in the amount of \$379,300 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provided loans to qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the funds for eligible purposes, including payroll, payroll benefits, rent and utilities, and maintains its payroll levels. The Organization met all of the requirements to treat the proceeds as a grant within the twenty-four week period prescribed by the Program. The Organization applied for forgiveness and the entire amount was forgiven November 9, 2020.

NOTE 12. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 13, 2022 the date which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the spread of the coronavirus, COVID-19, as a global pandemic. In response to the outbreak of the virus, measures were taken by various levels of government to contain the virus. These measures included restrictions on social gatherings and travel.

Currently, the Organization has been able to manage, and adjust it's operations to respond to the Covid-19 restrictions. The Organization does not expect any liquidity restraints for the next year. However, the Organization is watching the situation closely, and adapting their business plan to reflect the ever-changing nature of the COVID-19 crisis. As of October 13, 2022, the pandemic is on-going and varying levels of governmental restrictions remain in place.