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**DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
A NONPROFIT ORGANIZATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY

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INDEPENDENT AUDITORS' REPORT

Dispute Resolution Center of Thurston County
Board of Directors
Olympia WA

We have audited the accompanying financial statements of Dispute Resolution Center of Thurston County 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. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

Auditor's 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 of 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 Dispute Resolution Center of Thurston County as of December 31, 2020, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lindley & Associates LLC
March 10, 2022

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

Assets

Current assets		
Cash and cash equivalents	\$	141,842
Investments		74,865
Accounts receivable		21,547
Prepaid expenses		6,150
Total current assets		<u>244,404</u>
Property and equipment		28,377
Less accumulated depreciation		<u>(28,377)</u>
		-
		<u>-</u>
Total assets	\$	<u><u>244,404</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$	465
Accrued wages and related expenses		60,278
Short- term recoverable grant loan		25,000
Total current liabilities		<u>85,743</u>
Long term liabilities		
Deferred revenue - Payroll Protection Loan		<u>65,000</u>
Total long term liabilities		<u>65,000</u>
Total liabilities		<u>150,743</u>
Net assets		
Net assets without donor restrictions		<u>93,661</u>
Total net assets		<u>93,661</u>
Total liabilities and net assets	\$	<u><u>244,404</u></u>

See accompanying notes to the financial statements.

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Public support and revenue without donor restrictions	
Government funding	\$ 90,658
Grants	74,402
Program revenue	142,381
Contributions	130,614
In-kind use of facilities	5,115
Unrealized gains (losses) on investments	<u>3,756</u>
Public support and revenue without donor restrictions	446,926
Expenses	
Program services	367,223
Management and general	94,549
Fundraising	<u>39,798</u>
Total expenses	<u>501,570</u>
Change in net assets without donor restrictions	(54,644)
Net assets, beginning of the year	<u>148,305</u>
Net assets, end of the year	<u><u>\$ 93,661</u></u>

See accompanying notes to the financial statements.

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Youth Services- Outreach Development	Conflict Resolution - Mediation	Conflict Prevention- Training	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 43,499	\$ 138,407	\$ 114,680	\$ 296,586	\$ 67,226	\$ 31,636	\$ 395,448
Business expenses	1,742	5,545	4,595	11,882	2,693	1,267	15,842
Supplies	632	2,012	1,667	4,311	977	459	5,747
Advancement	1,735	5,522	4,575	11,832	2,682	1,262	15,776
Occupancy	5,076	16,153	13,384	34,613	7,846	3,692	46,151
Staff development	415	1,320	1,094	2,829	641	301	3,771
Miscellaneous	-	-	-	-	4,063	-	4,063
Professional support & systems	-	5,170	-	5,170	8,421	1,181	14,772
	<u>\$ 53,099</u>	<u>\$ 174,129</u>	<u>\$ 139,995</u>	<u>\$ 367,223</u>	<u>\$ 94,549</u>	<u>\$ 39,798</u>	<u>\$ 501,570</u>

See accompanying notes to the financial statements.

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ (54,644)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,030
Unrealized (gains) losses	3,756
Change in operating assets and liabilities	
Accounts receivable	(18,463)
Prepaid expenses	(3,997)
Accounts payables, wages & related expenses	46,874
Net cash from operating activities	<u>(14,444)</u>
Cash flows from investing activities:	
Sale of investments	-
Purchase of property and equipment	(3,406)
Net cash from investing activities	<u>(3,406)</u>
Cash flows from financing activities:	
Proceeds from loans	90,000
Net cash from financing activities	<u>90,000</u>
Net increase (decrease) in cash	72,150
Cash and cash equivalents at beginning of year	69,692
Cash and cash equivalents at end of year	<u>\$ 141,842</u>

Supplemental information: Cash paid for interest \$ -

See accompanying notes to the financial statements.

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1 - Description of Organization

Dispute Resolution Center of Thurston County (the Organization), established in 1991, is a non-profit corporation located in Olympia, WA. The Organization serves Thurston County WA residents with their conflict resolution needs, by offering phone consultation, mediation services and extensive mediation training.

The programs include:

Mediation – direct service through phone services, including problem solving, referrals, case development, and conciliation of mediation scheduling. Services include face to face mediation services at the mediation table and indirect services through involvement, benefiting from their proximity to and involvement in the dispute.

Training – training participants in dispute resolutions training, includes introductions to the field of mediation, basic mediation training, family mediator training, victim-offender mediation training, multi-party mediator training, and elder mediation training. Training includes events to members of the community, schools, agencies, business and the Organization’s volunteers.

Outreach development – over quarter million area residents receive information about services by public service announcements on radio and television, quarterly newsletter, speaker’s bureau and information tables at community events

Management and general activities include the functions necessary to provide support for the Organization’s program activities. They include activities that provide governance (Board of Directors), oversight business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Note 2 Significant Accounting Policies

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (US GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations, the only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period, some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use resources in accordance with the donor's instructions.

Classification of Transactions

All revenue and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The Organization maintains cash balances at several financial institutions locally. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balance occasionally may exceed those limits. Cash equivalents, other securities, and limited amounts of cash held at brokerage accounts are protected the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. Additional brokerage insurance, in addition to SIPC protection, is provided through underwriters in London. The SIPC insurance does not protect against market losses on investments.

Investments

The Organization invests cash in excess of immediate needs in money market funds and publicly traded equities. Short term investments are reported at fair value.

The investment policy specific to these investments is monitored by the Finance Committee of

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

the Organization's Board of Directors. The policy requires that investments be readily marketable and nonvolatile. The fixed income funds must be managed in accordance with Rule 2a-7 of the Securities and Exchange Commission's Investment Company Act of 1940 and have an objective maintaining a net asset value (NAV) per share of \$1.00. The US Department of Treasury issues must have a maturity of one year or less at the time of purchase.

Property and Equipment

Property, furniture, equipment and computers are stated at cost. Depreciation of fixed assets is provided by the straight-line method over the estimated useful lives. The estimated useful life of furniture and equipment are five years. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings and leasehold improvements	2 – 50 years
Furniture, fixtures and equipment	3 - 10 years

Recoverable Grant Loan

The Organization borrowed \$25,000 in short-term non-interest-bearing funds payable June 30, 2021, with a six-month option to extend. The funds are restricted to the Eviction Resolution Program.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future period or for specific purposes are reported as increases in net assets with donor restrictions consistent with the nature of the restriction. Unconditional promises with payments due in future year have an implied restriction to be used in the year the payment is due, and therefore are reported as net asset with donor restrictions until the payment is due unless the contributions is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions

The organization receives contributions in a form other than cash or investments. Most are donated facilities space for training, which is recorded as contributions at the date of the gift and as expense when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialize skills, and are provided by individuals possessing those skills. Donated services that met those criteria are included in in-kind contributions in the statements of activities.

Grant Revenue

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Grant revenue is recognized when the qualifying costs are incurred under cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from governmental agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization.

Expense Recognition and Allocation

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charge directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries and wages, benefits and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation and amortization are allocated on a square foot basis dependent on the programs and supporting activities that occupy the space.

Telephone and internet services, insurance, and supplies and miscellaneous expense that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Tax Status

The Organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Recent Accounting Pronouncement Adopted

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, the Organization applied the requirement on a modified prospective basis to agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. There was no material impact on the financial statements upon the adoption of ASU 2018-08.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

that a lease liability and related right-of-use-asset representing the lessee’s right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted.

Paycheck Protection Program

In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. The Organization obtained a loan under the PPP with a principal balance of \$65,000 and an annual interest rate of 1%.

The PPP loan may be forgiven in its entirety if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The organization follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the organization recognizes revenue when the barriers to entitlement to loan forgiveness are met. Management believes the loan amount and any accrued interest will be forgiven.

Note 3 - Liquidity and Availability

The Organization is primarily funded by governmental, private organizations and donations. As part of its liquidity management, they have a policy to structure its financial assets to be available as general expenditure, liabilities and other obligations become due. They also invest its cash in excess of its daily needs in short-term investments. The Board occasionally designated amounts to its liquid reserve in the event of an unanticipated liquidity need. The organization also obtained funding from the Small Business Administration and other lenders.

Financial assets, at year end		
Cash and cash equivalents	\$	141,842
Investments		74,865
Accounts receivable		21,547
Financial assets available to meet cash needs for general expenditures within one year		238,254

Note 4 - Fair Value Measurements

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The assets or liabilities measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including investment assets and unconditional promises to give.
- Recurring measurement of short-term investments.
- Recurring measurement of long-term investments.

Note 5 – Investments

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Investments consist of the following at December 31:

	Level 1	Level 2	Level 3	Total
Money market sweep accounts	\$ 12,940	\$ -	\$ -	\$ 12,940
Bonds	-	17,068	-	17,068
Equity funds	-	33,065	-	33,065
Exchange traded funds	11,792	-	-	11,792
Total assets	<u>\$ 24,732</u>	<u>50,133</u>	<u>\$ \$ -</u>	<u>\$ 74,865</u>

The Organization uses the following ways to determine the fair value of its instruments:

Money market accounts are valued at the closing price reported by the fund sponsor from an actively traded exchange. These are included within cash equivalents and restricted cash as Level 1 measurements

Bonds and equity funds are valued by calculating the present value of a bond's expected future coupon payments. The theoretical fair value of a bond is calculated by discounting the future value of its coupon payments by an appropriate discount rate

Exchange traded funds (ETF) are valued by determined by the published closing price on the last trading day of the fiscal year, which are Level 1 investments.

Note 6 – Operating Lease Commitments

The Organization has an operating lease for the program services building commencing July 1, 2018, and terminating June 30, 2023. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value.

The following is a schedule of the future minimum lease payments for the years ending December 31:

	<u>Operating Lease</u>
2021	\$ 37,704
2022	39,120
2023	19,560
	<u>\$ 96,384</u>

Note 7 - Concentration of Risk

DISPUTE RESOLUTION CENTER OF THURSTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Further, because of the significant of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonable possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts report in the financial statements. Management is of the opinion that the diversification of the invested assets amount the various asset classes should mitigate the impact of changes in any one class.

Note 8 - Subsequent Events

Management of the Organization has evaluated events and transactions occurring after December 31, 2020, through the date of the report, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements.

The Covid-19 virus outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global, national, and regional economic slowdown. This situation is expected to depress the economy during the year December 31, 2020. As such, this may hinder our ability to advance our mission. To offset decreased revenue, we will decrease expenses and obtain Small Business Administration funding thru the Payroll Protection Plan and other available sources. We do not know how this will affect government funding. As such, our financial condition and liquidity may be negatively impacted for the fiscal year.