

**INTERNATIONAL SOCIETY FOR KRISHNA  
CONSCIOUSNESS OF WASHINGTON**

FINANCIAL REPORT  
(A Review)

DECEMBER 31, 2016

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS .....	5 - 10

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors  
International Society for Krishna Consciousness of Washington  
Sammamish, Washington

We have reviewed the accompanying financial statements of International Society for Krishna Consciousness of Washington ("the Society"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagements 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our reviews, 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.

*Peterson Sullivan LLP*

December 31, 2017

**INTERNATIONAL SOCIETY FOR KRISHNA CONSCIOUSNESS OF WASHINGTON**

STATEMENTS OF FINANCIAL POSITION

(See Independent Accountants' Review Report)

December 31, 2016 and 2015

ASSETS	2016	2015
	<u>          </u>	<u>          </u>
Current Assets		
Cash and cash equivalents	\$ 532,229	\$ 591,347
Investments	38,778	87,100
Rent receivable	9,123	37,829
Pledges receivable	34,752	28,658
Loan receivable - affiliate		25,000
Prepaid expenses	<u>16,265</u>	<u>6,265</u>
Total current assets	631,147	776,199
Rent Receivable, less current portion	47,181	56,304
Property and Equipment, net	<u>9,053,672</u>	<u>9,166,290</u>
Total assets	<u>\$ 9,732,000</u>	<u>\$ 9,998,793</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 47,579	\$ 38,681
Accrued interest payable	14,000	14,000
Notes payable, current portion	<u>200,880</u>	<u>392,170</u>
Total current liabilities	262,459	444,851
Tenant Security Deposit	10,775	10,775
Notes Payable, less current portion	<u>3,831,580</u>	<u>3,863,196</u>
Total liabilities	4,104,814	4,318,822
Net Assets		
Unrestricted	<u>5,627,186</u>	<u>5,679,971</u>
Total liabilities and net assets	<u>\$ 9,732,000</u>	<u>\$ 9,998,793</u>

See Notes to Financial Statements

**INTERNATIONAL SOCIETY FOR KRISHNA CONSCIOUSNESS OF WASHINGTON**

STATEMENTS OF ACTIVITIES

(See Independent Accountants' Review Report)  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue and Support		
Contributions	\$ 977,176	\$ 964,111
In-kind contributions	150,000	250,000
Rental income	40,080	121,708
Book sales	8,504	11,176
Investment income, net	5,198	2,631
	<hr/>	<hr/>
Total revenue and support	1,180,958	1,349,626
Expenses		
Program	1,054,682	1,066,032
Management and general	179,061	175,351
	<hr/>	<hr/>
Total expenses	1,233,743	1,241,383
	<hr/>	<hr/>
<b>Change in net assets</b>	<b>(52,785)</b>	<b>108,243</b>
Net Assets, beginning of year	5,679,971	5,571,728
	<hr/>	<hr/>
Net Assets, end of year	<u>\$ 5,627,186</u>	<u>\$ 5,679,971</u>

See Notes to Financial Statements

**INTERNATIONAL SOCIETY FOR KRISHNA CONSCIOUSNESS OF WASHINGTON**

STATEMENTS OF CASH FLOWS

(See Independent Accountants' Review Report)  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (52,785)	\$ 108,243
Adjustment to reconcile change in net assets to net cash flows from operating activities		
Depreciation	161,000	159,465
Realized and unrealized gain on investments	(5,149)	(2,582)
Changes in operating assets and liabilities		
Rent receivable	37,829	(12,125)
Pledges receivable	(6,094)	21,935
Prepaid expenses	(10,000)	(220)
Accounts payable	8,898	11,931
Accrued interest payable		6,000
	<u>133,699</u>	<u>292,647</u>
Net cash flows from operating activities	133,699	292,647
Cash Flows from Investing Activities		
Purchases of investments		(50,592)
Proceeds from sale of investments	53,471	
Proceeds from loan receivable - affiliate	25,000	
Purchases of property and equipment	(48,382)	(44,906)
	<u>30,089</u>	<u>(95,498)</u>
Net cash flows from investing activities	30,089	(95,498)
Cash Flows from Financing Activity		
Payment of notes payable	(222,906)	(115,619)
	<u>(222,906)</u>	<u>(115,619)</u>
<b>Change in cash and cash equivalents</b>	<b>(59,118)</b>	<b>81,530</b>
Cash and Cash Equivalents, beginning of year	<u>591,347</u>	<u>509,817</u>
Cash and Cash Equivalents, end of year	<u>\$ 532,229</u>	<u>\$ 591,347</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid on cash basis	<u>\$ 195,850</u>	<u>\$ 203,136</u>

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Organization and Summary of Significant Accounting Policies**

#### **Organization**

International Society for Krishna Consciousness of Washington ("the Society") is a Washington nonprofit corporation established in 1971 to educate all peoples in the techniques of spiritual life in order to check the imbalance of values in life and to achieve real unity and peace in the world. The Society seeks to propagate a consciousness of Krishna as it is revealed in the Bhagavad-Gita As It Is, Srimad Bhagavatam, and other authentic Vedic literature. The Society operates the Vedic Cultural Center ("the Center") in Sammamish, Washington, which provides facilities for the greater Seattle community to participate in cultural events, seminars, exhibits, and festivals that help preserve and promote the traditional Vedic arts, cuisine, music, dance, drama, literature, and languages. Over 500 people attend services and events at the Center weekly, and the festivals attract between 5,000 and 25,000 individuals. In addition to religious services, the Center also provides meals on wheels to seniors, provides programs for teens, and distributes free food at the Center for anyone in need.

The Society purchased a building in Bellevue during 2013 to be used as a second location for the Society's religious and community programs. Approximately 60% of the building is expected to be used by the Society and the remaining space will be rented as office space to tenants (see Note 2). Current zoning regulations do not permit the building's use for religious services, but management has a pending application with the City of Bellevue for an administrative conditional use permit.

The Society's primary source of revenue is contributions from individuals.

#### **Financial Statement Presentation**

The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (the donor-stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the year in which the contributions are recognized. There were no permanently or temporarily restricted net assets at December 31, 2016 or 2015.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## **Fundraising Costs**

The Society does not maintain accounts for its fundraising costs nor for that portion of activities with a fundraising component. In management's opinion, such costs are not material to the financial statements.

## **Income Taxes**

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

## **Fair Value Measurements**

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

## **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Society may at times hold cash and cash equivalents in excess of federally insured limits.

## **Investments**

The Society accounts for investments at fair value using Level 1 inputs (in this case, quoted prices in active markets). Realized or unrealized gains and losses are included in the change in net assets.

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 957	\$ 957
Mutual funds		
Large growth equity funds	34,837	33,710
Large blend equity funds	2,452	52,086
Common stock	532	347
	<u>\$ 38,778</u>	<u>\$ 87,100</u>



## **Pledges Receivable**

Pledges receivable are comprised of outstanding contributions. Pledges receivable are recorded at net realizable value. All outstanding pledges receivable at December 31, 2016 and 2015, are expected to be collected within one year. No allowance for doubtful pledges receivable was considered necessary at December 31, 2016 or 2015.

## **Property and Equipment**

The Society's current capitalization policy is to capitalize all assets with an estimated service life that exceeds one year and with a cost greater than \$1,000. Assets are valued at cost if purchased or fair value if contributed. Depreciation of fixed assets is provided over the estimated service lives of the respective assets on the straight-line basis. Service lives range between five and forty years. The cost of maintenance and repairs is charged to expense as incurred.

## **Revenue and Support**

### *Contributions*

Contribution revenue is recognized when an unconditional pledge is made.

### *Rental Income*

The Society leases office space in Bellevue to a tenant. Rental income is recognized ratably over the terms of the lease. The tenant paid rent every other month during the first year of the lease and a receivable is recorded to recognize the total rental income from the lease recorded on a straight-line basis in excess of rental payments received through December 31, 2016 and 2015. Rent receivable is unsecured and due from one tenant as of December 31, 2016 and 2015.

## **Donated Goods and Services**

A substantial number of volunteers, including the members of the Board of Directors, have made significant contributions of time to the Society. The value of this contributed time does not meet the criteria for recognition under current accounting standards and, accordingly, is not reflected in the accompanying financial statements.

Additionally, the Society receives contributions of management and accounting-related services. Donated professional services totaled \$150,000 and \$250,000 for the years ended December 31, 2016 and 2015, respectively, and are shown as in-kind contributions in the statements of activities based on the fair value of services provided.

## **Reclassifications**

Certain items from the December 31, 2015, financial statements have been reclassified to conform to current presentation. These reclassifications had no impact on net assets or changes in net assets as previously reported.

## **Subsequent Events**

The Society has evaluated subsequent events through the date these financial statements were available to be issued, which was December 31, 2017.

## Note 2. Related Party Transactions

The Society is governed and managed by a dedicated group of volunteers. The Society entered into an agreement with one of the volunteer directors to lease a nine-acre farm for the purpose of growing flowers for the Society's use in services and events, and for storage. The Society agreed to rent of \$1,000 per month beginning in September 2013. There is no formal lease agreement. Rent paid for use of the farm in 2016 and 2015 was \$11,000 and \$13,000, respectively.

The Society made a loan to an affiliate, which is presented as a loan receivable on the 2015 statement of financial position. The \$25,000 balance that was outstanding as of December 31, 2015, was paid in full in 2016.

## Note 3. Property and equipment

Property and equipment at December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Computers	\$ 8,380	\$ 7,034
Furniture and equipment	301,987	264,184
Buildings	<u>7,239,902</u>	<u>7,230,669</u>
	7,550,269	7,501,887
Less: accumulated depreciation	<u>(1,201,197)</u>	<u>(1,040,197)</u>
	6,349,072	6,461,690
Land	<u>2,704,600</u>	<u>2,704,600</u>
	<u>\$ 9,053,672</u>	<u>\$ 9,166,290</u>

#### Note 4. Notes Payable

The Society has the following loans payable at December 31:

	<u>2016</u>	<u>2015</u>
Loan payable to a bank, secured by the property purchased (carrying value of \$4.9 million) with the funds and assignment of rents. The loan bears interest at a fixed rate of 4.86% until August 31, 2018, and principal and interest payments of \$20,921 are due monthly until this date. Beginning September 30, 2018, the loan will bear interest at the five-year fixed advance rate of the Federal Home Loan Bank of Seattle plus 3%, and principal and interest payments of \$21,315 are due monthly until the maturity date of August 31, 2023. The remaining unpaid balance of the loan is also due on the maturity date.	\$ 3,335,056	\$ 3,419,500
Loan payable to a bank, secured by a deed of trust on a building (carrying value of \$3.9 million). The loan bore interest at the three-year fixed Federal Home Loan Bank of Seattle index plus 3% (4.84% at December 31, 2016). The balance was paid in full in 2017.	497,404	635,866
Unsecured loan payable to an individual. No interest or principal payments were due until the maturity date of August 21, 2015. The loan bore interest at a fixed rate of 3% until the maturity date. After the maturity date, the loan bore interest at a fixed rate of 5% through December 31, 2015, and 0% thereafter. The loan balance is outstanding as of December 31, 2016. The Society expects to pay off the loan balance in full in 2018 unless the balance is forgiven by the lender.	<u>200,000</u>	<u>200,000</u>
	4,032,460	4,255,366
Less: current portion	<u>(200,880)</u>	<u>(392,170)</u>
	<u>\$ 3,831,580</u>	<u>\$ 3,863,196</u>

Maturities of long-term debt for future years are as follows for the years ending December 31:

2017	\$	200,880
2018		687,483
2019		98,224
2020		103,332
2021		108,705
Thereafter		<u>2,833,836</u>
	\$	<u><u>4,032,460</u></u>

Interest expense in 2016 and 2015 was \$195,850 and \$209,136, respectively.

#### **Note 5. Tenant Lease Agreements**

The Society has a lease to rent space in a building with a cost of \$5.1 million and a carrying value of \$4.9 million (\$0.2 million of accumulated depreciation thereon), which commenced in 2013 and expires in 2020.

The tenant has a lease agreement that requires monthly payments of \$9,290 and \$9,570 in 2015 and 2016, respectively, which escalate yearly to a final monthly payment of \$10,460 during the last year of the lease. Total rental income for 2016 and 2015 was \$40,080 and \$121,708, respectively.

Future minimum annual lease payments receivable under this lease is as follows for the years ending December 31:

2017	\$	117,138
2018		120,668
2019		124,295
2020		<u>117,260</u>
	\$	<u><u>479,361</u></u>