

SEATTLE JOBS INITIATIVE

Financial Statements

For the Year Ended December 31, 2018

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Independent Auditor's Report

**To the Board of Directors
Seattle Jobs Initiative
Seattle, Washington**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Seattle Jobs Initiative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

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

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



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Jobs Initiative as of December 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, Seattle Jobs Initiative adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Seattle Jobs Initiative's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.S.

Certified Public Accountants
June 20, 2019

SEATTLE JOBS INITIATIVE

Statement of Financial Position

December 31, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,648,386	\$ 1,125,016
Grants receivable	229,856	229,793
Prepaid expenses	68,522	79,709
Total Current Assets	1,946,764	1,434,518
Cash designated by the Board for reserves (Note 5)	2,600,000	2,600,000
Property and equipment, net of accumulated depreciation (Note 2)	49,617	59,314
Total Assets	\$ 4,596,381	\$ 4,093,832
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 297,047	\$ 456,814
Accrued liabilities	87,088	84,130
Deferred revenue	791,114	229,607
Total Current Liabilities	1,175,249	770,551
Deferred rent (Note 3)	30,213	22,156
Total Liabilities	1,205,462	792,707
Net Assets:		
Net assets without donor restrictions (Note 5)	3,388,798	3,261,163
Net assets with donor restrictions (Note 6)	2,121	39,962
Total Net Assets	3,390,919	3,301,125
Total Liabilities and Net Assets	\$ 4,596,381	\$ 4,093,832

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public Support and Revenue:				
Grants	\$ 2,847,419	\$ -	\$ 2,847,419	\$ 2,560,656
Contributions	17,807		17,807	92,566
Consulting revenue	1,644,661		1,644,661	2,848,090
In-kind contributions	10,563		10,563	25,342
Interest income	8,650		8,650	6,116
Miscellaneous revenue	6,988		6,988	1,488
Total Public Support and Revenue	4,536,088		4,536,088	5,534,258
Net Assets Released From Restrictions:				
Satisfaction of purpose restrictions	37,841	(37,841)		
Total Public Support, Revenues and Releases	4,573,929	(37,841)	4,536,088	5,534,258
Expenses:				
Program services-				
Employment through education and training	2,209,518		2,209,518	1,710,685
Innovation, partnerships and policy	189,252		189,252	189,086
Consulting professional services	882,975		882,975	1,022,760
Supporting services-				
Management and general	1,065,807		1,065,807	908,657
Fundraising	98,742		98,742	183,568
Total Expenses	4,446,294		4,446,294	4,014,756
Changes in Net Assets	127,635	(37,841)	89,794	1,519,502
Net assets, beginning of year	3,261,163	39,962	3,301,125	1,781,623
Net Assets, End of Year	\$ 3,388,798	\$ 2,121	\$ 3,390,919	\$ 3,301,125

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Employment Through Education and Training	Innovation, Partnerships and Policy	Consulting Professional Services	Total Program Services	Management and General	Fundraising	Total Supporting	2018 Total	2017 Total
Payroll and Related Expenses:									
Salaries and wages	\$ 571,149	\$ 109,974	\$ 366,295	\$ 1,047,418	\$ 612,829	\$ 63,965	\$ 676,794	\$ 1,724,212	\$ 1,671,120
Payroll taxes	48,916	9,463	30,488	88,867	47,721	5,587	53,308	142,175	140,049
Benefits	105,936	20,460	62,713	189,109	93,043	9,671	102,714	291,823	264,544
Total Payroll Expenses	726,001	139,897	459,496	1,325,394	753,593	79,223	832,816	2,158,210	2,075,713
Other Expenses:									
Contracted program services	1,245,240			1,245,240				1,245,240	819,051
Professional fees	56,064	1,712	226,600	284,376	183,030	678	183,708	468,084	520,313
Office supplies	20,253	24,827	7,562	52,642	10,845	5,789	16,634	69,276	50,755
Equipment rental and maintenance	10,007	1,964	4,749	16,720	8,500	1,072	9,572	26,292	24,213
Occupancy	81,515	13,295	57,206	152,016	66,697	6,787	73,484	225,500	233,186
Communications	16,520	1,523	8,293	26,336	7,495	908	8,403	34,739	34,989
Travel	30,222	2,334	109,147	141,703	6,513	665	7,178	148,881	165,070
Professional development	3,428	821	2,443	6,692	7,692	1,383	9,075	15,767	20,923
Insurance	6,354	1,218	3,253	10,825	5,765	623	6,388	17,213	17,158
Taxes	520	95	268	883	759	47	806	1,689	
In-kind expense	4,749	778	1,897	7,424	3,116	23	3,139	10,563	25,342
Miscellaneous	5,064	103	227	5,394	8,556	1,193	9,749	15,143	19,562
Total Other Expenses	1,479,936	48,670	421,645	1,950,251	308,968	19,168	328,136	2,278,387	1,930,562
Depreciation	3,581	685	1,834	6,100	3,246	351	3,597	9,697	8,481
Total Expenses	\$ 2,209,518	\$ 189,252	\$ 882,975	\$ 3,281,745	\$ 1,065,807	\$ 98,742	\$ 1,164,549	\$ 4,446,294	\$ 4,014,756

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	\$ 89,794	\$ 1,519,502
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	9,697	8,481
(Increase) decrease in grants receivable	(63)	63,677
Decrease (increase) in prepaid expenses	11,187	(12,086)
(Decrease) increase in accounts payable	(159,767)	232,436
Increase in accrued liabilities	11,015	11,804
Increase (decrease) in deferred revenue	561,507	(527,447)
Net Cash Provided by Operating Activities	523,370	1,296,367
Cash Flows From Investing Activities:		
Purchases of property and equipment		(18,324)
Net Cash Used by Investing Activities		(18,324)
Change in Cash and Cash Equivalents	523,370	1,278,043
Cash and cash equivalents, beginning of year	3,725,016	2,446,973
Cash and Cash Equivalents, End of Year	\$ 4,248,386	\$ 3,725,016
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for income taxes	\$ 1,689	\$ -
Cash and cash equivalents are presented in the statement of financial position as follows:		
Cash and cash equivalents	\$ 1,648,386	\$ 1,125,016
Cash designated by the Board for reserves	2,600,000	2,600,000
	\$ 4,248,386	\$ 3,725,016

See accompanying notes.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Description of Organization - Seattle Jobs Initiative (the Organization) began operating on November 22, 2002 as a nonprofit organization under the provision of RCW 24.03 of the State of Washington. The Organization replaced the Seattle Jobs Initiative Program, under the City of Seattle, as a part of the nationally recognized Workforce Development Program. The Organization is dedicated to providing workforce intermediary services, i.e. promoting innovations in the workforce development system to place low income residents in living wage jobs, support retention and upward mobility, and contribute to regional competitiveness by supplying employers with qualified workers.

Financial Statement Preparation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations. The board designated operating reserve includes assets set aside by the Board of Directors for discretionary use and represents between 3 to 6 months of annual operating expenses.

Net Assets With Donor Restrictions - Resources that are restricted by the donor to be used for certain purposes, are time restricted based on the period during which the funds may be expended, or donations made with the intent that the principal be maintained intact in perpetuity, and the income may be used for current operations.

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 restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents - All highly liquid instruments with original maturities of three months or less are considered to be cash and cash equivalents. During the year, the Organization may at times have amounts on deposit with banks in excess of the federally insured amounts.

Grants Receivable - Grants receivable are stated at the amount that management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. All grants receivable are expected to be collected within one year.

Property and Equipment - Equipment acquisitions in excess of \$5,000 are capitalized at cost or if donated, at the fair market value on the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five years for equipment. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the respective building lease or the useful life of the leasehold improvements.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

Note 1 - Continued

Compensated Absences - The Organization's employees earn 18 to 28 days of paid time off (PTO) per year based on the employees' length of service and full time equivalent (FTE). Up to a maximum of 120 hours of accrued unused PTO may be carried over from one calendar year to the next. Accrued PTO is payable to a terminating employee up to a maximum of 80 hours if the employee has more than one year of service with the Organization and gives at least two weeks' notice. The Organization's standard policy is to only pay accrued PTO at termination. At December 31, 2018 and 2017, accrued PTO totaled \$42,390 and \$51,423, respectively, and was included in accrued expenses on the statement of financial position.

Revenue Recognition - The Organization recognizes revenue from grant contracts when either milestones are met or eligible costs are incurred. If revenue recognized exceeds cash advances received, then a receivable is recorded. However, if cash advances exceed revenue recognized, then a liability, deferred revenue, is recorded.

In-Kind Contributions - In-kind contributions are recorded at amounts which would otherwise have been paid for comparable goods and services. The values of in-kind contributions are reported as both support and expenses in the accompanying statement of activities and changes in net assets. Accordingly, in-kind contributions do not affect the financial position of the Organization. In-kind contributions during the year consist of software donations, bus passes, and the use of one desk at a donor organization's office.

Functional Expense Allocation - Directly identifiable expenses are charged to programs. Expenses that are not directly identifiable with any specific function but provide for the overall support of the Organization are allocated between programs and supporting services. These expenses include depreciation, occupancy costs, office operations, administrative support and information technology. All allocations are based on direct labor hours.

Federal Income Taxes - The Internal Revenue Service has determined that the Organization is a not-for-profit organization and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal income taxes has been made in the financial statements.

Revenue and Other Concentrations - The Organization recognized fees under government contracts which represented 92% and 91% of total public support and revenue for the years ended December 31, 2018 and 2017, respectively. Receivables from all governmental agencies comprised 86% and 94% of grants receivable at December 31, 2018 and 2017, respectively.

Summarized Information for 2017 - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

Note 1 - Continued

New Accounting Pronouncement - For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, liquidity and availability of resources, and the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Subsequent Events - The Organization has evaluated subsequent events through June 20, 2019, the date on which the financial statements were available to be issued.

Note 2 - Property and Equipment

Software, equipment and leasehold improvements were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Software and equipment	\$ 953,937	\$ 953,937
Accumulated depreciation	<u>(904,320)</u>	<u>(894,623)</u>
	<u><u>\$ 49,617</u></u>	<u><u>\$ 59,314</u></u>

Depreciation expense was \$9,697 and \$8,481 for the years ended December 31, 2018 and 2017, respectively.

Note 3 - Operating Leases

The Organization has operating lease agreements for office space, a copy machine, a postage meter and telephone equipment. Future minimum lease payments under these lease agreements are as follows:

For the Year Ended December 31,

2019	\$ 197,312
2020	200,260
2021	190,318
2022	190,318
2023	190,318
Thereafter	<u>467,864</u>
	<u><u>\$ 1,436,390</u></u>

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

Note 3 - Continued

The Organization leases its office space having an escalation clause which, under lease accounting standards, has resulted in a deferred rent liability recognized for the lease. The cumulative difference at December 31, 2018 and 2017 was \$30,213 and \$22,156, respectively. Expenses related to the operating leases for the years ended December 31, 2018 and 2017 were \$194,621 and \$190,965, respectively.

Note 4 - Retirement Plan

Employees are eligible to participate in the Organization's 401(k) tax deferred savings plan (the plan) as of the first day of the month following their date of hire. The plan allows employees to contribute up to a dollar limit set by law. The Organization makes a matching contribution equal to 100% of the deferrals of all active participants, up to 4% of their compensation. The Organization's contributions for the years ended December 31, 2018 and 2017 were \$62,411 and \$62,202, respectively.

Note 5 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Without donor restriction, undesignated	\$ 781,498	\$ 653,863
Board designated operating reserve	2,600,000	2,600,000
Norm B. Rice Scholarship Fund	<u>7,300</u>	<u>7,300</u>
	<u>\$ 3,388,798</u>	<u>\$ 3,261,163</u>

Note 6 - Net Assets With Donor Restriction

Net assets with donor restrictions were available for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Program restricted	\$ -	\$ 30,000
Norm B. Rice Scholarship Fund	<u>2,121</u>	<u>9,962</u>
	<u>\$ 2,121</u>	<u>\$ 39,962</u>

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2018 (With Comparative Totals for 2017)

Note 7 - Liquidity and Availability of Financial Assets

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. In addition, the Organization has an operating reserve that had a balance of \$2,600,000 at December 31, 2018 and 2017. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Organization's target for this reserve is 3 to 6 months of operating expenses, which was determined based on management's judgment about the appropriate amount of funds to have set aside in addition to working capital.

At December 31, 2018, the Organization has \$4,478,242 of financial assets available within 1 year of the Statement of Financial Position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$1,648,386, grants receivable of \$229,856, and the board designated operating reserve cash of \$2,600,000. Of the financial assets, only \$2,121 are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The grants receivable are subject to implied time restrictions but are expected to be collected within one year.