

SEATTLE JOBS INITIATIVE

Financial Statements

For the Year Ended December 31, 2017

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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, 2017 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited Seattle Jobs Initiative's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in their report dated June 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 14, 2018

SEATTLE JOBS INITIATIVE

Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,125,016 | \$ 2,446,973 |
| Grants receivable | 229,793 | 293,470 |
| Prepaid expenses | <u>79,709</u> | <u>67,623</u> |
| Total Current Assets | 1,434,518 | 2,808,066 |
| Cash designated by the Board for reserves | 2,600,000 | |
| Property and equipment, net of accumulated depreciation (Note 2) | <u>59,314</u> | <u>49,471</u> |
| Total Assets | <u>\$ 4,093,832</u> | <u>\$ 2,857,537</u> |
| Liabilities and Net Assets | | |
| Current Liabilities: | | |
| Accounts payable | \$ 456,814 | \$ 224,378 |
| Accrued liabilities | 84,130 | 94,482 |
| Deferred revenue | <u>229,607</u> | <u>757,054</u> |
| Total Current Liabilities | <u>770,551</u> | <u>1,075,914</u> |
| Long-Term Liabilities: | | |
| Deferred rent | <u>22,156</u> | |
| Total Long-Term Liabilities | <u>22,156</u> | |
| Total Liabilities | 792,707 | 1,075,914 |
| Net Assets: | | |
| Unrestricted net assets (Note 5)- | | |
| Unrestricted, undesignated | 653,863 | 1,731,144 |
| Board designated | 2,607,300 | 7,300 |
| Temporarily restricted net assets (Note 6) | <u>39,962</u> | <u>43,179</u> |
| Total Net Assets | <u>3,301,125</u> | <u>1,781,623</u> |
| Total Liabilities and Net Assets | <u>\$ 4,093,832</u> | <u>\$ 2,857,537</u> |

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

| | 2017 | | 2017 Total | 2016 Total |
|--|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | | |
| Public Support and Revenue: | | | | |
| Grants | \$ 2,530,656 | \$ 30,000 | \$ 2,560,656 | \$ 2,825,455 |
| Contributions | 92,566 | | 92,566 | 27,507 |
| Consulting revenue | 2,848,090 | | 2,848,090 | 1,579,106 |
| In-kind contributions | 25,342 | | 25,342 | 16,747 |
| Interest income | 6,116 | | 6,116 | 3,027 |
| Miscellaneous revenue | 1,488 | | 1,488 | 3,086 |
| Total Public Support and Revenue | 5,504,258 | 30,000 | 5,534,258 | 4,454,928 |
| Net Assets Released From Restrictions: | | | | |
| Satisfaction of purpose restriction | 33,217 | (33,217) | | |
| Total Public Support, Revenues and Releases | 5,537,475 | (3,217) | 5,534,258 | 4,454,928 |
| Expenses: | | | | |
| Program services- | | | | |
| Employment through education and training | 1,710,685 | | 1,710,685 | 2,004,021 |
| Innovation, partnerships and policy | 189,086 | | 189,086 | 178,404 |
| Consulting professional services | 1,022,760 | | 1,022,760 | 948,414 |
| Supporting services- | | | | |
| Management and general | 908,657 | | 908,657 | 732,265 |
| Fundraising | 183,568 | | 183,568 | 101,113 |
| Total Expenses | 4,014,756 | | 4,014,756 | 3,964,217 |
| Changes in Net Assets | 1,522,719 | (3,217) | 1,519,502 | 490,711 |
| Net assets, beginning of year | 1,738,444 | 43,179 | 1,781,623 | 1,290,912 |
| Net Assets, End of Year | \$ 3,261,163 | \$ 39,962 | \$ 3,301,125 | \$ 1,781,623 |

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

| | Employment Through Education and Training | Innovation, Partnerships and Policy | Consulting Professional Services | Total Program Services | Management and General | Fundraising | Total Supporting | 2017 Total | 2016 Total |
|--------------------------------------|--|---|--|------------------------------|------------------------------|-------------------|---------------------|---------------------|---------------------|
| Payroll and Related Expenses: | | | | | | | | | |
| Salaries and wages | \$ 520,115 | \$ 119,360 | \$ 455,675 | \$ 1,095,150 | \$ 479,822 | \$ 96,148 | \$ 575,970 | \$ 1,671,120 | \$ 1,507,832 |
| Payroll taxes | 44,577 | 10,208 | 37,591 | 92,376 | 39,590 | 8,083 | 47,673 | 140,049 | 119,428 |
| Benefits | 87,240 | 19,924 | 64,256 | 171,420 | 78,474 | 14,650 | 93,124 | 264,544 | 268,982 |
| Total Payroll Expenses | 651,932 | 149,492 | 557,522 | 1,358,946 | 597,886 | 118,881 | 716,767 | 2,075,713 | 1,896,242 |
| Other Expenses: | | | | | | | | | |
| Contracted program services | 819,051 | | | 819,051 | | | | 819,051 | 1,112,078 |
| Professional fees | 94,688 | 2,910 | 222,667 | 320,265 | 185,053 | 14,995 | 200,048 | 520,313 | 453,167 |
| Office supplies | 16,020 | 12,702 | 8,101 | 36,823 | 7,702 | 6,230 | 13,932 | 50,755 | 30,052 |
| Equipment rental and maintenance | 7,599 | 1,676 | 5,635 | 14,910 | 8,119 | 1,184 | 9,303 | 24,213 | 39,601 |
| Occupancy | 72,219 | 14,727 | 77,243 | 164,189 | 56,983 | 12,014 | 68,997 | 233,186 | 163,687 |
| Communications | 11,631 | 1,875 | 10,516 | 24,022 | 7,753 | 3,214 | 10,967 | 34,989 | 36,324 |
| Travel | 15,900 | 1,335 | 130,182 | 147,417 | 5,716 | 11,937 | 17,653 | 165,070 | 153,514 |
| Professional development | 2,030 | 341 | 1,393 | 3,764 | 15,165 | 1,994 | 17,159 | 20,923 | 6,486 |
| Insurance | 5,800 | 1,226 | 4,188 | 11,214 | 4,947 | 997 | 5,944 | 17,158 | 15,796 |
| Taxes | | | | | | | | | 489 |
| In-kind expense | 5,869 | 2,012 | 2,985 | 10,866 | 5,696 | 8,779 | 14,475 | 25,341 | 16,747 |
| Miscellaneous | 5,069 | 181 | 294 | 5,544 | 11,160 | 2,859 | 14,019 | 19,563 | 28,774 |
| Total Other Expenses | 1,055,876 | 38,985 | 463,204 | 1,558,065 | 308,294 | 64,203 | 372,497 | 1,930,562 | 2,056,715 |
| Depreciation | 2,877 | 609 | 2,034 | 5,520 | 2,477 | 484 | 2,961 | 8,481 | 11,260 |
| Total Expenses | \$ 1,710,685 | \$ 189,086 | \$ 1,022,760 | \$ 2,922,531 | \$ 908,657 | \$ 183,568 | \$ 1,092,225 | \$ 4,014,756 | \$ 3,964,217 |

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

| | <u>2017</u> | <u>2016</u> |
|--|----------------------------|----------------------------|
| Cash Flows From Operating Activities: | | |
| Change in net assets | \$ 1,519,502 | \$ 490,711 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities- | | |
| Depreciation | 8,481 | 11,260 |
| Decrease in grants receivable | 63,677 | 538,968 |
| Decrease in prepaid expenses | (12,086) | (21,760) |
| Increase in security deposits | | 8,808 |
| Increase (decrease) in accounts payable | 232,436 | (42,465) |
| Increase (decrease) in accrued liabilities | 11,804 | 14,351 |
| (Decrease) increase in deferred revenue | <u>(527,447)</u> | <u>368,466</u> |
| Net Cash Provided by Operating Activities | 1,296,367 | 1,368,339 |
| Cash Flows From Investing Activities: | | |
| Purchases of fixed assets | <u>(18,324)</u> | <u>(54,290)</u> |
| Net Cash Used by Investing Activities | <u>(18,324)</u> | <u>(54,290)</u> |
| Change in Cash and Cash Equivalents | 1,278,043 | 1,314,049 |
| Cash and cash equivalents, beginning of year | <u>2,446,973</u> | <u>1,132,924</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 3,725,016</u> | <u>\$ 2,446,973</u> |
| Cash and cash equivalents are presented in the statement of financial position as follows: | | |
| Cash and cash equivalents | \$ 1,125,016 | \$ 2,446,973 |
| Cash designated by the Board for reserves | <u>2,600,000</u> | |
| | <u>\$ 3,725,016</u> | <u>\$ 2,446,973</u> |

See accompanying notes.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for 2016)

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 three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors:

Unrestricted Net Assets - Net assets not subject to donor imposed stipulations. The Organization has two categories of unrestricted net assets:

Operating - Consists of assets, liabilities, support, revenues and expenses available for current operations and programs. It also consists of capital assets acquired through expenditure of unrestricted funds, or in satisfaction of restrictions on contributed funds to purchase capital assets.

Board Designated - Includes assets set aside by the Board of Directors for discretionary use. This includes operating reserves of between 3 to 6 months of annual operating expenses.

Temporarily Restricted Net Assets - Resources that are restricted by the donor to be used for certain purposes or are time restricted based on the period during which the funds may be expended.

Permanently Restricted Net Assets - Represent donations made with the intent that the principal be maintained intact in perpetuity, and the income may be used for current operations. There were no permanently restricted net assets at December 31, 2017 or 2016.

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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 amount.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for 2016)

Note 1 - Continued

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.

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.

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, 2017 and 2016, accrued PTO totaled \$51,423 and \$57,861, 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, minor equipment and food for program participants.

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.

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 91% and 95% of total public support and revenue for the years ended December 31, 2017 and 2016, respectively. Receivables from all governmental agencies comprised 94% and 89% of grants receivable at December 31, 2017 and 2016, respectively.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents which are on deposit in financial institutions which, at times, are in excess of federally insured limits.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for 2016)

Note 1 - Continued

Summarized Information for 2016 - 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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

Subsequent Events - The Organization has evaluated subsequent events through June 14, 2018, the date on which the financial statements were available to be issued.

Note 2 - Property and Equipment

At December 31, 2017 and 2016, software, equipment and leasehold improvements were as follows:

| | <u>2017</u> | <u>2016</u> |
|--------------------------|-------------------------|-------------------------|
| Software and equipment | \$ 953,937 | \$ 935,612 |
| Accumulated depreciation | <u>(894,623)</u> | <u>(886,141)</u> |
| | <u><u>\$ 59,314</u></u> | <u><u>\$ 49,471</u></u> |

Total depreciation was \$8,481 and \$11,260 for the years ended December 31, 2017 and 2016, 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,

| | |
|------------|----------------------------|
| 2018 | \$ 196,421 |
| 2019 | 198,662 |
| 2020 | 200,260 |
| 2021 | 190,318 |
| 2022 | 190,318 |
| Thereafter | <u>658,182</u> |
| | <u><u>\$ 1,634,161</u></u> |

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2017 (With Comparative Totals for 2016)

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, 2017 was \$22,156. Expenses related to the operating leases for the years ended December 31, 2017 and 2016 were \$190,965 and \$163,687, 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, 2017 and 2016 were \$62,202 and \$56,467, respectively.

Note 5 - Unrestricted Net Assets

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|----------------------------|----------------------------|
| Unrestricted, undesignated | \$ 653,863 | \$ 1,731,144 |
| Board designated reserve fund | 2,600,000 | |
| Norm B. Rice Scholarship Fund | <u>7,300</u> | <u>7,300</u> |
| | <u><u>\$ 3,261,163</u></u> | <u><u>\$ 1,738,444</u></u> |

Note 6 - Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|-------------------------|-------------------------|
| Time restricted | \$ - | \$ 22,500 |
| Program restricted | 30,000 | 10,000 |
| Norm B. Rice Scholarship Fund | <u>9,962</u> | <u>10,679</u> |
| | <u><u>\$ 39,962</u></u> | <u><u>\$ 43,179</u></u> |