

SEATTLE JOBS INITIATIVE

Financial Statements

For the Year Ended December 31, 2019

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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, 2019 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Clark Nuber P.C.

Certified Public Accountants
June 18, 2020

SEATTLE JOBS INITIATIVE

Statement of Financial Position

December 31, 2019

(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,562,177	\$ 1,648,386
Grants receivable	261,022	229,856
Prepaid expenses	70,511	68,522
Total Current Assets	1,893,710	1,946,764
Cash designated by the Board for reserves (Note 5)	2,600,000	2,600,000
Property and equipment, net of accumulated depreciation (Note 2)	79,262	49,617
Total Assets	\$ 4,572,972	\$ 4,596,381
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 185,663	\$ 297,047
Accrued liabilities	101,782	87,088
Deferred revenue	715,239	791,114
Total Current Liabilities	1,002,684	1,175,249
Deferred rent (Note 3)	33,063	30,213
Total Liabilities	1,035,747	1,205,462
Net Assets:		
Net assets without donor restrictions (Note 5)	3,535,104	3,388,798
Net assets with donor restrictions (Note 6)	2,121	2,121
Total Net Assets	3,537,225	3,390,919
Total Liabilities and Net Assets	\$ 4,572,972	\$ 4,596,381

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public Support and Revenue:				
Grants	\$ 2,879,675	\$ -	\$ 2,879,675	\$ 2,847,419
Contributions	2,997		2,997	17,807
Consulting revenue	1,476,654		1,476,654	1,644,661
In-kind contributions	13,648		13,648	10,563
Interest income	8,914		8,914	8,650
Miscellaneous revenue	50,606		50,606	6,988
Total Public Support and Revenue	4,432,494		4,432,494	4,536,088
Expenses:				
Program services-				
Employment through education and training	2,067,893		2,067,893	2,209,518
Innovation, partnerships and policy	204,042		204,042	189,252
Consulting professional services	952,780		952,780	882,975
Supporting services-				
Management and general	959,619		959,619	1,065,807
Fundraising	101,854		101,854	98,742
Total Expenses	4,286,188		4,286,188	4,446,294
Changes in Net Assets	146,306		146,306	89,794
Net assets, beginning of year	3,388,798	2,121	3,390,919	3,301,125
Net Assets, End of Year	\$ 3,535,104	\$ 2,121	\$ 3,537,225	\$ 3,390,919

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Employment Through Education and Training	Innovation, Partnerships and Policy	Consulting Professional Services	Total Program Services	Management and General	Fundraising	Total Supporting	2019 Total	2018 Total
Payroll and Related Expenses:									
Salaries and wages	\$ 642,255	\$ 116,922	\$ 418,935	\$ 1,178,112	\$ 428,851	\$ 60,864	\$ 489,715	\$ 1,667,827	\$ 1,724,212
Payroll taxes	59,061	10,477	36,397	105,935	38,125	5,747	43,872	149,807	142,175
Benefits	109,362	23,412	74,277	207,051	66,907	12,974	79,881	286,932	291,823
Total Payroll Expenses	810,678	150,811	529,609	1,491,098	533,883	79,585	613,468	2,104,566	2,158,210
Other Expenses:									
Contracted program services	1,007,432			1,007,432				1,007,432	1,245,240
Professional fees	68,407	2,976	181,145	252,528	287,221	1,634	288,855	541,383	468,084
Office supplies	21,253	23,745	7,549	52,547	10,597	4,038	14,635	67,182	69,276
Equipment rental and maintenance	12,619	2,187	5,315	20,121	33,188	3,077	36,265	56,386	26,292
Occupancy	85,707	14,177	89,163	189,047	52,086	8,967	61,053	250,100	225,500
Communications	13,783	1,551	7,254	22,588	5,261	1,000	6,261	28,849	34,739
Travel	17,543	1,383	119,422	138,348	9,798	215	10,013	148,361	148,881
Professional development	2,847	2,463	2,786	8,096	3,543	1,014	4,557	12,653	15,767
Insurance	7,015	1,276	3,746	12,037	4,356	809	5,165	17,202	17,213
Taxes	2,436	377	1,376	4,189	1,559	303	1,862	6,051	1,689
In-kind expense	5,795	1,393	2,466	9,654	3,495	499	3,994	13,648	10,563
Miscellaneous	7,897	843	499	9,239	11,378	183	11,561	20,800	15,143
Total Other Expenses	1,252,734	52,371	420,721	1,725,826	422,482	21,739	444,221	2,170,047	2,278,387
Depreciation	4,481	860	2,450	7,791	3,254	530	3,784	11,575	9,697
Total Expenses	\$ 2,067,893	\$ 204,042	\$ 952,780	\$ 3,224,715	\$ 959,619	\$ 101,854	\$ 1,061,473	\$ 4,286,188	\$ 4,446,294

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 146,306	\$ 89,794
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation	11,575	9,697
Increase in grants receivable	(31,166)	(63)
(Increase) decrease in prepaid expenses	(1,989)	11,187
Decrease in accounts payable	(111,384)	(159,767)
Increase in accrued liabilities	17,544	11,015
(Decrease) increase in deferred revenue	<u>(75,875)</u>	<u>561,507</u>
Net Cash (Used in) Provided by Operating Activities	(44,989)	523,370
Cash Flows From Investing Activities:		
Purchases of property and equipment	<u>(41,220)</u>	
Net Cash Used by Investing Activities	(41,220)	
Change in Cash and Cash Equivalents	(86,209)	523,370
Cash and cash equivalents, beginning of year	<u>4,248,386</u>	<u>3,725,016</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,162,177</u>	<u>\$ 4,248,386</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for income taxes	\$ 6,052	\$ 1,689
Cash and cash equivalents are presented in the statement of financial position as follows-		
Cash and cash equivalents	\$ 1,562,177	\$ 1,648,386
Cash designated by the Board for reserves	<u>2,600,000</u>	<u>2,600,000</u>
	<u>\$ 4,162,177</u>	<u>\$ 4,248,386</u>

See accompanying notes.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

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, 2019 (With Comparative Totals for 2018)

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, 2019 and 2018, accrued PTO totaled \$45,932 and \$42,390, 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.

Contracts with customers primarily relate to service contracts and revenue is earned based upon an agreed fixed price or at contracted billing rates. The Organization generally recognizes revenue at contracted billing rates over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. In most instances, contracts are considered a single performance obligation as the services are highly interdependent and interrelated.

For time and materials contracts, recognizing revenue at contracted billing rates (an input method) is the most representative depiction of the Organization's performance because it directly measures the value of the services transferred to the customer. For fixed price contracts, the Company recognizes revenue using the percentage-of-completion method, based primarily on contract costs incurred to date compared to total estimated contract costs. The percentage-of-completion method (an input method) is the most representative depiction of the Organization's performance on these types of contracts because it directly measures the value of the services transferred to the customer.

Conditional grants are recognized as revenue in the period in which the conditions have been satisfied by the Organization, which may not reflect the full amount awarded. Conditional grants outstanding totaled \$1,588,454 and \$1,621,263 as of December 31, 2019 and 2018, respectively.

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.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Revenue and Other Concentrations - The Organization recognized fees under government contracts which represented 96% and 92% of total public support and revenue for the years ended December 31, 2019 and 2018, respectively. Receivables from all governmental agencies comprised 95% and 86% of grants receivable at December 31, 2019 and 2018, respectively.

Summarized Information for 2018 - 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, 2018, 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.

Recently Adopted Accounting Pronouncements - During the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 (ASC Topic 606), Revenue from Contracts with Customers, including the subsequent related ASUs. The cumulative effect of adopting ASC Topic 606 was not material and thus no cumulative effect adjustment was recorded. The Organization's analysis of its contracts under ASC Topic 606 supports the recognition of revenue over time, consistent with the Organization's revenue recognition model prior to the adoption of ASC Topic 606.

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The Organization has elected to adopt the changes from this ASU for contributions received prospectively starting in 2019, and accordingly, no changes have been made to comparative 2018 balances.

Subsequent Events - The Organization has evaluated subsequent events through June 18, 2020, 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>2019</u>	<u>2018</u>
Software and equipment	\$ 995,157	\$ 953,937
Accumulated depreciation	<u>(915,895)</u>	<u>(904,320)</u>
	<u><u>\$ 79,262</u></u>	<u><u>\$ 49,617</u></u>

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for 2018)

Note 2 - Continued

Depreciation expense was \$11,575 and \$9,697 for the years ended December 31, 2019 and 2018, respectively.

Note 3 - Operating Leases

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

For the Year Ended December 31,

2020	\$	190,645
2021		192,960
2022		192,960
2023		192,960
2024		192,079
Thereafter		<u>269,617</u>
	\$	<u><u>1,231,221</u></u>

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, 2019 and 2018 was \$33,063 and \$30,213, respectively. Expenses related to the operating leases for the years ended December 31, 2019 and 2018 were \$197,754 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, 2019 and 2018 were \$62,440 and \$62,411, respectively.

Note 5 - Net Assets Without Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Without donor restrictions, undesignated	\$ 927,804	\$ 781,498
Board designated operating reserve	2,600,000	2,600,000
Norm B. Rice Scholarship Fund	<u>7,300</u>	<u>7,300</u>
	<u><u>\$ 3,535,104</u></u>	<u><u>\$ 3,388,798</u></u>

SEATTLE JOBS INITIATIVE

**Notes to Financial Statements
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)**

Note 6 - Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Program restricted	<u>\$ 2,121</u>	<u>\$ 2,121</u>
	<u><u>\$ 2,121</u></u>	<u><u>\$ 2,121</u></u>

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, 2019 and 2018. 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, 2019, the Organization has \$4,423,199 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$1,562,177, grants receivable of \$261,022, and the board designated operating reserve cash of \$2,600,000. Of the financial assets, none of the assets 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.