

SEATTLE JOBS INITIATIVE

Financial Statements

For the Year Ended December 31, 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 11

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, 2020 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.



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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, 2020, and the changes in its net assets and its 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021, on our consideration of Seattle Jobs Initiative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Seattle Jobs Initiative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seattle Jobs Initiative's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
June 17, 2021

SEATTLE JOBS INITIATIVE

Statement of Financial Position

December 31, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,021,038	\$ 1,562,177
Grants and contracts receivable	436,877	261,022
Prepaid expenses	139,223	70,511
Total Current Assets	1,597,138	1,893,710
Cash designated by the Board for reserves (Note 5)	2,600,000	2,600,000
Property and equipment, net of accumulated depreciation (Note 2)	61,830	79,262
Total Assets	\$ 4,258,968	\$ 4,572,972
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 92,813	\$ 185,663
Accrued liabilities	200,565	101,782
Paycheck Protection Program loan (Note 7)	251,300	
Deferred revenue	254,106	715,239
Total Current Liabilities	798,784	1,002,684
Deferred rent (Note 3)	30,448	33,063
Total Liabilities	829,232	1,035,747
Net Assets:		
Net assets without donor restrictions (Note 5)	3,427,615	3,535,104
Net assets with donor restrictions (Note 6)	2,121	2,121
Total Net Assets	3,429,736	3,537,225
Total Liabilities and Net Assets	\$ 4,258,968	\$ 4,572,972

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public Support and Revenue:				
Grants	\$ 2,945,736	\$ -	\$ 2,945,736	\$ 2,879,675
Contributions	33,453		33,453	2,997
Consulting revenue	964,054		964,054	1,476,654
In-kind contributions	53,288		53,288	13,648
Interest income	5,725		5,725	8,914
Miscellaneous revenue	4,518		4,518	50,606
Total Public Support and Revenue	4,006,774		4,006,774	4,432,494
Expenses:				
Program services-				
Employment through education and training	2,119,614		2,119,614	2,067,893
Innovation, partnerships and policy	249,325		249,325	204,042
Consulting professional services	681,812		681,812	952,780
Supporting services-				
Management and general	1,005,327		1,005,327	959,619
Fundraising	58,185		58,185	101,854
Total Expenses	4,114,263		4,114,263	4,286,188
Changes in Net Assets	(107,489)		(107,489)	146,306
Net assets, beginning of year	3,535,104	2,121	3,537,225	3,390,919
Net Assets, End of Year	\$ 3,427,615	\$ 2,121	\$ 3,429,736	\$ 3,537,225

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Employment Through Education and Training	Innovation, Partnerships and Policy	Consulting Professional Services	Total Program Services	Management and General	Fundraising	Total Supporting	2020 Total	2019 Total
Payroll and Related Expenses:									
Salaries and wages	\$ 942,250	\$ 153,059	\$ 455,106	\$ 1,550,415	\$ 517,521	\$ 37,289	\$ 554,810	\$ 2,105,225	\$ 1,667,827
Payroll taxes	89,807	14,195	40,789	144,791	46,883	3,740	50,623	195,414	149,807
Benefits	184,943	30,430	84,443	299,816	114,043	9,022	123,065	422,881	286,932
Total Payroll Expenses	1,217,000	197,684	580,338	1,995,022	678,447	50,051	728,498	2,723,520	2,104,566
Other Expenses:									
Contracted program services	633,606			633,606				633,606	1,007,432
Professional fees	27,454	8,061	33,323	68,838	215,792	873	216,665	285,503	541,383
Occupancy	89,793	13,912	35,094	138,799	46,513	3,958	50,471	189,270	250,100
Office supplies	37,274	22,234	8,054	67,562	11,659	1,342	13,001	80,563	67,182
In-kind expense	52,950	26	172	53,148	135	5	140	53,288	13,648
Communications	15,466	1,622	6,698	23,786	6,474	628	7,102	30,888	28,849
Equipment rental and maintenance	8,042	542	2,475	11,059	19,362	170	19,532	30,591	56,386
Professional development	12,871	108	2,286	15,265	5,544	326	5,870	21,135	12,653
Travel	5,003	236	7,076	12,315	5,623	45	5,668	17,983	148,361
Insurance	8,566	1,317	3,339	13,222	4,174	378	4,552	17,774	17,202
Miscellaneous	3,212	255	1,672	5,139	7,532	39	7,571	12,710	26,851
Total Other Expenses	894,237	48,313	100,189	1,042,739	322,808	7,764	330,572	1,373,311	2,170,047
Depreciation	8,377	3,328	1,285	12,990	4,072	370	4,442	17,432	11,575
Total Expenses	\$ 2,119,614	\$ 249,325	\$ 681,812	\$ 3,050,751	\$ 1,005,327	\$ 58,185	\$ 1,063,512	\$ 4,114,263	\$ 4,286,188

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ (107,489)	\$ 146,306
Adjustments to reconcile change in net assets to net cash used in operating activities-		
Depreciation	17,432	11,575
Increase in grants and contracts receivable	(175,855)	(31,166)
Increase in prepaid expenses	(68,712)	(1,989)
Decrease in accounts payable	(92,850)	(111,384)
Increase in accrued liabilities	96,168	17,544
Decrease in deferred revenue	(461,133)	(75,875)
Net Cash Used in Operating Activities	(792,439)	(44,989)
Cash Flows From Investing Activities:		
Purchases of property and equipment		(41,220)
Net Cash Used by Investing Activities		(41,220)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan	251,300	
Net Cash Provided by Financing Activities	251,300	
Change in Cash and Cash Equivalents	(541,139)	(86,209)
Cash and cash equivalents, beginning of year	4,162,177	4,248,386
Cash and Cash Equivalents, End of Year	\$ 3,621,038	\$ 4,162,177
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for income taxes	\$ -	\$ 6,052
Cash and cash equivalents are presented in the statement of financial position as follows-		
Cash and cash equivalents	\$ 1,021,038	\$ 1,562,177
Cash designated by the Board for reserves	2,600,000	2,600,000
	\$ 3,621,038	\$ 4,162,177

See accompanying notes.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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, e.g. 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.

Grants and Contracts Receivable - Grants and contracts 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 and contracts receivable. Management determined there were no amounts uncollectible as of December 31, 2020 or 2019. All grants and contracts receivable are expected to be collected within one year.

Exchange-type grants and contracts receivables totaled \$137,290 and \$101,650 for the years ended December 31, 2020 and 2019, respectively. Contribution-type grants and contracts receivables totaled \$299,587 and \$159,372 for the years ended December 31, 2020 and 2019, respectively.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

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 (160 hours for 2020 only due to COVID-19) 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, 2020 and 2019, accrued PTO totaled \$113,815 and \$45,932, respectively, and was included in accrued liabilities on the statement of financial position.

Revenue Recognition - The Organization recognizes revenue from exchange-type grant contracts when performance obligations are satisfied, as described below. If revenue recognized exceeds cash advances received, then a receivable is recorded. However, if cash advances exceed revenue recognized, then a deferred revenue liability is recognized.

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.

For contribution-type grants, 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 \$1,569,045 and \$1,588,454 as of December 31, 2020 and 2019, 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 and gift card donations for food for families struggling during the COVID-19 pandemic.

Functional Expense Allocation - Directly identifiable expenses are charged to the function to which they relate. 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.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

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 75% and 78% of total public support and revenue for the years ended December 31, 2020 and 2019, respectively. Receivables from all governmental agencies comprised 98% and 95% of grants and contracts receivable at December 31, 2020 and 2019, respectively.

Summarized Information for 2019 - 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, 2019, 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.

Subsequent Events - The Organization has evaluated subsequent events through June 17, 2021, 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>2020</u>	<u>2019</u>
Software and equipment	\$ 995,157	\$ 995,157
Accumulated depreciation	<u>(933,327)</u>	<u>(915,895)</u>
	<u><u>\$ 61,830</u></u>	<u><u>\$ 79,262</u></u>

Depreciation expense was \$17,432 and \$11,575 for the years ended December 31, 2020 and 2019, respectively.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

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,

2021	\$	192,960
2022		192,960
2023		192,960
2024		192,079
2025		190,318
Thereafter		<u>95,159</u>
	\$	<u><u>1,056,436</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, 2020 and 2019 was \$30,448 and \$33,063, respectively. Expenses related to the operating leases for the years ended December 31, 2020 and 2019 were \$190,119 and \$197,754, 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, 2020 and 2019 were \$76,844 and \$62,440, respectively.

Note 5 - Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Undesignated and available for operations	\$ 820,315	\$ 927,804
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>\$ 3,427,615</u></u>	<u><u>\$ 3,535,104</u></u>

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2020 (With Comparative Totals for 2019)

Note 6 - Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program restricted	\$ 2,121	\$ 2,121
	<u>\$ 2,121</u>	<u>\$ 2,121</u>

Note 7 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (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. On July 22, 2020, the Organization obtained a loan under the PPP with a principal balance of \$251,300 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning December 24, 2021 through maturity on July 24, 2025.

On March 1, 2021, the Organization received notification from the Small Business Administration that loan forgiveness was fully approved. The Organization's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. No such gain was recognized during the year ended December 31, 2020 but will be recognized during the year ended December 31, 2021.

Note 8 - 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, 2020 and 2019. 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, 2020, the Organization has \$4,057,915 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 \$1,021,038, grants receivable of \$436,877, 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.