

SEATTLE JOBS INITIATIVE

Financial Statements

For the Year Ended December 31, 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Financial Statements:	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 12

Independent Auditor's Report

To the Board of Directors
Seattle Jobs Initiative
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Seattle Jobs Initiative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seattle Jobs Initiative as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Seattle Jobs Initiative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Seattle Jobs Initiative's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Jobs Initiative's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Seattle Jobs Initiative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seattle Jobs Initiative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report July 20, 2022, 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
July 20, 2022

SEATTLE JOBS INITIATIVE

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,142,794	\$ 1,021,038
Grants and contracts receivable	503,768	436,877
Prepaid expenses	83,889	139,223
Total Current Assets	1,730,451	1,597,138
Cash designated by the Board for reserves (Note 5)	2,600,000	2,600,000
Property and equipment, net of accumulated depreciation (Note 2)	48,198	61,830
Total Assets	\$ 4,378,649	\$ 4,258,968
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 93,233	\$ 92,813
Accrued liabilities	257,760	200,565
Paycheck Protection Program loan (Note 7)		251,300
Deferred revenue	124,999	254,106
Total Current Liabilities	475,992	798,784
Deferred rent (Note 3)	25,057	30,448
Total Liabilities	501,049	829,232
Net Assets:		
Net assets without donor restrictions (Note 5)	3,513,804	3,427,615
Net assets with donor restrictions (Note 6)	363,796	2,121
Total Net Assets	3,877,600	3,429,736
Total Liabilities and Net Assets	\$ 4,378,649	\$ 4,258,968

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Public Support and Revenue:				
Grants	\$ 3,105,957	\$ -	\$ 3,105,957	\$ 2,945,736
Contributions	50,120	90,000	140,120	33,453
Consulting revenue	1,295,440	271,675	1,567,115	964,054
In-kind contributions	1,010		1,010	53,288
Interest income	3,250		3,250	5,725
Gain on Paycheck Protection Program Loan forgiveness (Note 7)	251,300		251,300	
Miscellaneous revenue	4,072		4,072	4,518
Total Public Support and Revenue	4,711,149	361,675	5,072,824	4,006,774
Expenses:				
Program services-				
Employment through education and training	2,322,672		2,322,672	2,119,614
Innovation, partnerships and policy	376,682		376,682	249,325
Consulting professional services	830,289		830,289	681,812
Supporting services-				
Management and general	964,887		964,887	1,005,327
Fundraising	130,430		130,430	58,185
Total Expenses	4,624,960		4,624,960	4,114,263
Changes in Net Assets	86,189	361,675	447,864	(107,489)
Net assets, beginning of year	3,427,615	2,121	3,429,736	3,537,225
Net Assets, End of Year	\$ 3,513,804	\$ 363,796	\$ 3,877,600	\$ 3,429,736

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Employment Through Education and Training	Innovation, Partnerships and Policy	Consulting Professional Services	Total Program Services	Management and General	Fundraising	Total Supporting	2021 Total	2020 Total
Payroll and Related Expenses:									
Salaries and wages	\$ 1,190,368	\$ 145,033	\$ 565,977	\$ 1,901,378	\$ 532,805	\$ 90,907	\$ 623,712	\$ 2,525,090	\$ 2,105,225
Payroll taxes	114,189	13,552	50,778	178,519	47,864	8,464	56,328	234,847	195,414
Benefits	181,222	29,164	93,545	303,931	90,393	17,630	108,023	411,954	422,881
Total Payroll Expenses	1,485,779	187,749	710,300	2,383,828	671,062	117,001	788,063	3,171,891	2,723,520
Other Expenses:									
Contracted program services	573,641	135		573,776				573,776	633,606
Professional fees	27,030	148,846	48,720	224,596	192,244	937	193,181	417,777	285,503
Occupancy	95,939	11,578	36,319	143,836	37,239	6,084	43,323	187,159	189,270
Office supplies	76,389	23,790	8,902	109,081	8,408	874	9,282	118,363	80,563
Communications	26,422	2,233	10,066	38,721	10,538	1,990	12,528	51,249	30,888
Equipment rental and maintenance	3,210	200	677	4,087	18,275	507	18,782	22,869	30,591
Professional development	6,699	43	4,331	11,073	6,003	1,821	7,824	18,897	21,135
Insurance	9,300	1,123	3,520	13,943	3,403	590	3,993	17,936	17,774
Travel	8,792	81	1,485	10,358	5,609	7	5,616	15,974	17,983
Miscellaneous	2,399	51	2,271	4,721	9,527	179	9,706	14,427	12,710
In-kind expense			1,010	1,010				1,010	53,288
Total Other Expenses	829,821	188,080	117,301	1,135,202	291,246	12,989	304,235	1,439,437	1,373,311
Depreciation	7,072	853	2,688	10,613	2,579	440	3,019	13,632	17,432
Total Expenses	\$ 2,322,672	\$ 376,682	\$ 830,289	\$ 3,529,643	\$ 964,887	\$ 130,430	\$ 1,095,317	\$ 4,624,960	\$ 4,114,263

See accompanying notes.

SEATTLE JOBS INITIATIVE

Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 447,864	\$ (107,489)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Gain on Paycheck Protection Program Loan forgiveness	(251,300)	
Depreciation	13,632	17,432
Grants and contracts receivable	(66,891)	(175,855)
Prepaid expenses	55,334	(68,712)
Accounts payable	420	(92,850)
Accrued liabilities	51,804	96,168
Deferred revenue	(129,107)	(461,133)
	<u>121,756</u>	<u>(792,439)</u>
Net Cash Provided by (Used in) Operating Activities	121,756	(792,439)
Cash Flows From Financing Activities:		
Proceeds from Paycheck Protection Program loan		251,300
		<u>251,300</u>
Net Cash Provided by Financing Activities		251,300
Change in Cash and Cash Equivalents	121,756	(541,139)
Cash and cash equivalents, beginning of year	3,621,038	4,162,177
	<u>\$ 3,742,794</u>	<u>\$ 3,621,038</u>
Cash and Cash Equivalents, End of Year	\$ 3,742,794	\$ 3,621,038
Supplementary Disclosure of Cash Flow Information:		
Cash and cash equivalents are presented in the statement of financial position as follows-		
Cash and cash equivalents	\$ 1,142,794	\$ 1,021,038
Cash designated by the Board for reserves	2,600,000	2,600,000
	<u>\$ 3,742,794</u>	<u>\$ 3,621,038</u>

See accompanying notes.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

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. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the year in which the support is recognized.

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, 2021 or 2020. All grants and contracts receivable are expected to be collected within one year.

Exchange-type grants and contracts receivables totaled \$90,000 and \$137,290 for the years ended December 31, 2021 and 2020, respectively. Contribution-type grants and contracts receivables totaled \$413,768 and \$299,587 the years ended December 31, 2021 and 2020, respectively.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Property and Equipment - Equipment and software 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 and software.

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 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, 2021 and 2020, accrued PTO totaled \$135,291 and \$113,815, 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. 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. The total exchange type revenue for the years ended December 31, 2021 and 2020, was \$867,778 and \$964,054, respectively.

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 \$1,419,783 and \$1,569,045 as of December 31, 2021 and 2020, 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.

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, 2021 (With Comparative Totals for 2020)

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 52% and 75% of total public support and revenue for the years ended December 31, 2021 and 2020, respectively. Receivables from all governmental agencies comprised 57% and 98% of grants and contracts receivable at December 31, 2021 and 2020, respectively.

Summarized Information for 2020 - 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, 2020, 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 July 20, 2022, the date on which the financial statements were available to be issued.

Note 2 - Property and Equipment

Software and equipment were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Software and equipment	\$ 995,157	\$ 995,157
Accumulated depreciation	<u>(946,959)</u>	<u>(933,327)</u>
	<u><u>\$ 48,198</u></u>	<u><u>\$ 61,830</u></u>

Depreciation expense was \$13,632 and \$17,432 for the years ended December 31, 2021 and 2020, respectively.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

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,

2022	\$	192,960
2023		192,960
2024		192,079
2025		190,318
2026		<u>95,159</u>
	\$	<u><u>863,476</u></u>

The Organization office space lease has 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, 2021 and 2020 was \$25,057 and \$30,448, respectively. Expenses related to the operating leases for the years ended December 31, 2021 and 2020 were \$188,260 and \$190,119, 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, 2021 and 2020 were \$91,485 and \$76,844 respectively.

Note 5 - Net Assets Without Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Undesignated and available for operations	\$ 906,504	\$ 820,315
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>\$ 3,513,804</u></u>	<u><u>\$ 3,427,615</u></u>

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions exclusively consisted of program restricted balances of \$363,796 and \$2,121 for the years ended December 31, 2021 and 2020, respectively.

SEATTLE JOBS INITIATIVE

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 7 - Paycheck Protection Program Loan

On July 22, 2020, the Organization obtained a loan under the Paycheck Protection Program (PPP). On March 1, 2021, the Organization received notification from the Small Business Administration that loan was forgiven. 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. As such, a gain of \$251,300 from PPP loan forgiveness was recognized in 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, 2021 and 2020. 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, 2021, the Organization has \$4,246,562 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 \$1,142,794, grants and contracts receivable of \$503,768 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.