



FRANCIS & COMPANY PLLC

## **Seattle Neighborhood Group**

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### **Independent Auditor's Report and Financial Statements for the Year Ended December 31, 2019 (With Comparative Totals for 2018)**

**SEATTLE NEIGHBORHOOD GROUP**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

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**Independent  
Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Seattle Neighborhood Group

We have audited the accompanying financial statements of Seattle Neighborhood Group (the Organization), which comprise the statement of financial position as of December 31, 2019, 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

The Organization's 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 of 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seattle Neighborhood Group as of December 31, 2019 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

The financial statements of Seattle Neighborhood Group as of December 31, 2018, were audited by other auditors whose report dated August 30, 2018, expressed an unmodified opinion on those statements. 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.



Francis & Company PLLC  
Seattle, Washington  
October 2, 2020

**Statement of  
Financial Position**

**SEATTLE NEIGHBORHOOD GROUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019**  
**(With Comparative Totals for 2018)**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 304,680	\$ 281,627
Accounts receivable, net	153,063	182,569
Prepaid expenses and other	9,798	13,858
Inventory	2,815	2,815
Total current assets	470,356	480,869
<b>NONCURRENT ASSETS</b>		
Computers and equipment	65,489	55,342
Less: accumulated depreciation	(54,331)	(50,185)
	11,158	5,157
Total assets	\$ 481,514	\$ 486,026
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 57,349	\$ 112,744
Accrued payroll and benefits	52,479	26,748
Total current liabilities	109,828	139,492
<b>NET ASSETS</b>		
Without donor restrictions		
Without donor restrictions — undesignated	139,056	126,975
Without donor restrictions — Board—designated operating reserve	206,000	206,000
Total Without donor restrictions	345,056	332,975
With donor restrictions	26,630	13,559
Total net assets	371,686	346,534
Total liabilities and net assets	\$ 481,514	\$ 486,026

The accompanying notes are an integral part of these financial statements.

**Statement of  
Activities and Changes in Net Assets**

**SEATTLE NEIGHBORHOOD GROUP**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Comparative Totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
<b>REVENUES AND SUPPORT</b>				
Contracts and grant income	\$ 1,321,375	\$ -	\$ 1,321,375	\$ 1,207,840
Contribution income	12,319	-	12,319	7,830
Program income	6,622	-	6,622	6,540
Community partner projects	-	28,703	28,703	54,343
Other income	2,568	-	2,568	6,223
Total revenues and support	1,342,884	28,703	1,371,587	1,282,776
Net assets released from restriction	15,632	(15,632)	-	-
Total revenues and support	1,358,516	13,071	1,371,587	1,282,776
<b>EXPENSES</b>				
Program services	1,255,990	-	1,255,990	1,060,774
Management and general	85,385	-	85,385	170,111
Fundraising	5,060	-	5,060	6,189
Total expenses	1,346,435	-	1,346,435	1,237,074
<b>CHANGES IN NET ASSETS</b>	12,081	13,071	25,152	45,702
<b>NET ASSETS, BEGINNING OF YEAR</b>	332,975	13,559	346,534	300,832
<b>NET ASSETS, END OF YEAR</b>	\$ 345,056	\$ 26,630	\$ 371,686	\$ 346,534

The accompanying notes are an integral part of these financial statements.



# **Statement of Functional Expenses**

**SEATTLE NEIGHBORHOOD GROUP  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(With Comparative Totals for 2018)**

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	Program Services	Management & General	Fundraising	Total 2019	Total 2018
Salaries and wages	\$ 403,488	\$ 74,162	\$ 4,268	<b>\$ 481,918</b>	\$ 456,361
Direct services	266,947	3,750	-	<b>270,697</b>	303,275
Payroll taxes and employee benefits	117,042	590	792	<b>118,424</b>	110,038
Professional fees	276,724	425	-	<b>277,149</b>	180,618
Supplies, postage, and printing	40,175	358	-	<b>40,533</b>	40,561
Occupancy	70,681	-	-	<b>70,681</b>	66,514
Insurance	10,418	-	-	<b>10,418</b>	12,689
Technology and equipment	34,463	-	-	<b>34,463</b>	28,060
Travel and meetings	19,588	2,929	-	<b>22,517</b>	26,953
Other administrative	12,318	3,171	-	<b>15,489</b>	7,999
Depreciation	4,146	-	-	<b>4,146</b>	4,006
<b>Total expenses</b>	<b>\$ 1,255,990</b>	<b>\$ 85,385</b>	<b>\$ 5,060</b>	<b>\$ 1,346,435</b>	<b>\$ 1,237,074</b>

The accompanying notes are an integral part of these financial statements.

# **Statement of Cash Flows**

**SEATTLE NEIGHBORHOOD GROUP**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Comparative Totals for 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 25,152	\$ 45,702
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	4,146	4,006
Decrease (increase) in receivables	29,506	(65,357)
Decrease (increase) in prepaid expenses and other	4,060	(2,821)
(Decrease) increase in accounts payable	(55,395)	103,516
Increase in accrued payroll and benefits	25,731	5,078
(Decrease) in deferred revenue	-	(63,456)
Net cash provided by operating activities	<b>33,200</b>	26,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(10,147)	-
Net cash (used) in investing activities	<b>(10,147)</b>	-
Net increase in cash and cash equivalents	<b>23,053</b>	26,668
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>281,627</b>	254,959
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 304,680</b>	<b>\$ 281,627</b>

The accompanying notes are an integral part of these financial statements

**Notes to  
Financial Statements**

**SEATTLE NEIGHBORHOOD GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**NOTE 1                    DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Description of Organization**

Seattle Neighborhood Group (the Organization) is a Washington nonprofit corporation incorporated March 27, 1989. The purpose of Seattle Neighborhood Group is to prevent crime and build community through partnerships with residents, businesses, law enforcement and other agencies. These purposes are accomplished through crime response strategies, youth activities and community events and education. The Organization's support comes primarily from government agency contracts and grants and individual donors.

**Financial Statement Presentation**

The Organization's financial statements have been prepared on the accrual basis of accounting and are presented in conformity with accounting principles generally accepted in the United States of America ( U.S. GAAP); which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization 's management and board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors which are to be spent on specific activities. When the restriction has been satisfied by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported as net assets released from donor restrictions in the statement of activities and changes in net assets.

The Organization had \$26,630 and \$13,559 of net assets with donor restrictions at December 31, 2019 and 2018, respectively, which were restricted to the support and development of specific neighborhood projects and coalitions. In 2012, the Board adopted an operating reserve policy and designated \$206,000. As the designation creates no legal restriction, the amount is reported as net assets without donor restrictions.

**Donor Restricted Revenue and Support**

Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

The Organization considers highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash balances in various financial institutions. As of December 31, 2019, certain bank deposits exceeded federally insured limits. The Organization has not experienced any losses in such accounts.

**Receivables**

The Organization's accounts receivable balances consist primarily of unsecured receivables from contracts and grants. Revenues are accrued once they have been earned in accordance with specific contractual terms. No allowance for doubtful accounts is considered necessary as of December 31, 2019.

**SEATTLE NEIGHBORHOOD GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**NOTE 1      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Inventory**

Inventory consists of vehicle anti-theft devices and signs. Inventory is stated at the lower of cost (first-in, first-out basis) or net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

**Computers and Equipment**

The Organization capitalizes all expenditures for equipment in excess of \$1,000 at cost. Contributed equipment is recorded at fair value at the time of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Depreciation and amortization expense for the year ended December 31, 2019 amounted to \$4,146.

**Fair Value Measurements**

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions that market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses for which their carrying amounts approximate fair values.

**Tax Exempt Status**

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is a public charity under Section 509(a)(1). The Organization's income tax filings are subject to examination by various taxing authorities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Comparative financial information**

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 financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. The significant estimates used in these financial statements include but are not limited to those related to accounts receivable, useful lives of assets, accrued liabilities, and cost allocations for the purpose of functional expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances, however actual results could differ from those estimates.

**Allocation of Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, expenses related to more than one function are charged to programs and supporting services based on personnel time. Administrative expenses include those expenses not directly identifiable with any other specific function, but which provide for the overall support and direction of the Organization.

**SEATTLE NEIGHBORHOOD GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**NOTE 1**      **DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Donated Services**

Seattle Neighborhood Group recognizes donated services as support and expense or capitalized costs if the services received either create or enhance nonfinancial assets, or if they require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not donated. No in-kind contributions were received in 2019.

**Recently Adopted Accounting Guidance**

In May 2020, Financial Accounting Standard Board issued an update 2020-05 (ASU 2020-05) to postpone the implementation of ASC 606 Revenue from Contract with Customer and ASC 842 Leases in response of the COVID-19 pandemic. Such deferral applies to certain entities that have not yet issued their financial statements or made financial statements available for issuance. The Organization adopted this ASU 2020-05 and elected to delay on ASC 606 until 2020 and delay on ASC 482 until 2022.

**Subsequent Events**

Subsequent events were evaluated through October 2, 2020, which is the date the financial statements were available to be issued.

**NOTE 2**      **AVAILABLE RESOURCES AND LIQUIDITY**

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At December 31, 2019, the Organization's financial assets available for general expenditures, without donor or board designated restrictions limiting their use, within one year are comprised of its cash and cash equivalents, and receivables amounting to \$304,680 and \$153,063, respectively.

The Organization has established an operating reserve to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. It is the policy of the Organization to maintain financial assets on hand, which consist of cash and cash equivalents, in the operating reserve to meet 6 months of average operating expenses.

**NOTE 3**      **LEASES**

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The Organization occupies office space under an operating lease that began September 1, 2014 and expired December 31, 2018. In 2018, the Organization renewed the lease until December 31, 2021. The monthly lease payment is \$3,650.

The Organization leases copier equipment under an operating lease that began August 2017 and expires November 2020. The monthly lease payment is \$452.

Future minimum lease payments required under the operating leases are as follows at December 31:

2020	\$ 48,772
2021	43,800
<u>Total</u>	<u>\$ 92,572</u>



**SEATTLE NEIGHBORHOOD GROUP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**NOTE 3**      **LEASES (CONTINUED)**

Total rent expense was \$50,984 and \$46,914 during the years ended December 31, 2019 and 2018, respectively.

**NOTE 4**      **PENSION PLAN**

The Organization established a 403(b) plan for all permanent employees with three years of employment. Upon becoming eligible, an employee can choose whether to contribute up to \$18,000 in earned income to the plan. The Organization matches contributions not to exceed three percent of compensation. On behalf of participating employees, the Organization's matching expense was \$9,704 for 2019.

**NOTE 5**      **CONCENTRATIONS OF CREDIT RISK AND REVENUE SOURCES**

Approximately 82 percent of the Organization's revenue was earned under several contracts with the City of Seattle during 2019. As of December 31, 2019, approximately 85 percent of the Organization's accounts receivable was due from the City of Seattle. The Organization's operations and program services may be impacted if funding from the City of Seattle is not renewed.

**NOTE 6**      **COMMUNITY PARTNER PROJECTS**

The Organization provides fiscal sponsorship to small community groups that receive grants from the City of Seattle and private foundations or organizations. These activities further the mission of the Organization and are considered programs of the Organization.

**NOTE 7**      **SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the world. Due to COVID-19, the Organization had to make adjustments to the way it works. Examples include working remotely, facilitating meetings virtually instead of in person, and pivoting to meet the immediate basic needs of the communities that the Organization serves. However, its financial impact cannot be reasonably estimated at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.