



Seattle Neighborhood Group

Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2020 and 2019

SEATTLE NEIGHBORHOOD GROUP
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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**Independent
Auditor's Report**



FRANCIS & COMPANY^{PLLC}

CERTIFIED PUBLIC ACCOUNTANTS | MANAGEMENT CONSULTANTS

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 statements of financial position as of December 31, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Francis & Company, PLLC
Seattle, Washington
October 15, 2021

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**Statements of
Financial Position**

SEATTLE NEIGHBORHOOD GROUP
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 315,871	\$ 304,680
Accounts receivable, net	222,575	153,063
Prepaid expenses and other	16,426	9,798
Inventory	2,815	2,815
Total current assets	557,687	470,356
NONCURRENT ASSETS		
Computers and equipment	65,489	65,489
Less: Accumulated depreciation	(58,865)	(54,331)
Total noncurrent assets	6,624	11,158
Total assets	\$ 564,311	\$ 481,514
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 110,084	\$ 57,349
Accrued payroll and benefits	67,382	52,479
Other accrued liabilities	63,218	-
Total current liabilities	\$ 240,684	\$ 109,828
NET ASSETS		
Without donor restrictions		
Without donor restrictions — undesignated	108,307	139,056
Without donor restrictions — Board—designated operating reserve	206,000	206,000
Total Without donor restrictions	314,307	345,056
With donor restrictions	9,320	26,630
Total net assets	323,627	371,686
Total liabilities and net assets	\$ 564,311	\$ 481,514

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

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

SEATTLE NEIGHBORHOOD GROUP
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contracts and grant income	\$ 1,274,491	\$ -	\$ 1,274,491	\$ 1,321,375	\$ -	\$ 1,321,375
Contribution income	19,791	-	19,791	12,319	-	12,319
Program income	9,084	-	9,084	6,622	-	6,622
Community partner projects	-	21,254	21,254	-	28,703	28,703
Other income	119,367	-	119,367	2,568	-	2,568
Total revenues and support	1,422,733	21,254	1,443,987	1,342,884	28,703	1,371,587
Net assets released from restriction	38,564	(38,564)	-	15,632	(15,632)	-
Total revenues and support	1,461,297	(17,310)	1,443,987	1,358,516	13,071	1,371,587
EXPENSES						
Program services	1,383,787	-	1,383,787	1,255,990	-	1,255,990
Management and general	101,769	-	101,769	85,385	-	85,385
Fundraising	6,490	-	6,490	5,060	-	5,060
Total expenses	1,492,046	-	1,492,046	1,346,435	-	1,346,435
CHANGES IN NET ASSETS	(30,749)	(17,310)	(48,059)	12,081	13,071	25,152
NET ASSETS, BEGINNING OF YEAR	345,056	26,630	371,686	332,975	13,559	346,534
NET ASSETS, END OF YEAR	\$ 314,307	\$ 9,320	\$ 323,627	\$ 345,056	\$ 26,630	\$ 371,686

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

Statements of Functional Expenses

**SEATTLE NEIGHBORHOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 413,829	\$ 84,012	\$ 5,562	\$ 503,403
Direct services	281,327	-	-	281,327
Professional fees	296,292	-	-	296,292
Payroll taxes and employee benefits	105,800	11,427	928	118,155
Occupancy	78,064	-	-	78,064
Supplies, postage, and printing	28,540	271	-	28,811
Technology and equipment	73,972	145	-	74,117
Travel and meetings	16,844	447	-	17,291
Insurance	11,056	-	-	11,056
Depreciation	4,535	-	-	4,535
Other administrative	73,528	5,467	-	78,995
Total expenses	\$ 1,383,787	\$ 101,769	\$ 6,490	\$ 1,492,046

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

**SEATTLE NEIGHBORHOOD GROUP
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 403,488	\$ 74,162	\$ 4,268	\$ 481,918
Direct services	266,947	3,750	-	270,697
Payroll taxes and employee benefits	117,042	590	792	118,424
Professional fees	276,724	425	-	277,149
Supplies, postage, and printing	40,175	358	-	40,533
Occupancy	70,681	-	-	70,681
Insurance	10,418	-	-	10,418
Technology and equipment	34,463	-	-	34,463
Travel and meetings	19,588	2,929	-	22,517
Other administrative	12,318	3,171	-	15,489
Depreciation	4,146	-	-	4,146
Total expenses	\$ 1,255,990	\$ 85,385	\$ 5,060	\$ 1,346,435

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

Statements of Cash Flows

SEATTLE NEIGHBORHOOD GROUP
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (48,059)	\$ 25,152
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	4,535	4,146
(Increase) decrease in receivables	(69,512)	29,506
(Increase) decrease in prepaid expenses and other	(6,628)	4,060
Increase (decrease) in accounts payable	52,735	(55,395)
Increase in accrued payroll and benefits	14,902	25,731
Increase in accrued expenses	63,218	-
Net cash from operating activities	11,191	33,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(10,147)
Net cash used in investing activities	-	(10,147)
Net increase in cash and cash equivalents	11,191	23,053
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	304,680	281,627
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 315,871	\$ 304,680

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

**SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1 DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Seattle Neighborhood Group (the Organization) is a Washington nonprofit corporation incorporated March 27, 1989. The purpose of the Organization 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 \$9,320 and \$26,630 of net assets with donor restrictions at December 31, 2020 and 2019, 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.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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 in the United States. On occasion, the Organization has amounts deposited with financial institutions in excess of 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, 2020 and 2019.

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 expense for the years ended December 31, 2020 and 2019 amounted to \$4,535 and \$4,146, respectively.

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.

**SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Tax Exempt Status (continued)

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.

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.

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 2020 and 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 ASC 606 in 2020 and elected to delay on ASC 482 until 2022.

Subsequent Events

Subsequent events were evaluated through October 15, 2021, which is the date the financial statements were available to be issued.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 2 **AVAILABLE RESOURCES AND LIQUIDITY**

At December 31, 2020, 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 \$315,871 and \$222,575, 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**

The Organization occupies office space under an operating lease until December 31, 2021. The monthly lease payment is \$3,650.

The Organization leases copier equipment under an operating lease that expires December 2023. The monthly lease payment is \$453.

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

2021	\$ 49,719
2022	5,919
2023	5,426
Total	\$ 61,064

Total lease expense was \$57,019 and \$50,984 during the years ended December 31, 2020 and 2019, 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 \$11,086 and \$9,704 for 2020 and 2019, respectively.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Approximately 92 percent of the Organization's revenue was earned under several contracts with the City of Seattle during 2020. As of December 31, 2020, approximately 80 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 **PAYCHECK PROTECTION PROGRAM LOAN**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, including subsequent amendments, earmarked over \$600 million through the Paycheck Protection Program (PPP), administered by the Small Business Administration (SBA), for potentially forgivable loans to support eligible small businesses impacted by COVID-19. The PPP loans, which have a two- or five-year term (depending upon when they were issued) and bear interest at 1%, are provided through SBA-approved lenders to an eligible entity.

The Organization applied and was approved for the PPP Loan amounting to \$113,900 at 1% interest rate, through its lender The Home Street Bank ("the Lender"). The Lender funded the loan on May 07, 2020 and had a maturity date of May 4, 2022.

PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-CODID-19 pandemic level. Expenses eligible to trigger forgiveness include the following:

- a. payroll costs
- b. any payment of interest on a covered mortgage obligation (excluding prepayment of or payment of principal on a covered mortgage obligation)
- c. any payment on a covered rent obligation
- d. any covered utility payment

The Organization applied for the forgiveness of the loan amounting to \$113,900 on April 20, 2021 and received the SBA PPP Loan Forgiveness Decision on May 20, 2021. As of December 31, 2020, management believes that the Organization has substantially met all the loan forgiveness criteria and recognized the loan as other revenue in the statement of activities and changes in net assets.