



## **Seattle Neighborhood Group**

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### **Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2021 and 2020**



**SEATTLE NEIGHBORHOOD GROUP**  
**INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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# **Independent Auditor's Report**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Seattle Neighborhood Group

### Opinion

We have audited the accompanying financial statements of Seattle Neighborhood Group (the Organization), which comprise the statements of financial position as of December 31, 2021 and 2020 and 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.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Organization 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.

### 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.

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 the Organization's ability to continue as a going concern within 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 auditors' 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 generally accepted 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, including omissions, 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 generally accepted 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 the Organization'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 the Organization'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.

A handwritten signature in cursive script that reads "Francis & Company".

Francis & Company, PLLC  
Seattle, Washington  
September 23, 2022

# **Statements of Financial Position**

**SEATTLE NEIGHBORHOOD GROUP**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 220,919	\$ 315,871
Accounts receivable, net	257,720	222,575
Prepaid expenses and other	10,725	16,426
Inventory	-	2,815
<b>Total current assets</b>	<b>489,364</b>	<b>557,687</b>
<b>NONCURRENT ASSETS</b>		
Computers and equipment	65,489	65,489
Less: Accumulated depreciation	(62,246)	(58,865)
<b>Total noncurrent assets</b>	<b>3,243</b>	<b>6,624</b>
<b>Total assets</b>	<b>\$ 492,607</b>	<b>\$ 564,311</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 44,251	\$ 110,084
Accrued payroll and benefits	38,651	67,382
Other accrued liabilities	-	63,218
<b>Total current liabilities</b>	<b>\$ 82,902</b>	<b>\$ 240,684</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	188,224	108,307
Board designated operating reserve	206,000	206,000
Total Without donor restrictions	394,224	314,307
With donor restrictions	15,481	9,320
<b>Total net assets</b>	<b>409,705</b>	<b>323,627</b>
<b>Total liabilities and net assets</b>	<b>\$ 492,607</b>	<b>\$ 564,311</b>

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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Contracts and grant income	\$ 1,004,711	\$ -	<b>\$ 1,004,711</b>	\$ 1,274,491	\$ -	<b>\$ 1,274,491</b>
Contribution income	27,215	-	<b>27,215</b>	19,791	-	<b>19,791</b>
Program income	248	-	<b>248</b>	9,084	-	<b>9,084</b>
Community partner projects	-	74,332	<b>74,332</b>	-	21,254	<b>21,254</b>
Other income	4,443	-	<b>4,443</b>	119,367	-	<b>119,367</b>
Total revenues and support	1,036,617	74,332	<b>1,110,949</b>	1,422,733	21,254	<b>1,443,987</b>
Net assets released from restriction	68,171	(68,171)	-	38,564	(38,564)	-
Total revenues and support	1,104,788	6,161	<b>1,110,949</b>	1,461,297	(17,310)	<b>1,443,987</b>
<b>EXPENSES</b>						
Program services	940,963	-	<b>940,963</b>	1,383,787	-	<b>1,383,787</b>
Management and general	78,922	-	<b>78,922</b>	101,769	-	<b>101,769</b>
Fundraising	4,986	-	<b>4,986</b>	6,490	-	<b>6,490</b>
Total expenses	1,024,871	-	<b>1,024,871</b>	1,492,046	-	<b>1,492,046</b>
<b>CHANGES IN NET ASSETS</b>	79,917	6,161	<b>86,078</b>	(30,749)	(17,310)	<b>(48,059)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	314,307	9,320	<b>323,627</b>	345,056	26,630	<b>371,686</b>
<b>NET ASSETS, END OF YEAR</b>	\$ 394,224	\$ 15,481	<b>\$ 409,705</b>	\$ 314,307	\$ 9,320	<b>\$ 323,627</b>

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

# Statements of Functional Expenses

**SEATTLE NEIGHBORHOOD GROUP**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				2020			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 342,996	\$ 76,425	\$ 4,160	<b>\$ 423,581</b>	\$ 413,829	\$ 84,012	\$ 5,562	\$ 503,403
Direct services	2,682	5	-	<b>2,687</b>	281,327	-	-	281,327
Professional fees	280,917	600	-	<b>281,517</b>	296,292	-	-	296,292
Payroll taxes and employee benefits	105,187	1,696	826	<b>107,709</b>	105,800	11,427	928	118,155
Occupancy	72,407	-	-	<b>72,407</b>	78,064	-	-	78,064
Supplies, postage, and printing	33,974	63	-	<b>34,037</b>	28,540	271	-	28,811
Technology and equipment	31,441	-	-	<b>31,441</b>	73,972	145	-	74,117
Travel and meetings	40,009	18	-	<b>40,027</b>	16,844	447	-	17,291
Insurance	12,329	-	-	<b>12,329</b>	11,056	-	-	11,056
Depreciation	3,382	-	-	<b>3,382</b>	4,535	-	-	4,535
Other administrative	15,639	115	-	<b>15,754</b>	73,528	5,467	-	78,995
<b>Total expenses</b>	<b>\$ 940,963</b>	<b>\$ 78,922</b>	<b>\$ 4,986</b>	<b>\$ 1,024,871</b>	<b>\$ 1,383,787</b>	<b>\$ 101,769</b>	<b>\$ 6,490</b>	<b>\$ 1,492,046</b>

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, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	<b>\$ 86,078</b>	\$ (48,059)
Adjustments to reconcile changes in net assets to net cash for operating activities		
Depreciation and amortization	<b>8,381</b>	4,535
Write-off of inventory	<b>2,815</b>	-
Increase in receivables	<b>(35,145)</b>	(69,512)
(Increase)/decrease in prepaid expenses and other	<b>701</b>	(6,628)
Increase/(decrease) in accounts payable	<b>(65,833)</b>	52,735
Increase/(decrease) in accrued payroll and benefits	<b>(28,731)</b>	14,902
Increase/(decrease) in accrued expenses	<b>(63,218)</b>	63,218
Net cash provided (used) in operating activities	<b>(94,952)</b>	11,191
Net (decrease) increase in cash and cash equivalents	<b>(94,952)</b>	11,191
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>315,871</b>	304,680
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 220,919</b>	\$ 315,871

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

# **Notes to the Financial Statements**

**SEATTLE NEIGHBORHOOD GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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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 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 \$15,481 and \$9,320 of net assets with donor restrictions at December 31, 2021 and 2020, 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**  
**DECEMBER 31, 2021 AND 2020**

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

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**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, 2021 and 2020.

**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, 2021 and 2020 amounted to \$3,382 and \$4,535, 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.



**SEATTLE NEIGHBORHOOD GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

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**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.

**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 2021 and 2020.

**Recent Authoritative Guidance, Not yet adopted**

In September 2020, the FASB issued ASU 2020-07, Not for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets, and disclose the disaggregation of the various types of contributed nonfinancial

**SEATTLE NEIGHBORHOOD GROUP**  
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**DECEMBER 31, 2021 AND 2020**

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

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**Recent Authoritative Guidance, Not yet adopted (continued)**

assets by category. Each disaggregated category requires further qualitative disclosures, including whether the assets were monetized or utilized by certain programs, the Organization's policy for monetizing versus utilizing assets, any donor-imposed restrictions associated with the assets, descriptions of the valuation techniques for fair value measures, and the principal market used to arrive at fair value. ASU 2020-07 must be applied on a retrospective basis, will take effect in fiscal years beginning after June 15, 2021, and early adoption is permitted. The Organization is evaluating ASU 2020- 07 and its effect on the presentation of its financial statements.

In February 2016, the FASB issued new lease accounting guidance in ASU No. 2016-02, Leases ("Topic 842"). This new guidance was initiated as a joint project with the IASB to simplify lease accounting and improve the quality of and comparability of financial information for users. This new guidance would eliminate the concept of off-balance sheet treatment for "operating leases" for lessees for the vast majority of lease contracts. Under Topic 842, at inception, a lessee must classify all leases with a term of over one year as either finance or operating, with both classifications resulting in the recognition of a defined "right-of-use" asset and a lease liability on the balance sheet. However, recognition in the income statement will differ depending on the lease classification, with finance leases recognizing the amortization of the right-of-use asset separate from the interest on the lease liability and operating leases recognizing a single total lease expense. Lessor accounting under ASU No. 2016-02 would be substantially unchanged from the previous lease requirements under U.S. GAAP. On April 8, 2020, in response to the coronavirus pandemic, the FASB voted to defer the effective date for Topic 842 for private companies and private nonprofit companies to fiscal years beginning after December 15, 2021. Early adoption is permitted and for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Organization is evaluating ASU No. 2016-02 and its effect on the presentation of its financial statements.

**Subsequent Events**

Subsequent events were evaluated through September 23, 2022, which is the date the financial statements were available to be issued

**SEATTLE NEIGHBORHOOD GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

At December 31, 2021, 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 \$188,224 and \$108,307, 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, 2022. 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:

2022	\$ 49,719
2023	5,426
<b>Total</b>	<b>\$ 55,145</b>

Total lease expense was \$50,352 and \$57,019 during the years ended December 31, 2021 and 2020, 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 \$20,500 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 \$10,308 and \$11,086 for 2021 and 2020, respectively.

**SEATTLE NEIGHBORHOOD GROUP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

Approximately 97 percent of the Organization's revenue was earned under several contracts with the City of Seattle during 2021. As of December 31, 2021, approximately 83 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.