



Seattle Neighborhood Group

Independent Auditor's Report and Financial Statements for the Years Ended December 31, 2022 and 2021



SEATTLE NEIGHBORHOOD GROUP
INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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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, 2022 and 2021 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, 2022 and 2021, 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
December 8, 2023

Statements of Financial Position

SEATTLE NEIGHBORHOOD GROUP
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 266,769	\$ 220,919
Accounts receivable, net	289,032	257,720
Prepaid expenses and other	9,539	10,725
Total current assets	565,340	489,364
NONCURRENT ASSETS		
Computers and equipment, net	-	3,243
Right-of-use asset – operating lease	85,787	-
Total noncurrent assets	85,787	3,243
Total assets	\$ 651,127	\$ 492,607
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 217,351	\$ 44,251
Accrued payroll and benefits	51,088	38,651
Total current liabilities	268,439	82,902
NONCURRENT LIABILITY		
Operating lease liability	87,187	-
Total liabilities	355,626	82,902
NET ASSETS		
Without donor restrictions		
Undesignated	63,242	188,224
Board designated operating reserve	206,000	206,000
Total Without donor restrictions	269,242	394,224
With donor restrictions	26,259	15,481
Total net assets	295,501	409,705
Total liabilities and net assets	\$ 651,127	\$ 492,607

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contracts and grant income	\$ 1,205,751	\$ -	\$ 1,205,751	\$ 1,004,711	\$ -	\$ 1,004,711
Contribution income	6,257	-	6,257	27,215	-	27,215
Program income	724	-	724	248	-	248
Community partner projects	-	49,819	49,819	-	74,332	74,332
Other income	3,220	-	3,220	4,443	-	4,443
Total revenues and support	1,215,952	49,819	1,265,771	1,036,617	74,332	1,110,949
Net assets released from restriction	39,041	(39,041)	-	68,171	(68,171)	-
Total revenues and support	1,254,993	10,778	1,265,771	1,104,788	6,161	1,110,949
EXPENSES						
Program services	1,235,006	-	1,235,006	940,963	-	940,963
Management and general	138,877	-	138,877	78,922	-	78,922
Fundraising	6,092	-	6,092	4,986	-	4,986
Total expenses	1,379,975	-	1,379,975	1,024,871	-	1,024,871
CHANGES IN NET ASSETS	(124,982)	10,778	(114,204)	79,917	6,161	86,078
NET ASSETS, BEGINNING OF YEAR	394,224	15,481	409,705	314,307	9,320	323,627
NET ASSETS, END OF YEAR	\$ 269,242	\$ 26,259	\$ 295,501	\$ 394,224	\$ 15,481	\$ 409,705

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, 2022 AND 2021

	2022				2021			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 469,141	\$ 80,455	\$ 5,100	\$ 554,696	\$ 342,996	\$ 76,425	\$ 4,160	\$ 423,581
Direct services	-	-	-	-	2,682	5	-	2,687
Professional fees	299,846	21,984	-	321,830	280,917	600	-	281,517
Payroll taxes and employee benefits	101,206	34,653	965	136,824	105,187	1,696	826	107,709
Occupancy	75,382	747	-	76,129	72,407	-	-	72,407
Supplies, postage, and printing	140,249	29	-	140,278	33,974	63	-	34,037
Technology and equipment	26,863	271	-	27,134	31,441	-	-	31,441
Travel and meetings	83,927	334	-	84,261	40,009	18	-	40,027
Insurance	13,524	137	-	13,661	12,329	-	-	12,329
Depreciation	3,209	32	-	3,241	3,382	-	-	3,382
Other administrative	21,659	235	27	21,921	15,639	115	-	15,754
Total expenses	\$1,235,006	\$138,877	\$6,092	\$1,379,975	\$ 940,963	\$ 78,922	\$ 4,986	\$ 1,024,871

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$(114,204)	\$ 86,078
Adjustments to reconcile changes in net assets to net cash for operating activities		
Depreciation and amortization	3,241	8,381
Write-off of inventory	-	2,815
Increase in receivables	(31,311)	(35,145)
Decrease in prepaid expenses and others	1,186	701
Increase/(decrease) in accounts payable	173,101	(65,833)
Increase/(decrease) in accrued payroll and benefits	12,437	(28,731)
Decrease in accrued expenses	-	(63,218)
Increase in right-of-use asset – operating lease	(85,787)	-
Increase in operating lease liability	87,187	-
Net cash provided by (used in) operating activities	45,850	(94,952)
Net increase (decrease) in cash and cash equivalents	45,850	(94,952)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	220,919	315,871
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 266,769	\$ 220,919

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, 2022 AND 2021

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 \$26,259 and \$15,481 of net assets with donor restrictions at December 31, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021.

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, 2022 and 2021 amounted to \$3,241 and \$3,382, respectively.

The Organization evaluates computers and equipment for impairment on an annual basis. There were no impairment charges recognized in 2022 and 2021.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use assets and operating lease liabilities.

Right-of-use asset is the Organization's right to use an underlying asset for the lease term and lease liability, the obligation to make lease payments arising from the lease. Operating lease right-to-use asset and liability are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization generally uses its incremental borrowing rate based on an estimated rate of interest for collateralized borrowing over a similar term of the lease payments. The Organization uses quoted interest rates from financial institutions to derive the incremental borrowing rate. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payment is recognized on a straight-line basis over the lease term.

Impairment of right-to-use assets is evaluated in a similar manner as described in computers and equipment.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

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.

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

The Organization 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 2022 and 2021.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Recent Accounting Pronouncements Adopted

In 2022, the Organization adopted the Financial Accounting Services Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and additional ASUs issued to clarify and update the guidance in ASC 2016-02 (collectively, "Accounting Standards Codification (ASC) Topic 842"). ASC Topic 842 modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. The Organization adopted ASC Topic 842 using the modified retrospective transition method, under which amounts in prior periods presented herein were not restated. For contracts existing at the time of adoption, the Organization elected the practical expedient and did not reassess (i) whether any are or contain leases, (ii) lease classification, and (iii) initial direct costs. The Organization's adoption of ASC Topic 842 resulted in the following as of the adoption date:

Recognition of:

Right-of-use asset – operating lease	\$ 125,580
Operating lease liability	125,580

Recent Accounting Pronouncements Issued

The Organization does not expect that any recently issued accounting pronouncements will have a material effect on the financial statements.

Subsequent Events

Subsequent events were evaluated through December 8, 2023, which is the date the financial statements were available to be issued.

NOTE 2 **AVAILABLE RESOURCES AND LIQUIDITY**

At December 31, 2022, 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 \$240,510 and \$289,032, 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 six months of average operating expenses.

SEATTLE NEIGHBORHOOD GROUP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 **LEASES**

The Organization occupies office space under an operating lease until December 31, 2024. The monthly lease payment is \$3,825.

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

As of December 31, 2022, the aggregate future minimum lease payments under the operating leases are as follows:

2023	\$ 51,326
2024	45,900
Total	\$ 97,226

Total lease expenses were \$50,774 and \$50,352 during the years ended December 31, 2022 and 2021, 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 \$10,173 and \$10,308 for 2022 and 2021, respectively.

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

Approximately 95 percent and 97 percent of the Organization's revenue was earned under several contracts with the City of Seattle during 2022 and 2021, respectively. As of December 31, 2022 and 2021, approximately 81 percent and 83 percent, respectively, 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.