



Report of Independent Auditors
and Financial Statements for
**Northwest Communities'
Education Center**
December 31, 2016 and 2015

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Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northwest Communities' Education Center

Report on Financial Statements

We have audited the accompanying financial statements of Northwest Communities' Education Center (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 from 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 audits 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 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 Northwest Communities' Education Center as of December 31, 2016 and 2015, 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.

Mon Adams LLP

Tacoma, Washington
May 16, 2017

NORTHWEST COMMUNITIES' EDUCATION CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 314,198	\$ 380,159
Accounts receivable	35,821	87,900
Grants receivable	4,277	8,531
Total current assets	354,296	476,590
PROPERTY AND EQUIPMENT		
Land	144,626	144,626
Buildings and leasehold improvements	3,261,466	3,261,466
Equipment	896,943	892,581
	4,303,035	4,298,673
Less accumulated depreciation	1,912,048	1,790,403
	2,390,987	2,508,270
TOTAL ASSETS	\$ 2,745,283	\$ 2,984,860
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,837	\$ 15,124
Deferred revenue	37,038	180,186
Accrued expenses	23,821	21,562
Total current liabilities	65,696	216,872
NET ASSETS		
Unrestricted	2,679,587	2,759,387
Temporarily restricted	-	8,601
Total net assets	2,679,587	2,767,988
TOTAL LIABILITIES AND NET ASSETS	\$ 2,745,283	\$ 2,984,860

**NORTHWEST COMMUNITIES' EDUCATION CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
UNRESTRICTED NET ASSETS SUPPORT		
Grants and contracts	\$ 284,356	\$ 373,127
Donations and contributions	10,536	15,620
Membership dues	24,666	8,281
In-kind contributions	113,010	-
Total unrestricted net assets support	432,568	397,028
RELEASED FROM TEMPORARILY RESTRICTED NET ASSETS		
Released from restrictions	8,601	8,759
REVENUE		
Underwriting and production	132,634	159,748
Rent revenue	72,855	77,368
Other income	-	4,560
Total revenue	205,489	241,676
Total support, released from restrictions, and revenue	646,658	647,463
OPERATING EXPENSES		
Salaries	326,236	260,710
Depreciation	121,645	121,434
Payroll taxes and benefits	105,077	117,245
Occupancy cost	32,141	32,493
Professional fees	31,460	73,062
Office expense	21,739	22,168
National acquisition and distribution	21,510	3,810
Miscellaneous	14,228	9,082
Repairs and maintenance	13,460	16,535
Travel and training	10,998	7,028
Telephone	7,014	9,026
Supplies	4,615	6,285
Bad debt	3,712	1,400
Equipment rental	3,500	3,500
Property taxes	3,489	2,994
Insurance	3,245	4,560
Fundraising	1,720	1,795
Advertising	669	2,274
Total operating expenses	726,458	695,401
CHANGE IN UNRESTRICTED NET ASSETS	(79,800)	(47,938)
TEMPORARILY RESTRICTED NET ASSETS		
Released from restrictions	(8,601)	(8,759)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(8,601)	(8,759)
CHANGE IN NET ASSETS	(88,401)	(56,697)
NET ASSETS, beginning of year	2,767,988	2,824,685
NET ASSETS, end of year	\$ 2,679,587	\$ 2,767,988

See accompanying notes.

NORTHWEST COMMUNITIES' EDUCATION CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (88,401)	\$ (56,697)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	121,645	121,434
Increase (decrease) in cash due to changes in assets and liabilities		
Prepaid expenses	-	186
Accounts receivable	52,079	(53,620)
Grants receivable	4,254	110,349
Accounts payable	(10,287)	(2,598)
Deferred revenue	(143,148)	28,977
Accrued expenses	2,259	1,756
Net cash from operating activities	(61,599)	149,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,362)	(9,185)
Net cash from investing activities	(4,362)	(9,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,961)	140,602
CASH AND CASH EQUIVALENTS, beginning of year	380,159	239,557
CASH AND CASH EQUIVALENTS, end of year	\$ 314,198	\$ 380,159

NORTHWEST COMMUNITIES' EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Operations

Northwest Communities' Education Center (NCEC or the Organization) is a community-based organization that addresses the social, educational, and health needs of economically disadvantaged Spanish speaking residents of Central and Eastern Washington. NCEC empowers communities to succeed and participate more fully in global and multicultural society through innovative programs and community partnerships. NCEC receives the majority of its revenues from state government and private grants. The most widely known component of NCEC is a Spanish speaking radio station (Radio KDNA) located in Granger, Washington.

The Organization receives an annual operating allocation from the Corporation of Public Broadcasting (CPB) based on annual appropriations. The Organization's revenues derived from the CPB for the years ended December 31, 2016 and 2015 approximated 24% and 26% of total revenue, respectively.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The Organization is on the accrual method of accounting for financial statement purposes. Accordingly, revenues and expenses are recognized as income and expense when incurred.

Concentration of credit risk – The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high-quality financial institutions. At times, such investments may be in excess of the federally insured limit.

Cash and cash equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and equipment – Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 5 to 30 years.

Purchased property, equipment, and betterments are capitalized when they individually have a useful life exceeding one year and a cost of \$250 or more, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Donated property and assets are valued at their fair market value at the date of receipt.

Donated services – Donated services have been reflected as in-kind contribution on the accompanying statements of activities and changes in net assets. These services include wages for personnel of a related party whose duties include marketing and outreach for the sole benefit of the Organization (See Note 9 – Related-Party Transactions). No other amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

NORTHWEST COMMUNITIES' EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Membership – The Organization collects annual membership fees from individuals and businesses in the communities. These fees are recorded as contributions to the Organization when received. There are no member services required to be provided by the Organization.

Deferred revenue – Deferred revenue consists of grant funds received that have not yet been spent in accordance with the guidelines set forth by the granting party.

Revenue recognition – All contributions and underwriting revenue are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and as an increase in unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as an increase in unrestricted net assets if the restrictions are met in the same reporting period as the income recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets and changes in net assets released from restrictions.

The Organization recognizes grant revenue in the period in which the costs are incurred and the service is provided.

Federal income tax – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. As of December 31, 2016 and 2015, the Organization had no unrelated business activities subject to federal income taxes. In accordance with requirements related to accounting for uncertainties in income taxes, the Organization had no uncertain tax positions at December 31, 2016 and 2015.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through May 16, 2017, which is the date the financial statements were available to be issued.

NORTHWEST COMMUNITIES' EDUCATION CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 – Property and Equipment

In 2005, NCEC received a grant from the Corporation for Public Broadcasting (CPB) to convert its radio transmission from analog to digital signal. As of December 31, 2006, the Organization completed the project with a total cost of \$192,000. The equipment and installation costs have been capitalized and are included in equipment and are being depreciated using the straight-line method based on the estimated useful lives of the assets. The grant agreement states that if any time within ten years of the execution of the agreement the Organization ceases to be qualified to receive a community service grant from CPB, the Organization upon request from CPB shall return any or all CPB grant funds used in the digital conversion project. This requirement was satisfied during the year ended December 31, 2015.

Note 4 – Restrictions/Limitations on Net Assets

Temporarily restricted net assets for the years ended December 31, 2016 and 2015 of zero and \$8,601, respectively, are restricted by donor stipulations for the maintenance of the building.

Note 5 – Lease Income

The Company leases offices in its commercial building to unrelated third parties under noncancelable operating leases as well as month-to-month agreements. The lease terms vary between one month to three years. Minimum lease receipts in this schedule exclude contingent rentals and rentals under renewal options, which, as of December 31, 2016, are not reasonably assured of being exercised.

The following is a schedule of unrelated third-party future minimum lease receipts required under their lease:

2017	\$	60,675
2018		6,000
2019		1,500

Note 6 – Classification of Expenses by Function

The statements of activities and changes in net assets disclose expenses by natural classification. The classification of expenses by function is as follows:

	<u>2016</u>	<u>2015</u>
Program services		
KDNA Radio Station	\$ 452,872	\$ 360,568
Health and Education	108,499	270,715
Management and general	163,367	62,323
Fundraising	<u>1,720</u>	<u>1,795</u>
	<u>\$ 726,458</u>	<u>\$ 695,401</u>

NORTHWEST COMMUNITIES' EDUCATION CENTER
NOTES TO FINANCIAL STATEMENTS

Note 7 – Operating Leases

The Organization entered into a month to month operating lease for land where its radio transmitter is located. The lease requires monthly rent of approximately \$300. Lease expense from this lease was \$3,500 for the years ended December 31, 2016 and 2015.

Note 8 – Commitments and Contingencies

As of January 1, 2008, NCEC elected to sponsor a defined contribution plan under Section 401(k) of the Internal Revenue Code that covers all employees who have met certain eligibility requirements. The Organization can elect to make certain discretionary contributions to the plan. Plan contributions for the years ended December 31, 2016 and 2015 were \$5,530 and \$5,761, respectively.

As of June 1, 2013, NCEC entered into a collective bargaining agreement for medical, dental, and vision benefits that expires on May 31, 2016. In addition, NCEC will contribute to a pension trust fund for eligible employees. Contributions into the plan for the years ended December 31, 2016 and 2015 were \$6,224 and \$6,590, respectively.

Note 9 – Related-Party Transactions

During the years ended December 31, 2016 and 2015, the Organization received \$113,010 and zero, respectively, in in-kind contributions from a related party to support operations for the Organization.