



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

NORTHWEST COMMUNITIES' EDUCATION CENTER

December 31, 2020 and 2019



MOSSADAMS

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Report of Independent Auditors

Board of Directors
Northwest Communities' Education Center

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Communities' Education Center (NCEC or the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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 Northwest Communities' Education Center 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.



Tacoma, Washington

July 2, 2021

Northwest Communities' Education Center
Statements of Financial Position

ASSETS

	December 31,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 563,099	\$ 374,448
Accounts receivable	308,858	204,191
Total current assets	871,957	578,639
PROPERTY AND EQUIPMENT		
Land	144,626	144,626
Buildings and leasehold improvements	3,261,466	3,261,466
Equipment	920,619	920,619
	4,326,711	4,326,711
Less accumulated depreciation	(2,390,542)	(2,273,442)
	1,936,169	2,053,269
Total assets	\$ 2,808,126	\$ 2,631,908

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 51,022	\$ 6,582
Deferred revenue	144,364	226,660
Accrued expenses	27,395	22,733
Total current liabilities	222,781	255,975
NET ASSETS		
Without donor restrictions	2,585,345	2,375,933
Total liabilities and net assets	\$ 2,808,126	\$ 2,631,908

Northwest Communities' Education Center

Statements of Activities and Changes in Net Assets

	Years Ended December 31,	
	2020	2019
SUPPORT		
Grants and contracts	\$ 834,050	\$ 245,845
Donations and contributions	21,567	41,118
Membership dues	11,418	16,267
In-kind contributions	55,932	128,335
Total support	922,967	431,565
REVENUE		
Underwriting and production	396,660	132,738
Lease income	82,240	79,411
Other income	-	110
Total revenue	478,900	212,259
Total support and revenue	1,401,867	643,824
OPERATING EXPENSES		
Salaries	538,120	357,046
Professional fees	131,466	33,670
Payroll taxes and benefits	128,573	120,529
Depreciation	117,100	120,189
Supplies	75,077	1,752
National acquisition and distribution	47,000	17,469
Office expense	41,240	24,456
Repairs and maintenance	36,667	28,933
Occupancy cost	30,150	29,224
Telephone	17,568	7,568
Travel and training	11,906	13,183
Miscellaneous	7,879	6,968
Property taxes	4,796	3,648
Equipment rental	3,000	3,000
Bad debt	1,350	3,800
Advertising	563	96
Fundraising	-	3,779
Insurance	-	2,695
Total operating expenses	1,192,455	778,005
CHANGE IN NET ASSETS	209,412	(134,181)
NET ASSETS, beginning of year	2,375,933	2,510,114
NET ASSETS, end of year	\$ 2,585,345	\$ 2,375,933

Northwest Communities' Education Center Statements of Cash Flows

	Years Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 209,412	\$ (134,181)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	117,100	120,189
Increase (decrease) in cash due to changes in assets and liabilities		
Prepaid expenses	-	38
Accounts receivable	(104,667)	(174,055)
Accounts payable	44,440	(16,186)
Deferred revenue	(82,296)	196,706
Accrued expenses	4,662	4,324
Net cash (used in) from operating activities	<u>188,651</u>	<u>(3,165)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,651	(3,165)
CASH AND CASH EQUIVALENTS, beginning of year	<u>374,448</u>	<u>377,613</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 563,099</u></u>	<u><u>\$ 374,448</u></u>

Northwest Communities' Education Center
Statements of Functional Expenses

	For the Year Ended December 31, 2020			
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Salaries	\$ 217,695	\$ 264,525	\$ 55,900	\$ 538,120
Professional fees	57,805	73,661	-	131,466
Payroll taxes and benefits	71,384	39,418	17,771	128,573
Depreciation	37,472	-	79,628	117,100
Supplies	726	74,049	302	75,077
National acquisition and distribution	47,000	-	-	47,000
Office expense	24,834	13,056	3,350	41,240
Repairs and maintenance	21,433	4,815	10,419	36,667
Occupancy cost	17,203	12,947	-	30,150
Telephone	15,761	480	1,327	17,568
Travel and training	7,201	4,077	628	11,906
Miscellaneous	4,965	2,274	640	7,879
Property taxes	4,796	-	-	4,796
Equipment rental	3,000	-	-	3,000
Bad debt	-	-	1,350	1,350
Property taxes	169	394	-	563
Insurance	-	-	-	-
	<u>\$ 531,444</u>	<u>\$ 489,696</u>	<u>\$ 171,315</u>	<u>\$ 1,192,455</u>

Northwest Communities' Education Center Statements of Functional Expenses

	For the Year Ended December 31, 2019			
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Salaries	\$ 283,094	\$ 47,972	\$ 25,980	\$ 357,046
Payroll taxes and benefits	85,193	18,358	16,978	120,529
Depreciation	38,246	75,296	6,647	120,189
Professional fees	33,385	285	-	33,670
Occupancy cost	17,565	-	11,659	29,224
Repairs and maintenance	10,848	4,530	13,555	28,933
Office expense	21,426	61	2,969	24,456
National acquisition and distribution	17,469	-	-	17,469
Travel and training	10,567	2,616	-	13,183
Telephone	6,517	480	571	7,568
Miscellaneous	5,094	1,853	21	6,968
Bad debt	3,800	-	-	3,800
Fundraising	3,779	-	-	3,779
Property taxes	3,638	-	10	3,648
Equipment rental	3,000	-	-	3,000
Insurance	2,695	-	-	2,695
Supplies	1,752	-	-	1,752
Advertising	96	-	-	96
	\$ 548,164	\$ 151,451	\$ 78,390	\$ 778,005

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 for Public Broadcasting (CPB) based on annual appropriations. The Organization's revenues derived from the CPB for the years ended December 31, 2020 and 2019 approximated 29% and 25%, respectively, of total grants and contracts support.

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 when earned and expensed 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 with high-quality financial institutions. At times, such cash 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.

Accounts receivable – The Organization carries its accounts receivable at standard rates. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for uncollectible balances. Historically, write-offs are insignificant. There are no significant receivables greater than 90 days that have not been collected subsequent to year end at December 31, 2020 and 2019. The Organization does not accrue interest on past due accounts. Management has determined no allowance for doubtful accounts was deemed necessary as of December 31, 2020 and 2019.

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 \$1,500 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.

Northwest Communities' Education Center Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Financial statement presentation – The Organization presents its financial statements in accordance with generally accepted accounting principles (GAAP), as codified by the Financial Accounting Standards Board (FASB). Under the Accounting Standards Codifications (ASC) 958, *Not-for-Profit Entities*, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These are reported as reclassifications between the applicable classes of net assets. The Organization had no net assets with donor restrictions at December 31, 2020 and 2019, respectively.

Donated services – Donated services have been reflected as in-kind contributions 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 6 – 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.

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 results from normal timing differences between payments being received and the satisfaction of performance obligations for grants and contracts, underwriting and production, and lease revenue.

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, 2020 and 2019, 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, 2020 and 2019.

Use of estimates – The preparation of financial statements in accordance 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.

Northwest Communities' Education Center

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue recognition – Revenues are reported at amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing services. Revenue is recognized as performance obligations are satisfied. Generally, performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on allowable costs incurred. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Grants and contracts – The Organization's revenues from grants and contracts are recognized at fair value, on the earlier of the receipt of cash or an unconditional promise to give. Grants awarded by federal agencies are generally considered nonreciprocal transactions restricted by the agency for certain purposes, and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are substantially met.

Donations and contributions – Donations and contributions can be either a gift, grant, bequest, donation or appropriation (i.e. the form criterion). It must be unconditionally provided. The contribution must be provided for construction or operation of a noncommercial, educational broadcast station; or the production, acquisition, distribution, or dissemination of educational television or radio programs and related activities.

In-kind contributions – In-kind contributions are donated services that include wages for related party personnel whose duties including marketing and outreach for the sole benefit of the Organization. These donations are recognized at the point in which services are performed.

Underwriting and production – Underwriting and production is a third-party piece read aloud by the station personnel that are technical and informative. The Organization's revenues from underwriting and production are recognized at the agreed-upon contractual amount for the production of programs, most of which are started and completed within one hour, as the customer simultaneously receives the benefits of the services as they are performed.

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 with donor restrictions and increase the respective class of net assets. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Investment income that is limited to specific uses by donor restrictions is reported as an increase in net assets without donor restrictions if the restrictions are met in the same reporting period as the income recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Northwest Communities' Education Center Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

New accounting pronouncements not yet adopted – In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (ASU 2016-02), *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability in the statement of financial position for all leases, including operating leases, with terms of more than twelve months. The new guidance will be effective for nonpublic company fiscal years beginning on or after December 15, 2021, with early adoption permitted. The amendment must be applied on a modified retrospective basis.

The Organization is currently evaluating the impact of the adoption of this standard on the financial statements.

Reclassifications – Changes have been made to prior year account classifications as needed to conform to the current year presentation.

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 July 2, 2021, which is the date the financial statements were available to be issued.

Note 3 – Lease Income

The Organization leases offices in its commercial building to unrelated third parties under month-to-month agreements. Lease income of \$82,240 and \$79,411 was recorded for the years ended December 31, 2020 and 2019, respectively.

Note 4 – Operating Leases

The lease requires monthly rent of approximately \$300. Lease expense was \$3,000 for the years ended December 31, 2020 and 2019.

Note 5 – 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, 2020 and 2019 were \$3,871 and \$5,385, respectively.

Northwest Communities' Education Center

Notes to Financial Statements

Note 5 – Commitments and Contingencies (continued)

As of June 1, 2016, NCEC entered into a collective bargaining agreement for medical, dental, and vision benefits that expires on May 31, 2021. In addition, NCEC will contribute to a pension trust fund for eligible employees. Contributions into the plan for the years ended December 31, 2020 and 2019 were \$7,206 and \$5,983, respectively

In the ordinary course of business, NCEC is a party to claims and legal actions. After consulting with legal counsel, management of NCEC is of the opinion that any liability that may ultimately be incurred as a result of claims or legal actions will not have a material effect on the financial position or results of operations of the Organization.

The global crisis resulting from the spread of COVID-19 had a substantial impact on the economy throughout the country during the year ended December 31, 2020. Management cannot currently estimate the duration or the future impact of the COVID-19 pandemic on the Company; neither are they able to predict how the pandemic will evolve nor how various government entities will respond to its evolution. Although the Company managed the challenges of COVID-19 through 2020, it could be impacted by future COVID-19 events. Such material adverse impacts from the COVID-19 pandemic could result in reduced future revenue and cash flow.

Note 6 – Related-Party Transactions

During the years ended December 31, 2020 and 2019, the Organization received \$55,932 and \$128,335, respectively, in in-kind contributions from a related party to support operations for the Organization.

Note 7 – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2020, the following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

	December 31,	
	2020	2019
Financial assets		
Cash and cash equivalents	\$ 563,099	\$ 374,448
Accounts receivable	308,858	204,191
	<u> </u>	<u> </u>
Net cash from operating activities, available to meet cash needs for general expenditures within one year	<u>\$ 871,957</u>	<u>\$ 578,639</u>

Northwest Communities' Education Center
Notes to Financial Statements

Note 8 – Functional Support and Revenue

For the year ended December 31, 2020 and 2019, revenues can be broken down as follows:

	For the Year Ended December 31, 2020			Total
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	
REVENUES				
Grants and contracts	\$ 245,787	\$ 588,263	\$ -	\$ 834,050
Donations and contributions	10,591	10,637	339	21,567
Membership dues	11,268	40	110	11,418
In-kind contributions	41,011	-	14,921	55,932
Underwriting and production	183,170	213,340	150	396,660
Lease income	-	-	82,240	82,240
	<u>\$ 491,827</u>	<u>\$ 812,280</u>	<u>\$ 97,760</u>	<u>\$ 1,401,867</u>

	For the Year Ended December 31, 2019			Total
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	
REVENUES				
Grants and contracts	\$ 158,436	\$ 87,409	\$ -	\$ 245,845
Donations and contributions	35,281	5,837	-	41,118
Membership dues	16,267	-	-	16,267
In-kind contributions	90,084	-	38,251	128,335
Underwriting and production	132,738	-	-	132,738
Lease income	-	-	79,411	79,411
Other income	-	-	110	110
	<u>\$ 432,806</u>	<u>\$ 93,246</u>	<u>\$ 117,772</u>	<u>\$ 643,824</u>



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