



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**NORTHWEST COMMUNITIES' EDUCATION CENTER**

December 31, 2021 and 2020



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## **Report of Independent Auditors**

The Board of Directors of  
Northwest Communities' Education Center

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Northwest Communities' Education Center, 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, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northwest Communities' Education Center 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 (GAAS). 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 Northwest Communities' Education Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Northwest Communities' Education Center'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 auditor's 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 GAAS 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 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 GAAS, 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 Northwest Communities' Education Center'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 Northwest Communities' Education Center'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.



Seattle, Washington  
August 2, 2022

**Northwest Communities' Education Center**  
**Statements of Financial Position**

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**ASSETS**

	December 31,	
	2021	2020
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 806,828	\$ 563,099
Accounts receivable	658,667	308,858
Total current assets	1,465,495	871,957
<b>PROPERTY AND EQUIPMENT</b>		
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	(2,504,967)	(2,390,542)
	1,821,744	1,936,169
Total assets	\$ 3,287,239	\$ 2,808,126

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 177,172	\$ 51,022
Deferred revenue	428,404	144,364
Accrued expenses	50,226	27,395
Total current liabilities	655,802	222,781
<b>NET ASSETS</b>		
Without donor restrictions	2,631,437	2,585,345
Total liabilities and net assets	\$ 3,287,239	\$ 2,808,126

## Northwest Communities' Education Center

### Statements of Activities and Changes in Net Assets

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	Years Ended December 31,	
	2021	2020
<b>SUPPORT</b>		
Grants and contracts	\$ 3,407,618	\$ 834,050
Donations and contributions	6,443	21,567
Membership dues	16,042	11,418
In-kind contributions	119,522	55,932
Total support	3,549,625	922,967
<b>REVENUE</b>		
Underwriting and production	457,550	396,660
Lease income	68,125	82,240
Total revenue	525,675	478,900
Total support and revenue	4,075,300	1,401,867
<b>OPERATING EXPENSES</b>		
Grant disbursements	2,683,042	-
Salaries	791,638	538,120
Payroll taxes and benefits	148,591	128,573
Depreciation	114,425	117,100
Professional fees	62,926	131,466
Supplies	48,568	75,077
Office expense	49,235	41,240
National acquisition and distribution	30,000	47,000
Occupancy cost	29,351	30,150
Repairs and maintenance	18,806	36,667
Travel and training	16,112	11,906
Advertising	15,170	563
Telephone	8,406	17,568
Miscellaneous	6,417	7,879
Insurance	4,134	-
Property taxes	2,387	4,796
Equipment rental	-	3,000
Bad debt	-	1,350
Total operating expenses	4,029,208	1,192,455
CHANGE IN NET ASSETS	46,092	209,412
NET ASSETS, beginning of year	2,585,345	2,375,933
NET ASSETS, end of year	\$ 2,631,437	\$ 2,585,345

## Northwest Communities' Education Center Statements of Cash Flows

	Years Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 46,092	\$ 209,412
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	114,425	117,100
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable	(349,809)	(104,667)
Accounts payable	126,150	44,440
Deferred revenue	284,040	(82,296)
Accrued expenses	22,831	4,662
Net cash from operating activities	<u>243,729</u>	<u>188,651</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	243,729	188,651
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>563,099</u>	<u>374,448</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 806,828</u></u>	<u><u>\$ 563,099</u></u>

## Northwest Communities' Education Center

### Statements of Functional Expenses

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	For the Year Ended December 31, 2021			
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Grant disbursements	\$ -	\$ 2,683,042	\$ -	\$ 2,683,042
Salaries	304,260	438,386	48,992	791,638
Payroll taxes and benefits	65,783	63,937	18,871	148,591
Depreciation	36,616	72,087	5,722	114,425
Professional fees	37,366	25,560	-	62,926
Supplies	2,676	45,892	-	48,568
Office expense	34,299	7,202	7,734	49,235
National acquisition and distribution	30,000	-	-	30,000
Occupancy cost	16,023	-	13,328	29,351
Repairs and maintenance	8,029	1,335	9,442	18,806
Travel and training	7,882	8,230	-	16,112
Advertising	-	-	15,170	15,170
Telephone	7,635	480	291	8,406
Miscellaneous	2,320	3,775	322	6,417
Insurance	4,134	-	-	4,134
Property taxes	2,387	-	-	2,387
Equipment rental	-	-	-	-
Bad debt	-	-	-	-
	<u>\$ 559,410</u>	<u>\$ 3,349,926</u>	<u>\$ 119,872</u>	<u>\$ 4,029,208</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				
Grant disbursements	\$ -	\$ -	\$ -	\$ -
Salaries	217,695	264,525	55,900	538,120
Payroll taxes and benefits	71,384	39,418	17,771	128,573
Depreciation	37,472	-	79,628	117,100
Professional fees	57,805	73,661	-	131,466
Supplies	726	74,049	302	75,077
Office expense	24,834	13,056	3,350	41,240
National acquisition and distribution	47,000	-	-	47,000
Occupancy cost	17,203	12,947	-	30,150
Repairs and maintenance	21,433	4,815	10,419	36,667
Travel and training	7,201	4,077	628	11,906
Advertising	169	394	-	563
Telephone	15,761	480	1,327	17,568
Miscellaneous	4,965	2,274	640	7,879
Insurance	-	-	-	-
Property taxes	4,796	-	-	4,796
Equipment rental	3,000	-	-	3,000
Bad debt	-	-	1,350	1,350
	<u>\$ 531,444</u>	<u>\$ 489,696</u>	<u>\$ 171,315</u>	<u>\$ 1,192,455</u>

# Northwest Communities' Education Center

## Notes to Financial Statements

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### 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, 2021 and 2020 approximated 5% and 29%, 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, 2021 and 2020. 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, 2021 and 2020.

**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

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### **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, 2021 and 2020, 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 5 – 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, 2021 and 2020, 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, 2021 and 2020.

**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

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#### 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

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### **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 August 2, 2022, 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 \$68,125 and \$82,240 was recorded for the years ended December 31, 2021 and 2020 respectively.

### **Note 4 – 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, 2021 and 2020, were \$4,449 and \$3,871, respectively.

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, 2021 and 2020, were \$8,095 and \$7,206, respectively.

# Northwest Communities' Education Center

## Notes to Financial Statements

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### Note 4 – Commitments and Contingencies (continued)

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, 2021. Management cannot currently estimate the duration or the future impact of the COVID-19 pandemic on the Organization; neither are they able to predict how the pandemic will evolve nor how various government entities will respond to its evolution. Although the Organization managed the challenges of COVID-19 through 2021, 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.

The Organization received additional funding in 2021 from the U. S Department of Treasury passed through Washington State Department of Commerce for the Emergency Rental Assistance Program. Included in the statement of activities and changes in net assets was the related revenue of approximately \$2,857,000 included in grants and contracts and rental assistance of approximately \$2,660,000 included in grant disbursements, which represented a majority of the program expenditures. In addition, approximately \$566,000 of the outstanding accounts receivable as of December 31, 2021, related to this program and was received by February 2022.

### Note 5 – Related-Party Transactions

During the years ended December 31, 2021 and 2020, the Organization received \$119,522 and \$55,932, respectively, in in-kind contributions from a related party to support operations for the Organization.

### Note 6 – 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, 2021, 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,	
	2021	2020
Financial assets		
Cash and cash equivalents	\$ 806,828	\$ 563,099
Accounts receivable	658,667	308,858
Net cash from operating activities, available to meet cash needs for general expenditures within one year	<u>\$ 1,465,495</u>	<u>\$ 871,957</u>

## Northwest Communities' Education Center Notes to Financial Statements

### Note 7 – Functional Support and Revenue

For the year ended December 31, 2021 and 2020, revenues can be broken down as follows:

	For the Year Ended December 31, 2021			Total
	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	
REVENUES				
Grants and contracts	\$ 182,433	\$ 3,225,185	\$ -	\$ 3,407,618
Donations and contributions	6,443	-	-	6,443
Membership dues	16,042	-	-	16,042
In-kind contributions	79,843	-	39,679	119,522
Underwriting and production	211,720	245,830	-	457,550
Lease income	-	-	68,125	68,125
	<u>\$ 496,481</u>	<u>\$ 3,471,015</u>	<u>\$ 107,804</u>	<u>\$ 4,075,300</u>

	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>

