Report of Independent Auditors
and Financial Statements

Northwest Communities' Education Center

December 31, 2022 and 2021

MOSSADAMS

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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, 2022 and 2021, 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, 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 (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.

Moss Adams LLP

Seattle, Washington
July 14, 2023

Financial Statements

Northwest Communities' Education Center
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,570,383	$ 806,828
Accounts receivable	482,199	658,667
Total current assets	2,052,582	1,465,495
PROPERTY AND EQUIPMENT		
Land	144,626	144,626
Buildings and leasehold improvements	3,261,466	3,261,466
Equipment	926,119	920,619
	4,332,211	4,326,711
Less accumulated depreciation	(2,618,300)	(2,504,967)
	1,713,911	1,821,744
Total assets	$ 3,766,493	$ 3,287,239
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 23,746	$ 177,172
Deferred revenue	439,698	428,404
Accrued expenses	48,262	50,226
Total current liabilities	511,706	655,802
NET ASSETS		
Without donor restrictions	3,254,787	2,631,437
Total liabilities and net assets	$ 3,766,493	$ 3,287,239

See accompanying notes.

Northwest Communities' Education Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
SUPPORT		
Grants and contracts	$ 1,914,714	$ 3,407,618
Donations and contributions	20,022	6,443
Membership dues	11,495	16,042
In-kind contributions	42,619	119,522
Total support	1,988,850	3,549,625
REVENUE		
Underwriting and production	464,093	457,550
Lease income	59,325	68,125
Other income	32	-
Total revenue	523,450	525,675
Total support and revenue	2,512,300	4,075,300
OPERATING EXPENSES		
Grant disbursements	259,527	2,683,042
Salaries	885,497	791,638
Payroll taxes and benefits	212,382	148,591
Depreciation	113,334	114,425
Professional fees	123,670	62,926
Supplies	82,006	48,568
Office expense	52,498	49,235
National acquisition and distribution	35,000	30,000
Occupancy cost	33,786	29,351
Repairs and maintenance	43,576	18,806
Travel and training	15,438	16,112
Advertising	-	15,170
Telephone	10,092	8,406
Miscellaneous	11,726	6,417
Insurance	4,780	4,134
Property taxes	3,638	2,387
Fundraising	2,000	-
Total operating expenses	1,888,950	4,029,208
CHANGE IN NET ASSETS	623,350	46,092
NET ASSETS, beginning of year	2,631,437	2,585,345
NET ASSETS, end of year	$ 3,254,787	$ 2,631,437

See accompanying notes.

Northwest Communities' Education Center
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 623,350	$ 46,092
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	113,334	114,425
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable	176,468	(349,809)
Accounts payable	(153,426)	126,150
Deferred revenue	11,294	284,040
Accrued expenses	(1,964)	22,831
Net cash from operating activities	769,056	243,729
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of equipment	(5,501)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	763,555	243,729
CASH AND CASH EQUIVALENTS, beginning of year	806,828	563,099
CASH AND CASH EQUIVALENTS, end of year	$ 1,570,383	$ 806,828

See accompanying notes.

Northwest Communities' Education Center
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Salaries	$ 222,016	$ 619,406	$ 44,075	$ 885,497
Grant disbursements	-	259,527	-	259,527
Payroll taxes and benefits	72,603	123,131	16,648	212,382
Professional fees	43,904	57,725	22,041	123,670
Depreciation	36,267	71,400	5,667	113,334
Supplies	3,222	78,014	770	82,006
Office expense	34,798	14,306	3,394	52,498
Repairs and maintenance	27,999	6,810	8,767	43,576
National acquisition and distribution	35,000	-	-	35,000
Occupancy cost	13,456	-	20,330	33,786
Travel and training	4,388	11,050	-	15,438
Miscellaneous	1,507	10,219	-	11,726
Telephone	9,203	480	409	10,092
Insurance	4,780	-	-	4,780
Property taxes	3,638	-	-	3,638
Fundraising	1,500	-	500	2,000
Advertising	-	-	-	-
	$ 514,281	$ 1,252,068	$ 122,601	$ 1,888,950

See accompanying notes.

Northwest Communities' Education Center
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Salaries	$ 304,260	$ 438,386	$ 48,992	$ 791,638
Grant disbursements	-	2,683,042	-	2,683,042
Payroll taxes and benefits	65,783	63,937	18,871	148,591
Professional fees	37,366	25,560	-	62,926
Depreciation	36,616	72,087	5,722	114,425
Supplies	2,676	45,892	-	48,568
Office expense	34,299	7,202	7,734	49,235
Repairs and maintenance	8,029	1,335	9,442	18,806
National acquisition and distribution	30,000	-	-	30,000
Occupancy cost	16,023	-	13,328	29,351
Travel and training	7,882	8,230	-	16,112
Miscellaneous	2,320	3,775	322	6,417
Telephone	7,635	480	291	8,406
Insurance	4,134	-	-	4,134
Property taxes	2,387	-	-	2,387
Fundraising	-	-	-	-
Advertising	-	-	15,170	15,170
	$ 559,410	$ 3,349,926	$ 119,872	$ 4,029,208

See accompanying notes.

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 most 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, 2022 and 2021, approximated 14% and 5%, 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, 2022 and 2021. 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, 2022 and 2021.

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.

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021.

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.

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.

Functional allocation of expenses – Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based upon employee time and effort. The allocation has been made based on management's best estimate of the actual resources used in those areas. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Reclassifications – Changes have been made to prior year account classifications as needed to conform to the current year presentation. These changes had no impact on total change in net assets.

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 14, 2023, 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 $59,325 and $68,125 was recorded for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, were $4,838 and $4,449, respectively.

As of June 1, 2016, NCEC entered into a collective bargaining agreement for medical, dental, and vision benefits that expires on May 31, 2025. In addition, NCEC will contribute to a pension trust fund for eligible employees. Contributions into the plan for the years ended December 31, 2022 and 2021, were $9,810 and $8,095, 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 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, 2022 and 2021, the Organization received $42,619 and $119,522, 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, 2022, the following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 1,570,383	$ 806,828
Accounts receivable	482,199	658,667
Net cash from operating activities, available to meet cash needs for general expenditures within one year	$ 2,052,582	$ 1,465,495

Note 7 – Functional Support and Revenue

For the years ended December 31, 2022 and 2021, revenues can be broken down as follows:

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
2022 REVENUES				
Grants and contracts	$ 166,500	$ 1,748,214	$ -	$ 1,914,714
Donations and contributions	20,022	-	-	20,022
Membership dues	11,495	-	-	11,495
In-kind contributions	42,619	-	-	42,619
Underwriting and production	247,456	216,637	-	464,093
Lease income	-	-	59,325	59,325
Other income	32	-	-	32
	$ 488,124	$ 1,964,851	$ 59,325	$ 2,512,300

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
2021 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
	$ 496,481	$ 3,471,015	$ 107,804	$ 4,075,300

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