



Report of Independent Auditors
and Financial Statements

Northwest Communities' Education Center

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 11, 2024

Financial Statements

Northwest Communities' Education Center
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,606,586	\$ 1,570,383
Accounts receivable	1,141,092	482,199
	<u>3,747,678</u>	<u>2,052,582</u>
Total current assets		
PROPERTY AND EQUIPMENT		
Land	144,626	144,626
Buildings and leasehold improvements	3,261,466	3,261,466
Equipment	926,119	926,119
	<u>4,332,211</u>	<u>4,332,211</u>
Less accumulated depreciation	<u>(2,731,224)</u>	<u>(2,618,300)</u>
	<u>1,600,987</u>	<u>1,713,911</u>
Total assets	<u>\$ 5,348,665</u>	<u>\$ 3,766,493</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,063,775	\$ 23,746
Deferred revenue	347,028	439,698
Accrued expenses	37,443	48,262
	<u>1,448,246</u>	<u>511,706</u>
Total current liabilities		
NET ASSETS		
Without donor restrictions	<u>3,900,419</u>	<u>3,254,787</u>
Total liabilities and net assets	<u>\$ 5,348,665</u>	<u>\$ 3,766,493</u>

See accompanying notes.

Northwest Communities' Education Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
SUPPORT		
Grants and contracts	\$ 1,974,068	\$ 1,914,714
Donations and contributions	64,462	20,022
Membership dues	19,792	11,495
In-kind contributions	88,133	42,619
Total support	2,146,455	1,988,850
REVENUE		
Underwriting and production	651,510	464,093
Interest income	35,539	-
Lease income	61,405	59,325
Other income	4,725	32
Total revenue	753,179	523,450
Total support and revenue	2,899,634	2,512,300
OPERATING EXPENSES		
Salaries	849,514	885,497
Grant disbursements	530,886	259,527
Payroll taxes and benefits	209,513	212,382
Supplies	141,226	82,006
Professional fees	117,087	123,670
Depreciation	112,924	113,334
Repairs and maintenance	62,162	43,576
Office expense	39,562	52,498
Occupancy cost	41,492	33,786
Travel and training	40,973	15,438
National acquisition and distribution	38,000	35,000
Bad debt	35,592	-
Miscellaneous	12,568	11,726
Telephone	11,745	10,092
Insurance	5,415	4,780
Property taxes	3,343	3,638
Fundraising	2,000	2,000
Total operating expenses	2,254,002	1,888,950
CHANGE IN NET ASSETS	645,632	623,350
NET ASSETS, beginning of year	3,254,787	2,631,437
NET ASSETS, end of year	\$ 3,900,419	\$ 3,254,787

See accompanying notes.

Northwest Communities' Education Center
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 645,632	\$ 623,350
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	112,924	113,334
Increase (decrease) in cash due to changes in assets and liabilities		
Accounts receivable	(658,893)	176,468
Accounts payable	1,040,029	(153,426)
Deferred revenue	(92,670)	11,294
Accrued expenses	<u>(10,819)</u>	<u>(1,964)</u>
Net cash from operating activities	<u>1,036,203</u>	<u>769,056</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of equipment	<u>-</u>	<u>(5,501)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,036,203	763,555
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,570,383</u>	<u>806,828</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,606,586</u></u>	<u><u>\$ 1,570,383</u></u>

See accompanying notes.

Northwest Communities' Education Center
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
EXPENSES				
Salaries	\$ 316,837	\$ 506,378	\$ 26,299	\$ 849,514
Grant disbursements	-	530,886	-	530,886
Payroll taxes and benefits	97,305	94,653	17,555	209,513
Supplies	5,367	135,859	-	141,226
Professional fees	58,842	55,151	3,094	117,087
Depreciation	36,136	71,143	5,645	112,924
Repairs and maintenance	22,626	28,571	10,965	62,162
Office expense	30,386	3,740	5,436	39,562
Occupancy cost	16,987	-	24,505	41,492
Travel and training	12,987	27,986	-	40,973
National acquisition and distribution	38,000	-	-	38,000
Bad debt	35,592	-	-	35,592
Miscellaneous	4,457	5,303	2,808	12,568
Telephone	10,878	300	567	11,745
Insurance	5,415	-	-	5,415
Property taxes	3,343	-	-	3,343
Fundraising	2,000	-	-	2,000
	<u>\$ 697,158</u>	<u>\$ 1,459,970</u>	<u>\$ 96,874</u>	<u>\$ 2,254,002</u>

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
Supplies	3,222	78,014	770	82,006
Professional fees	43,904	57,725	22,041	123,670
Depreciation	36,267	71,400	5,667	113,334
Repairs and maintenance	27,999	6,810	8,767	43,576
Office expense	34,798	14,306	3,394	52,498
Occupancy cost	13,456	-	20,330	33,786
Travel and training	4,388	11,050	-	15,438
National acquisition and distribution	35,000	-	-	35,000
Bad debt	-	-	-	-
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
	<u>\$ 514,281</u>	<u>\$ 1,252,068</u>	<u>\$ 122,601</u>	<u>\$ 1,888,950</u>

See accompanying notes.

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 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, 2023 and 2022, approximated 18% and 14%, 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, 2023 and 2022. The Organization does not accrue interest on past due accounts. Management has determined no allowance for credit losses was deemed necessary as of December 31, 2023 and 2022.

At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization.

Northwest Communities' Education Center

Notes to Financial Statements

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

Northwest Communities' Education Center

Notes to Financial Statements

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.

Recently adopted accounting guidance – In June 2016, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization subject to the guidance in FASB ASC 326 were accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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.

Northwest Communities' Education Center

Notes to Financial Statements

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 11, 2024, 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 \$61,405 and \$59,325 was recorded for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, were \$6,969 and \$4,838, respectively.

Northwest Communities' Education Center

Notes to Financial Statements

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, 2023 and 2022, were \$10,517 and \$9,810, 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.

Note 5 – Related-Party Transactions

During the years ended December 31, 2023 and 2022, the Organization received \$88,133 and \$42,619, 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, 2023, the following assets could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 2,606,586	\$ 1,570,383
Accounts receivable	<u>1,141,092</u>	<u>482,199</u>
Net cash from operating activities, available to meet cash needs for general expenditures within one year	<u><u>\$ 3,747,678</u></u>	<u><u>\$ 2,052,582</u></u>

Northwest Communities' Education Center

Notes to Financial Statements

Note 7 – Functional Support and Revenue

For the years ended December 31, 2023 and 2022, revenues can be broken down as follows:

	Program Services (Radio)	Health and Education (Non-Radio)	Management and General (Non-Radio)	Total
2023 REVENUES				
Grants and contracts	\$ 203,041	\$ 1,764,027	\$ 7,000	\$ 1,974,068
Donations and contributions	64,462	-	-	64,462
Membership dues	19,792	-	-	19,792
In-kind contributions	88,133	-	-	88,133
Underwriting and production	224,847	410,338	16,325	651,510
Interest income	-	-	35,539	35,539
Lease income	-	-	61,405	61,405
Other income	2,177	-	2,548	4,725
	<u>\$ 602,452</u>	<u>\$ 2,174,365</u>	<u>\$ 122,817</u>	<u>\$ 2,899,634</u>
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
Interest income	-	-	-	-
Lease income	-	-	59,325	59,325
Other income	32	-	-	32
	<u>\$ 488,124</u>	<u>\$ 1,964,851</u>	<u>\$ 59,325</u>	<u>\$ 2,512,300</u>

