

NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2021 AND 2020

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2021



NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

We have audited the accompanying financial statements of Neighborhood House, Incorporated, a nonprofit corporation, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood House, Incorporated as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Neighborhood House, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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.

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 Neighborhood House, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Neighborhood House, Incorporated'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 Neighborhood House, Incorporated'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022 on our consideration of the Neighborhood House, Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Neighborhood House, Incorporated's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood House, Incorporated's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

Seattle, Washington

June 16, 2022

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

| | <u>ASSETS</u> | |
|--|---|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,258,293 | \$ 2,020,340 |
| Grants and contracts receivable | 5,458,928 | 4,071,235 |
| Pledges receivable | 154,817 | 22,641 |
| Other receivables | 191,240 | 1,335,321 |
| Investments | 1,303,931 | 1,145,150 |
| Prepaid expenses and deposits | 496,407 | 339,936 |
| | <u>9,863,616</u> | <u>8,934,623</u> |
| | Total Current Assets | |
| Equipment and Software, net | 398,995 | 210,672 |
| Facilities, net | <u>12,918,627</u> | <u>13,153,906</u> |
| | <u>\$23,181,238</u> | <u>\$22,299,201</u> |
| | <u>LIABILITIES AND NET ASSETS</u> | |
| Current Liabilities | | |
| Accounts payable | \$ 899,005 | \$ 1,140,373 |
| Accrued expenses | 1,709,417 | 1,680,880 |
| Refundable advances | 215,631 | 99,815 |
| Deferred revenue | 2,592 | 646 |
| | <u>2,826,645</u> | <u>2,921,714</u> |
| | Total Current Liabilities | |
| Refundable Advances | <u>2,305,416</u> | <u>2,385,715</u> |
| | <u>5,132,061</u> | <u>5,307,429</u> |
| | Total Liabilities | |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 15,854,286 | 14,924,687 |
| Board designated for future operations | 776,826 | 743,222 |
| | <u>16,631,112</u> | <u>15,667,909</u> |
| | Total Net Assets Without Donor Restrictions | |
| With donor restrictions | <u>1,418,065</u> | <u>1,323,863</u> |
| | <u>18,049,177</u> | <u>16,991,772</u> |
| | Total Net Assets | |
| | <u>\$ 23,181,238</u> | <u>\$ 22,299,201</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Change in Net Assets Without Donor Restrictions | | |
| Revenues and other support | | |
| Government and private grants and contracts | \$21,754,097 | \$20,175,764 |
| In-kind support | 905,688 | 616,234 |
| United Way of King County | 2,966,991 | 3,527,593 |
| Contributions | 1,231,931 | 1,220,831 |
| Investment return | 162,228 | 104,603 |
| Service fees and other | 115,569 | 127,535 |
| | <u>27,136,504</u> | <u>25,772,560</u> |
| Net assets released from purpose restrictions | <u>250,969</u> | <u>419,121</u> |
| Total Revenues and Other Support Without Donor Restrictions | <u>27,387,473</u> | <u>26,191,681</u> |
| Expenses | | |
| Program services | 23,055,853 | 22,806,327 |
| Management and general | 2,866,266 | 2,608,660 |
| Fund development | 502,151 | 506,852 |
| | <u>26,424,270</u> | <u>25,921,839</u> |
| Total Expenses | <u>26,424,270</u> | <u>25,921,839</u> |
| Change in Net Assets Without Donor Restrictions | <u>963,203</u> | <u>269,842</u> |
| Change in Net Assets With Donor Restrictions | | |
| Government and private grants and contracts | 220,877 | 266,297 |
| United Way of King County | 17,640 | 393,393 |
| Contributions | 106,654 | 89,465 |
| Net assets released from purpose restrictions | <u>(250,969)</u> | <u>(419,121)</u> |
| Change in Net Assets With Donor Restrictions | <u>94,202</u> | <u>330,034</u> |
| Total Change in Net Assets | 1,057,405 | 599,876 |
| Net Assets - beginning of year | <u>16,991,772</u> | <u>16,391,896</u> |
| Net Assets - end of year | <u>\$18,049,177</u> | <u>\$16,991,772</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

PROGRAM SERVICES

| | Child <u>Development</u> | Housing <u>Stability</u> | Aging & Disabilities <u>Services</u> | Community <u>Health</u> | Youth & Family <u>Services</u> | Adult Employment & <u>Education</u> | Other <u>Programs</u> | Total Program <u>Services</u> | Management and <u>General</u> | Fund <u>Development</u> | Total <u>Expenses</u> |
|---|-----------------------------|-----------------------------|--|----------------------------|--------------------------------------|---|--------------------------|-------------------------------------|-------------------------------------|----------------------------|--------------------------|
| Salaries and wages | \$ 6,112,285 | \$ 1,140,860 | \$ 2,846,299 | \$ 1,267,690 | \$ 829,404 | \$ 825,150 | \$ 251,448 | \$ 13,273,136 | \$ 1,783,402 | \$ 326,874 | \$ 15,383,412 |
| Employee health and retirement benefits | 1,043,596 | 206,310 | 406,355 | 182,424 | 133,477 | 149,432 | 40,630 | 2,162,224 | 236,531 | 49,877 | 2,448,632 |
| Payroll taxes | 547,225 | 92,066 | 242,718 | 107,459 | 72,664 | 71,843 | 20,860 | 1,154,835 | 144,354 | 27,971 | 1,327,160 |
| Total Salaries and Related Expenses | 7,703,106 | 1,439,236 | 3,495,372 | 1,557,573 | 1,035,545 | 1,046,425 | 312,938 | 16,590,195 | 2,164,287 | 404,722 | 19,159,204 |
| Assistance to individuals | 297 | 1,766,763 | 9,197 | 17,404 | 37,855 | 335,357 | - | 2,166,873 | 69 | 112 | 2,167,054 |
| Occupancy | 536,137 | 59,881 | 140,552 | 61,673 | 38,029 | 17,914 | 71,919 | 926,105 | 132,970 | 23,082 | 1,082,157 |
| Supplies | 602,020 | 25,798 | 55,942 | 32,657 | 79,249 | 54,515 | 8,118 | 858,299 | 103,891 | 15,550 | 977,740 |
| Professional fees and contract services | 110,084 | 14,353 | 49,560 | 381,362 | 28,498 | 11,873 | 6,511 | 602,241 | 214,835 | 35,559 | 852,635 |
| In-kind other | 322,368 | 23,623 | 63,846 | 27,611 | 69,674 | 14,633 | - | 521,755 | 93,831 | 5,900 | 621,486 |
| Depreciation | 335,418 | 5,365 | 30,947 | 18,522 | 55,650 | 17,071 | 82,154 | 545,127 | 39,507 | 5,506 | 590,140 |
| Telephone | 160,682 | 14,045 | 32,095 | 16,084 | 33,154 | 13,570 | 5,564 | 275,194 | 8,016 | 1,690 | 284,900 |
| Other expenses | 60,170 | 7,026 | 18,976 | 9,079 | 7,890 | 1,170 | 25,111 | 129,422 | 59,069 | 2,030 | 190,521 |
| In-kind occupancy | 72,442 | 384 | 27,365 | 1,781 | 56,259 | 20,184 | 4,047 | 182,462 | - | - | 182,462 |
| Conferences and meetings | 83,323 | 7,746 | 6,835 | 23,912 | 6,996 | 1,739 | 1,256 | 131,807 | 33,933 | 3,684 | 169,424 |
| Printing and publications | 2,501 | 371 | 2,479 | 42,506 | 596 | 1,623 | 1,162 | 51,238 | 2,566 | 2,905 | 56,709 |
| Local transportation | 6,684 | 2,109 | 3,688 | 5,815 | 11,814 | 1,891 | 82 | 32,083 | 6,624 | 1,118 | 39,825 |
| Postage and shipping | 18,084 | 389 | 9,347 | 725 | 2,372 | 793 | 26 | 31,736 | 6,668 | 293 | 38,697 |
| Food | 351 | - | 5,551 | 188 | 4,430 | 796 | - | 11,316 | - | - | 11,316 |
| Total Expenses | <u>\$ 10,013,667</u> | <u>\$ 3,367,089</u> | <u>\$ 3,951,752</u> | <u>\$ 2,196,892</u> | <u>\$ 1,468,011</u> | <u>\$ 1,539,554</u> | <u>\$ 518,888</u> | <u>\$ 23,055,853</u> | <u>\$ 2,866,266</u> | <u>\$ 502,151</u> | <u>\$ 26,424,270</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

| | PROGRAM SERVICES | | | | | | | Total Program Services | Management and General | Fund Development | Total Expenses |
|---|----------------------|----------------------|-------------------------------------|---------------------|-------------------------------|------------------------------------|-------------------|------------------------------|------------------------------|---------------------|-------------------|
| | Child Development | Housing Stability | Aging & Disabilities Services | Community Health | Youth & Family Services | Adult Employment & Education | Other Programs | | | | |
| Salaries and wages | \$ 6,198,305 | \$ 994,574 | \$ 2,292,978 | \$ 1,312,736 | \$ 751,690 | \$ 732,526 | \$ 235,439 | \$ 12,518,248 | \$ 1,714,869 | \$ 342,208 | \$ 14,575,325 |
| Employee health and retirement benefits | 916,777 | 160,956 | 313,787 | 179,369 | 112,656 | 118,702 | 31,846 | 1,834,093 | 216,097 | 46,067 | 2,096,257 |
| Payroll taxes | 526,070 | 79,885 | 184,869 | 115,009 | 65,364 | 60,410 | 20,055 | 1,051,662 | 139,672 | 29,298 | 1,220,632 |
| Total Salaries and Related Expenses | 7,641,152 | 1,235,415 | 2,791,634 | 1,607,114 | 929,710 | 911,638 | 287,340 | 15,404,003 | 2,070,638 | 417,573 | 17,892,214 |
| Assistance to individuals | 17 | 2,965,675 | 63,295 | 13,411 | 31,959 | 63,601 | 49,875 | 3,187,833 | - | - | 3,187,833 |
| Occupancy | 515,550 | 63,853 | 136,193 | 67,726 | 37,462 | 22,523 | 86,561 | 929,868 | 127,897 | 23,671 | 1,081,436 |
| Supplies | 641,854 | 34,588 | 64,778 | 80,468 | 43,736 | 11,562 | 16,122 | 893,108 | 97,865 | 13,781 | 1,004,754 |
| Professional fees and contract services | 196,611 | 4,918 | 48,801 | 330,944 | 56,515 | 4,532 | 3,277 | 645,598 | 136,454 | 23,021 | 805,073 |
| In-kind other | 197,186 | 18,884 | 51,551 | 30,293 | 76,877 | 12,856 | - | 387,647 | 49,340 | 5,996 | 442,983 |
| Depreciation | 325,305 | 5,343 | 31,887 | 17,936 | 52,507 | 18,465 | 82,153 | 533,596 | 38,149 | 5,796 | 577,541 |
| Telephone | 123,576 | 10,570 | 28,303 | 14,427 | 17,977 | 11,497 | 4,080 | 210,430 | 6,641 | 1,286 | 218,357 |
| Other expenses | 47,632 | 2,926 | 9,160 | 13,902 | 5,014 | 2,562 | 3,357 | 84,553 | 40,451 | 2,477 | 127,481 |
| In-kind occupancy | 62,179 | 10,874 | 20,663 | 1,319 | 55,296 | 20,213 | 1,047 | 171,591 | 1,349 | 311 | 173,251 |
| Conferences and meetings | 170,948 | 7,789 | 8,522 | 13,586 | 3,890 | 1,302 | 902 | 206,939 | 22,879 | 2,555 | 232,373 |
| Printing and publications | 2,151 | 621 | 1,396 | 30,205 | 1,994 | 815 | 3 | 37,185 | 4,642 | 8,518 | 50,345 |
| Local transportation | 25,040 | 1,933 | 11,168 | 8,757 | 10,399 | 2,419 | 2,258 | 61,974 | 5,379 | 1,038 | 68,391 |
| Postage and shipping | 10,353 | 315 | 10,635 | 1,311 | 681 | 238 | 949 | 24,482 | 6,976 | 829 | 32,287 |
| Food | 18,262 | - | 1,072 | 2,840 | 4,933 | 391 | 22 | 27,520 | - | - | 27,520 |
| Total Expenses | \$ 9,977,816 | \$ 4,363,704 | \$ 3,279,058 | \$ 2,234,239 | \$ 1,328,950 | \$ 1,084,614 | \$ 537,946 | \$ 22,806,327 | \$ 2,608,660 | \$ 506,852 | \$ 25,921,839 |

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities | | |
| Cash received from: | | |
| Government agencies and grantors | \$ 20,624,744 | \$ 19,257,749 |
| Donors | 5,451,128 | 4,475,241 |
| Investment return | 4,898 | 6,904 |
| Other income | 99,851 | 124,125 |
| Cash paid to: | | |
| Personnel | (19,130,667) | (17,475,078) |
| Vendors | <u>(6,268,817)</u> | <u>(6,306,194)</u> |
| Net Cash Provided by Operating Activities | 781,137 | 82,747 |
| Cash Flows Used by Investing Activities | | |
| Purchases of property, equipment, and software | <u>(543,184)</u> | <u>(76,026)</u> |
| Change in Cash and Cash Equivalents | 237,953 | 6,721 |
| Cash and Cash Equivalents - beginning of year | <u>2,020,340</u> | <u>2,013,619</u> |
| Cash and Cash Equivalents - end of year | <u>\$ 2,258,293</u> | <u>\$ 2,020,340</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|------------------|
| Reconciliation of Change in Net Assets to Net Cash | | |
| Flows from Operating Activities | | |
| Change in net assets | \$ 1,057,405 | \$ 599,876 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 590,140 | 577,541 |
| Realized and unrealized gain on investments | (146,684) | (85,957) |
| Reinvested investment earnings | (10,646) | (11,742) |
| Changes in assets and liabilities: | | |
| Grants and contracts receivable | (1,387,693) | (837,786) |
| Pledges receivable | (132,176) | 230,507 |
| Other receivables | 1,142,630 | (989,958) |
| Prepaid expenses and deposits | (156,471) | (32,197) |
| Accounts payable | (241,368) | 561,853 |
| Accrued expenses | 28,537 | 417,136 |
| Deferred revenue | 1,946 | (19,841) |
| Refundable advances | <u>35,517</u> | <u>(326,685)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 781,137</u> | <u>\$ 82,747</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – ORGANIZATION

Neighborhood House, Incorporated (the Agency) is a Washington not-for-profit agency that builds community and increases access to housing, health, education, and economic opportunity. In furtherance of its mission, the Agency provides a wide range of services in Seattle and King County.

The principal programs of the Agency are:

Child Development - Provides a comprehensive early childhood development program (pre-school, including Head Start, and prenatal-to-three programs, including Early Head Start) primarily for low-income children (prenatal to five years).

Youth and Family Services - Provides youth tutoring, other youth development programs, and family services in communities in Seattle and King County.

Adult Employment and Education - Provides employment services for adults, English as a second language training, and citizenship classes and application assistance.

Housing Stability - Provides rental assistance linked with services to promote long-term housing stability for individuals and families to prevent homelessness and reduce the duration of housing instability.

Community Health - Provides programs to promote healthy communities and combat health problems harming low-income communities. Programs include HIV prevention, wellness, substance abuse prevention, and other community health education.

Aging and Disability Services - Provides outreach, resource referral, group activities, and case management services to low income older adults, individuals with disabilities, and their caregivers throughout King County with a focus on immigrant and refugee populations.

Other Programs - Operate and manage community facilities, hosting other organizations that bring additional services to communities. The Agency serves as the fiscal sponsor for the Seattle Human Services Coalition (SHSC). The financial statements include approximately \$206,000 and \$205,000 revenue and expenses, respectively, for 2021. The financial statements include approximately \$209,000 and \$217,000 revenue and expenses, respectively, for 2020.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Agency presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Agency is required to report information regarding its financial position and activities based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

The Board of Trustees has designated a portion of these funds as follows as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Kay Hendricks Bequest Fund (operating reserves) | \$ 300,000 | \$ 300,000 |
| Building reserve fund - High Point Center | 191,954 | 176,823 |
| Building reserve fund - Rainier Vista Center | 179,669 | 162,253 |
| Seattle Human Services Coalition | <u>105,203</u> | <u>104,146</u> |
| | <u>\$ 776,826</u> | <u>\$ 743,222</u> |

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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 restricted net assets are available as follows as of December 31:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------------|---------------------|
| Housing Stability | \$ 521,692 | \$ 722,701 |
| Aging and Disability Services | 441,088 | 231,600 |
| Adult Employment and Education | 224,351 | 149,424 |
| Child Development | 115,255 | 100,119 |
| Other | 83,540 | 93,456 |
| Youth Development and Education | <u>32,139</u> | <u>26,563</u> |
| | <u>\$ 1,418,065</u> | <u>\$ 1,323,863</u> |

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments in highly liquid instruments, such as money market accounts, purchased with an original maturity of three months or less. The Agency maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activities as increases or decreases in activity without donor restriction, unless their use is restricted by explicit donor stipulation. Investments consist of the following as of December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------------|---------------------|---------------------|
| Money market funds | \$ 104,233 | \$ 104,222 |
| Certificates of deposit | 338,483 | 337,034 |
| Fixed income securities | 110,998 | 111,370 |
| Equity securities | 750,217 | 592,524 |
| | <u>\$ 1,303,931</u> | <u>\$ 1,145,150</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment returns consist of the following for the years ended December 31:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Interest and dividends | \$ 15,544 | \$ 18,646 |
| Realized and unrealized gains | <u>146,684</u> | <u>85,957</u> |
| | <u>\$ 162,228</u> | <u>\$ 104,603</u> |

Grants and contracts receivable

Grants and contracts receivable consist of grants and contracts administered by various federal, state, and local governmental agencies earned but not yet received. Management reviews the collectability of grants and contracts receivable on a periodic basis. Grants and contracts receivable are stated at net realizable value and are considered fully collectible by management.

Promises to give (pledges receivable)

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received. Unconditional promises to give are considered to be fully collectible within one year as of December 31, 2021.

Other receivables

Other receivables are stated at net realizable value and are considered fully collectible by management.

Facilities, equipment, and software

Facilities, equipment, and software are stated at cost or, if donated, at fair value at date of donation. Assets purchased under capital leases are stated at the lower of fair value or the net present value of the minimum lease payments. The Agency capitalization threshold is \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Agency uses the direct expensing method to account for planned major maintenance activities.

Assets acquired under certain government grant programs are considered owned by the Agency while used in the program for which they were purchased or in other future authorized programs. However, the governmental grantor has a reversionary interest in the property. Therefore, ownership, disposition, and any proceeds of disposition are subject to governmental regulation.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facilities are valued as follows for the years ended December 31:

| | Estimated | | |
|--------------------------------------|---------------------|----------------------|----------------------|
| | <u>Useful Lives</u> | <u>2021</u> | <u>2020</u> |
| Land (High Point, Rainier Vista) | | \$ 3,014,074 | \$ 3,014,074 |
| Building (High Point, Rainier Vista) | 39 years | 13,437,723 | 13,437,723 |
| Leasehold improvements | 3 - 15 years | <u>1,574,461</u> | <u>1,388,207</u> |
| | | 18,026,258 | 17,840,004 |
| Less accumulated depreciation | | <u>(5,107,631)</u> | <u>(4,686,098)</u> |
| | | <u>\$ 12,918,627</u> | <u>\$ 13,153,906</u> |

Equipment and software are valued as follows for the years ended December 31:

| | Estimated | | |
|---------------------------------|---------------------|-------------------|-------------------|
| | <u>Useful Lives</u> | <u>2021</u> | <u>2020</u> |
| Furniture, equipment, and other | 3 - 7 years | \$ 1,315,099 | \$ 1,052,759 |
| Less accumulated depreciation | | <u>(916,104)</u> | <u>(842,087)</u> |
| | | <u>\$ 398,995</u> | <u>\$ 210,672</u> |

Support and revenue recognition

Service fee revenue primarily consists of various Health Homes services provided to clients that are paid via one of three managed care organizations. The Agency recognizes this revenue as the services are provided. Net realizable amounts take into consideration estimated routine contractual adjustments and estimated retroactive adjustments under reimbursement arrangements with third-party payers. Estimated settlements are established in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Service fee revenue also consists of rental income and fiscal sponsor management fees. The Agency recognizes revenue from services when the services are provided.

The Agency recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met. The Agency's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As of December 31, 2021 and 2020, conditional contributions totaling \$20,092,550 and \$18,290,501, respectively, for which no amounts had been received in advance have not been recognized in the accompanying financial statements. Conditional promises to give for which amounts have been received in advance are shown as refundable advances on the statement of financial position. See Note E.

Support from grants and contracts is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2021 and 2020, no significant amounts were disallowed as a result of such examinations.

Concentration

Approximately 41% and 35%, respectively, of total government grants and contracts in 2021 and 2020 were received from the U.S. Department of Health & Human Services for the Head Start Program.

In-kind goods and services

Contributed goods and services have been recorded on the basis of rates that otherwise would have been paid for similar goods and services. Donated services are recorded as in-kind contributions at estimated fair values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized by the Agency.

Many volunteers have donated significant time to the Agency's activities. The values of these volunteer services are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. The fair value of these services is estimated to be \$0 and \$277,800, respectively, for the years ended December 31, 2021 and 2020. Due to the onset of COVID-19, Head Start waived the requirement to document parent volunteer activities, resulting in a substantial reduction in 2021 and 2020.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Costs are allocated using reasonable and consistent methods for each type of cost, such as square footage for the occupancy costs of each facility or the number of staff per functional area for liability insurance. Payroll costs are allocated based on time recorded to program cost centers by employees on their timesheets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures 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.

Federal income taxes

The Internal Revenue Service has recognized Neighborhood House, Incorporated as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Therefore, no provision for federal income taxes has been made in the financial statements.

NOTE C - LIQUIDITY

The Agency's working capital and cash flows have seasonal variations during the year attributable to cash receipts for grants and a concentration of contributions throughout various times of the year. Amounts not available include amounts set aside by board designation that could be drawn upon if the board of trustees approves that action.

The table below presents financial assets available for general expenditures within one year at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Total financial assets | \$ 9,367,209 | \$ 8,594,687 |
| Less: Donor-imposed purpose restrictions | (1,418,065) | (1,323,863) |
| Less: Board designated funds | <u>(776,826)</u> | <u>(743,222)</u> |
| | <u>\$ 7,172,318</u> | <u>\$ 6,527,602</u> |

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2021 and 2020 are:

| | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | <u>Total</u> |
|-------------------------|-------------------|-------------------|------------------|---------------------|
| As of December 31, 2021 | | | | |
| Money market funds | \$ 104,233 | \$ - | \$ - | \$ 104,233 |
| Certificates of deposit | - | 338,483 | - | 338,483 |
| Equity securities | 750,217 | - | - | 750,217 |
| Fixed income securities | 110,998 | - | - | 110,998 |
| | <u>\$ 965,448</u> | <u>\$ 338,483</u> | <u>\$ -</u> | <u>\$ 1,303,931</u> |
| As of December 31, 2020 | | | | |
| Money market funds | \$ 104,222 | \$ - | \$ - | \$ 104,222 |
| Certificates of deposit | - | 337,034 | - | 337,034 |
| Equity securities | 592,524 | - | - | 592,524 |
| Fixed income securities | 111,370 | - | - | 111,370 |
| | <u>\$ 808,116</u> | <u>\$ 337,034</u> | <u>\$ -</u> | <u>\$ 1,145,150</u> |

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input. The Agency also uses fair value concepts to test various long-lived assets for impairment.

NOTE E - REFUNDABLE ADVANCES

King County - High Point Neighborhood Center

The construction of the High Point Neighborhood Center facility was partially financed with grant proceeds from the King County Department of Community and Human Services. The grant for \$300,000 closed in December 2007 and is collateralized by a deed of trust on the real property. Recognition of the grant is conditioned upon continuous use of the property for its intended purpose through 2025.

Seattle Housing Authority - High Point Neighborhood Center

The acquisition of land by Neighborhood House, Incorporated and the financing of certain other development costs related to the High Point Neighborhood Center was partially financed with grant proceeds from Seattle Housing Authority to Neighborhood House, Incorporated. The initial grant funding amount of \$2,514,000 was used to purchase the land in December 2008 and the cash balance of \$1,500,000 was fully disbursed by December 31, 2009.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE E - REFUNDABLE ADVANCES (Continued)

Recognition of the grant is conditioned upon use of the property for its intended purpose. As described in a restrictive covenant that runs concurrent with the term of the grant agreement, the grant is being recognized at a rate of one-fiftieth each year that the property continues to be used for the stated purpose. In the case of sale or change of use, the Agency must also pay to Seattle Housing Authority the lesser of shared appreciation or 6% interest on the unrecognized portion of the grant. During 2021 and 2020, \$80,300 (one-fiftieth) of the grant was recognized. The remaining conditional promise to give related to this grant totaled \$1,795,416 and \$1,875,715 as of December 31, 2021 and 2020, respectively.

City of Seattle - Rainier Vista

The acquisition and construction of the Rainier Vista facility was partially financed with grant proceeds from the City of Seattle, Human Services Department. The grant for \$250,000 is collateralized by a deed of trust on the real property. Recognition of the grant is conditioned upon continuous use of the property for its intended purpose through 2020. In 2020, it was determined that Neighborhood House, Incorporated met all conditions for release from this obligation, and the amount of this grant has therefore been recognized as part of 2020 government and private grants and contracts income.

Seattle Housing Authority - Rainier Vista

The acquisition and construction of the Rainier Vista facility was partially financed with loan proceeds from Seattle Housing Authority. The grant for \$210,000 is collateralized by a deed of trust on the real property. In the event the property is sold or used for an unauthorized purpose, the grant proceeds are subject to interest at 3% of the outstanding balance per year from the date of non-compliance. Recognition of the grant is conditioned upon continuous use of the property for its intended purpose through 2054.

Other

The Agency's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. When amounts are received in advance of meeting the conditions, they are recognized as refundable advances. As of December 31, 2021 and 2020, \$215,631 and \$99,815, respectively, was received in advance of the provision of allowable services.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE F - COMMITMENTS

The Agency leases office and operating facilities at rates below market rents. The difference between the estimated fair value of the space provided and rent paid is included in the accompanying financial statements as in-kind support and as in-kind occupancy expense. Total rent expense for the years ended December 31, 2021 and 2020 was \$881,435 and \$845,023, respectively. Lease obligations also include various program office spaces, expiring through 2026.

Future minimum payments are as follows for the years ending December 31:

| | | |
|------|----|------------------|
| 2022 | \$ | 859,746 |
| 2023 | | 660,322 |
| 2024 | | 496,445 |
| 2025 | | 255,636 |
| 2026 | | <u>192,340</u> |
| | \$ | <u>2,464,489</u> |

NOTE G - PAYCHECK PROTECTION PROGRAM

In May 2020, the Agency applied for and received a Paycheck Protection Program ("PPP") loan through KeyBank National Association in the amount of \$104,263. The loan was funded on May 12, 2020 and has a maturity date of May 12, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. The loan and accrued interest are subject to forgiveness after 24 weeks as long as the qualifying organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Agency entered into the program with the intention of complying with the terms for forgiveness and has recognized the loan as a conditional grant. On April 17, 2021, the Agency received notice from the Small Business Administration that its PPP loan was forgiven in full, including accrued interest. As such, conditions related to the grant have been met and the funding has been recorded as part of 2020 government and private grants and contracts.

NOTE H - RETIREMENT PLAN

The Agency sponsors a 403(b) defined contribution plan (the Plan), as defined by the Internal Revenue Code. With some exceptions, employees are eligible for agency contributions to the plan upon reaching approximately three months of employment and completing required enrollment documentation. The Board of Trustees, at its discretion, can prospectively modify the plan, including contribution levels, at any time or terminate the plan entirely. Total employer contributions for the years ended December 31, 2021 and 2020 were \$477,484 and \$429,787, respectively.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE I - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2021 through June 16, 2022 which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2021, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Federal Grantor

| <i>Pass-through Grantor</i> | | Contract Number | CFDA Number | Passed Through To Subrecipients | Federal Expenditures |
|--|--------------------|--|-------------|---------------------------------|----------------------|
| Department of Health and Human Services | | | | | |
| "Head Start" | | 10CH011327-02 | | \$ - | \$ 3,606,081 |
| "Head Start" | | 10CH01078503 | | - | 1,107,818 |
| "Head Start" | | 10CH010418-06 | | - | 2,358,835 |
| "Head Start" | | 10CH01204601 | | - | 1,714,288 |
| "Head Start" | | 10WH000008-01-00 | | - | 20,886 |
| "Head Start" | | 10HE001042-01-00 | | - | 83,260 |
| | Head Start Cluster | | 93.600* | - | 8,891,168 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79SM080503-01 | | - | 422,688 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 5H79SP021216 | | - | 37,318 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79SM080766 | | - | 555,314 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79TI082392 | | - | 522,721 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79SP082442-01 | | - | 262,097 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79SP082254-01 | | - | 33,228 |
| "Substance Abuse and Mental Health Services Projects of Regional and National Significance" | | 1H79SM084393-01 | | - | 28,270 |
| | | | 93.243 | - | 1,861,636 |
| "CARA Act - Comprehensive Addiction and Recovery Act of 2016" | | 21NH28CE003293 | 93.799 | - | 17,785 |
| <i>TRAC Associates</i> | | | | | |
| "Affordable Care Act (ACA) Health Profession Opportunity Grants" | | 19-640-HWF-NH | 93.093 | - | 50,974 |
| <i>Washington State Department of Commerce</i> | | | | | |
| "Community Services Block Grant" | 477 Cluster | F20-32101-018 ; F21-32101-018 ; F20-3210C-018 | 93.569 | - | 418,886 |

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Federal Grantor

| <i>Pass-through Grantor</i> "Program Title" | Contract Number | CFDA Number | Passed Through To Subrecipients | Federal Expenditures |
|---|--|-------------------------|------------------------------------|-------------------------|
| <i>King County Department of Community and Human Services</i> | | | | |
| "Block Grants for Prevention and Treatment of Substance Abuse" | 6059040 | 93.959 | - | 167,963 |
| <i>City of Seattle Human Services Department</i> | | | | |
| "Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers" | Aging Cluster | DA21-1872 | - | 125,400 |
| <i>City of Seattle Human Services Department</i> | | | | |
| "National Family Caregiver Support, Title III, Part E" | | DA21-1872 | - | 12,838 |
| <i>City of Seattle Human Services Department</i> | | | | |
| "Medical Assistance Program" | | DA20-1173 ; DA21-1173 | - | 847,686 |
| "Medical Assistance Program" | | DA21-1872 | - | 35,000 |
| "Medical Assistance Program" | | DA21-1780 | - | 613,194 |
| <i>Full Life Care</i> | | | | |
| "Medical Assistance Program" | | 2019-21 | - | 69,577 |
| | Medicaid Cluster | | 93.778* | 1,565,457 |
| <i>Center for Multicultural Health</i> | | | | |
| "Racial and Ethnic Approaches to Community Health" | | | 93.738 | 58,766 |
| | Subtotal Department of Health and Human Services | | - | 13,170,873 |
| Department of Agriculture | | | | |
| <i>State of Washington Department of Social and Health Services</i> | | | | |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | | 2012-91444 ; 2012-94096 | - | 234,010 |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | | 2112-29030 ; 2112-31093 | - | 56,419 |
| | SNAP Cluster | | 10.561 | 290,429 |
| <i>State of Washington Office of the Superintendent of Public Instruction</i> | | | | |
| "Child and Adult Care Food Program" | | 159101 | - | 156 |
| | Subtotal Department of Agriculture | | - | 290,585 |

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Federal Grantor

| <i>Pass-through Grantor</i> "Program Title" | Contract Number | CFDA Number | Passed Through To Subrecipients | Federal Expenditures |
|---|---|----------------|------------------------------------|-------------------------|
| Department of Housing and Urban Development | | | | |
| <i>City of Seattle</i> | | | | |
| "Continuum of Care Program" | DA19-1815 ; DA20-1815 | | - | 199,004 |
| "Emergency Solutions Grant Program" | DA21-1815 | | - | 174,037 |
| | | 14.267 | - | <u>373,041</u> |
| <i>City of Seattle</i> | | | | |
| "Community Development Block Grants / Entitlement Grants" | DA21-1168 | | - | 242,030 |
| <i>City of Kent</i> | | | | |
| "Community Development Block Grants / Entitlement Grants" | BGCV11 | | - | 28,976 |
| <i>HomeSight</i> | | | | |
| "Community Development Block Grants / Entitlement Grants" | 2021-0001 | | - | 71,175 |
| CDBG - Entitlement Grants Cluster | | 14.218 | - | <u>342,181</u> |
| <i>Workforce Development Council of Seattle-King County</i> | | | | |
| "Community Development Block Grants / State's Program" | 21-311-CMC | 14.228 | - | 163 |
| | | | - | <u>715,385</u> |
| Subtotal Department of Housing and Urban Development | | | | |
| Department of Labor | | | | |
| <i>Workforce Development Council of Seattle-King County</i> | | | | |
| "WIA Adult Program" | 20-101-ADU ; 21-101-ADU ; WIOA Cluster 19-133-EMP ; 21-212-ESA | 17.258 | - | 267,632 |
| <i>Workforce Development Council of Seattle-King County</i> | | | | |
| "Workforce Investment Act (WIA) National Emergency Grants" | 20-271-NDR ; 20-280-NER | 17.277 | - | 475,282 |
| | | | - | <u>742,914</u> |
| Subtotal Department of Labor | | | | |
| Department of Transportation | | | | |
| <i>Washington Traffic Safety Commission</i> | | | | |
| "State and Community Highway Safety" | WTSC Most Steer Clear | 20.600 | - | 79,698 |
| | | | - | <u>79,698</u> |
| Subtotal Department of Transportation | | | | |
| Total Expenditures of Federal Awards | | | \$ - | <u>\$ 14,999,455</u> |

* Denotes a major program.

See notes to schedule.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neighborhood House, Incorporated and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

Neighborhood House, Incorporated has a negotiated indirect cost rate for use on Federal grants and contracts. For 2021, the predetermined rate was 14.1% based on total modified direct costs. As such, Neighborhood House, Incorporated is not eligible to elect use of the 10% *de minimis* indirect cost rate.

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood House, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhood House, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood House, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood House, Incorporated's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood House, Incorporated's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood House, Incorporated's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood House, Incorporated's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

Seattle, Washington

June 16, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

Report on Compliance with Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Neighborhood House, Incorporated's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Neighborhood House, Incorporated's major federal programs for the year ended December 31, 2021. Neighborhood House, Incorporated's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, Neighborhood House, Incorporated complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Neighborhood House, Incorporated and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Neighborhood House, Incorporated's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Neighborhood House, Incorporated's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Neighborhood House, Incorporated's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Neighborhood House, Incorporated's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Neighborhood House, Incorporated's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Neighborhood House, Incorporated's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood House, Incorporated's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
June 16, 2022

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Neighborhood House, Incorporated.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Neighborhood House, Incorporated were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award programs for Neighborhood House, Incorporated expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for Neighborhood House, Incorporated are reported in Part C of this Schedule.
7. The programs tested as major were:
AL No. 93.600, "Head Start"
AL No. 93.778, "Medical Assistance Program"
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Neighborhood House, Incorporated was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None