

NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2022



NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

Opinion

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, 2022 and 2021, 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, 2022 and 2021, 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 audits 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 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 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 15, 2023, 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 15, 2023

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 3,240,687	\$ 2,258,293
Grants and contracts receivable	6,428,412	5,458,928
Pledges receivable	190,883	154,817
Other receivables	261,763	191,240
Investments	1,162,350	1,303,931
Prepaid expenses and deposits	585,158	496,407
	<u>11,869,253</u>	<u>9,863,616</u>
Total Current Assets	11,869,253	9,863,616
Pledges Receivable, net	164,647	-
Equipment and Software, net	349,571	398,995
Facilities, net	15,080,483	12,918,627
Right of Use Assets	3,602,297	-
	<u>\$31,066,251</u>	<u>\$23,181,238</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 846,244	\$ 899,005
Accrued expenses	2,216,939	1,709,417
Refundable advances	732,473	215,631
Operating leases payable	863,163	-
Deferred revenue	41,690	2,592
	<u>4,700,509</u>	<u>2,826,645</u>
Total Current Liabilities	4,700,509	2,826,645
Refundable Advances	3,301,921	2,305,416
Operating Leases payable	2,755,622	-
	<u>10,758,052</u>	<u>5,132,061</u>
Total Liabilities	10,758,052	5,132,061
Net Assets		
Without donor restrictions		
Undesignated	18,279,292	15,854,286
Board designated for future operations	749,672	776,826
	<u>19,028,964</u>	<u>16,631,112</u>
Total Net Assets Without Donor Restrictions	19,028,964	16,631,112
With donor restrictions	1,279,235	1,418,065
	<u>20,308,199</u>	<u>18,049,177</u>
Total Net Assets	20,308,199	18,049,177
	<u>\$ 31,066,251</u>	<u>\$ 23,181,238</u>

See notes to financial statements.

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Change in Net Assets Without Donor Restrictions		
Revenues and other support		
Government and private grants and contracts	\$28,552,720	\$21,754,097
In-kind support	620,225	905,688
United Way of King County	2,594,747	2,966,991
Contributions	1,613,594	1,231,931
Investment return	(125,682)	162,228
Service fees and other	126,462	115,569
	<u>33,382,066</u>	<u>27,136,504</u>
Net assets released from purpose restrictions	<u>358,571</u>	<u>250,969</u>
Total Revenues and Other Support Without Donor Restrictions	<u>33,740,637</u>	<u>27,387,473</u>
Expenses		
Program services	27,237,444	23,055,853
Management and general	3,531,870	2,866,266
Fund development	573,471	502,151
	<u>31,342,785</u>	<u>26,424,270</u>
Total Expenses	<u>31,342,785</u>	<u>26,424,270</u>
Change in Net Assets Without Donor Restrictions	<u>2,397,852</u>	<u>963,203</u>
Change in Net Assets With Donor Restrictions		
Government and private grants and contracts	74,547	220,877
United Way of King County	71,020	17,640
Contributions	74,174	106,654
Net assets released from purpose restrictions	<u>(358,571)</u>	<u>(250,969)</u>
Change in Net Assets With Donor Restrictions	<u>(138,830)</u>	<u>94,202</u>
Total Change in Net Assets	2,259,022	1,057,405
Net Assets - beginning of year	<u>18,049,177</u>	<u>16,991,772</u>
Net Assets - end of year	<u>\$20,308,199</u>	<u>\$18,049,177</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

PROGRAM SERVICES

	Child Development	Housing Stability	Aging & Disabilities Services	Community Health	Youth & Family Services	Adult Employment & Education	Other Programs	Total Program Services	Management and General	Fund Development	Total Expenses
Salaries and wages	\$ 8,266,241	\$ 1,335,205	\$ 3,711,137	\$ 1,240,962	\$ 920,748	\$ 958,392	\$ 342,859	\$ 16,775,544	\$ 2,325,156	\$ 377,293	\$ 19,477,993
Employee health and retirement benefits	1,192,212	207,748	514,741	149,309	131,898	143,209	38,880	2,377,997	297,267	55,385	2,730,649
Payroll taxes	753,812	120,280	321,392	113,516	84,021	86,850	29,833	1,509,704	197,010	31,384	1,738,098
Total Salaries and Related Expenses	10,212,265	1,663,233	4,547,270	1,503,787	1,136,667	1,188,451	411,572	20,663,245	2,819,433	464,062	23,946,740
Assistance to individuals	-	1,303,331	14,069	17,901	20,548	358,978	800	1,715,627	-	-	1,715,627
Occupancy	903,674	50,132	138,674	65,393	48,587	19,796	88,189	1,314,445	117,224	27,150	1,458,819
Professional fees and contract services	265,281	20,057	80,595	412,363	18,579	14,128	38,652	849,655	229,828	46,249	1,125,732
Supplies	570,117	20,145	66,616	34,616	31,107	14,609	14,909	752,119	142,820	14,569	909,508
Depreciation	346,485	1,754	17,978	8,393	53,332	9,703	82,154	519,799	21,652	1,044	542,495
Other expenses	143,682	9,039	32,527	23,846	6,079	13,020	7,146	235,339	68,173	4,145	307,657
In-kind other	165,659	4,525	14,387	4,602	27,881	3,513		220,567	76,481	1,163	298,211
Conferences and meetings	75,253	4,536	13,330	84,360	7,274	3,370	34,227	222,350	21,314	12,007	255,671
Telephone	121,145	10,584	34,171	13,388	23,759	14,398	5,587	223,032	12,477	2,130	237,639
In-kind occupancy	98,693	3,759	22,328	1,648	54,019	21,240		201,687	-	-	201,687
Printing and publications	39,410	535	1,885	121,305	907	703	38	164,783	3,824	597	169,204
Food	63,548	-	6,033	5,167	6,215	364	171	81,498	-	-	81,498
Local transportation	15,496	1,139	13,049	6,854	17,559	3,853	864	58,814	11,457	261	70,532
Postage and shipping	4,145	516	8,226	350	82	993	172	14,484	7,187	94	21,765
Total Expenses	\$ 13,024,853	\$ 3,093,285	\$ 5,011,138	\$ 2,303,973	\$ 1,452,595	\$ 1,667,119	\$ 684,481	\$ 27,237,444	\$ 3,531,870	\$ 573,471	\$ 31,342,785

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

PROGRAM SERVICES

	Child Development	Housing Stability	Aging & Disabilities Services	Community Health	Youth & Family Services	Adult Employment & Education	Other Programs	Total Program Services	Management and General	Fund Development	Total Expenses
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
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
Supplies	602,020	25,798	55,942	32,657	79,249	54,515	8,118	858,299	103,891	15,550	977,740
Depreciation	335,418	5,365	30,947	18,522	55,650	17,071	82,154	545,127	39,507	5,506	590,140
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 other	322,368	23,623	63,846	27,611	69,674	14,633	-	521,755	93,831	5,900	621,486
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
Telephone	160,682	14,045	32,095	16,084	33,154	13,570	5,564	275,194	8,016	1,690	284,900
In-kind occupancy	72,442	384	27,365	1,781	56,259	20,184	4,047	182,462	-	-	182,462
Printing and publications	2,501	371	2,479	42,506	596	1,623	1,162	51,238	2,566	2,905	56,709
Food	351	-	5,551	188	4,430	796	-	11,316	-	-	11,316
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
Total Expenses	\$ 10,013,667	\$ 3,367,089	\$ 3,951,752	\$ 2,196,892	\$ 1,468,011	\$ 1,539,554	\$ 518,888	\$ 23,055,853	\$ 2,866,266	\$ 502,151	\$ 26,424,270

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies and grantors	\$ 29,210,228	\$ 20,624,744
Donors	4,069,030	5,451,128
Investment return	17,273	4,898
Other income	138,357	99,851
Cash paid to:		
Personnel	(23,439,218)	(19,130,667)
Vendors	<u>(6,358,349)</u>	<u>(6,268,817)</u>
Net Cash Provided by Operating Activities	3,637,321	781,137
Cash Flows Used by Investing Activities		
Purchases of property, equipment, and software	<u>(2,654,927)</u>	<u>(543,184)</u>
Change in Cash and Cash Equivalents	982,394	237,953
Cash and Cash Equivalents - beginning of year	<u>2,258,293</u>	<u>2,020,340</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,240,687</u>	<u>\$ 2,258,293</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ 2,259,022	\$ 1,057,405
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	542,495	590,140
Realized and unrealized gain on investments	156,594	(146,684)
Reinvested investment earnings	(13,639)	(10,646)
Changes in assets and liabilities:		
Grants and contracts receivable	(969,484)	(1,387,693)
Pledges receivable	(200,713)	(132,176)
Other receivables	(71,897)	1,142,630
Prepaid expenses and deposits	(88,751)	(156,471)
Right of use assets	(3,602,297)	-
Accounts payable	(52,761)	(241,368)
Accrued expenses	507,522	28,537
Deferred revenue	39,098	1,946
Lease liabilities	3,618,785	-
Refundable advances	<u>1,513,347</u>	<u>35,517</u>
Net Cash Provided by Operating Activities	<u>\$ 3,637,321</u>	<u>\$ 781,137</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 \$270,000 and \$336,000 revenue and expenses, respectively, for 2022. The financial statements include approximately \$206,000 and \$205,000 revenue and expenses, respectively, for 2021.

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, 2022 AND 2021

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>2022</u>	<u>2021</u>
Kay Hendricks Bequest Fund (operating reserves)	\$ 300,000	\$ 300,000
Building reserve fund - High Point Center	213,685	191,954
Building reserve fund - Rainier Vista Center	196,753	179,669
Seattle Human Services Coalition	39,234	105,203
	<u>\$ 749,672</u>	<u>\$ 776,826</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>2022</u>	<u>2021</u>
Housing Stability	\$ 587,713	\$ 521,692
Aging and Disability Services	280,462	441,088
Adult Employment and Education	214,390	224,351
Child Development	95,538	115,255
Other	52,997	83,540
Community Health	43,755	-
Youth Development and Education	4,380	32,139
	<u>\$ 1,279,235</u>	<u>\$ 1,418,065</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, 2022 AND 2021

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>2022</u>	<u>2021</u>
Money market funds	\$ 105,851	\$ 104,233
Certificates of deposit	339,858	338,483
Fixed income securities	104,613	110,998
Equity securities	<u>612,028</u>	<u>750,217</u>
	<u>\$ 1,162,350</u>	<u>\$ 1,303,931</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 30,912	\$ 15,544
Realized and unrealized gains	<u>(156,594)</u>	<u>146,684</u>
	<u>\$ (125,682)</u>	<u>\$ 162,228</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 are due as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 190,883	\$ 155,116
Receivable in one to five years	<u>168,000</u>	<u>-</u>
Total unconditional promises to give	358,883	155,116
Less: Discounts to net present value (0.5%)	(2,073)	-
Less: Allowance for uncollectible pledges	<u>(1,280)</u>	<u>(299)</u>
	<u>\$ 355,530</u>	<u>\$ 154,817</u>

Approximately 84% of total unconditional promises to give at December 31, 2022 were comprised of balances owing from two donors. No such concentration existed at 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.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

	Estimated Useful Lives	<u>2022</u>	<u>2021</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>4,172,617</u>	<u>1,574,461</u>
		20,624,414	18,026,258
Less accumulated depreciation		<u>(5,543,931)</u>	<u>(5,107,631)</u>
		<u>\$ 15,080,483</u>	<u>\$ 12,918,627</u>

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

	Estimated Useful Lives	<u>2022</u>	<u>2021</u>
Furniture, equipment, and other	3 - 7 years	\$ 1,371,871	\$ 1,315,099
Less accumulated depreciation		<u>(1,022,300)</u>	<u>(916,104)</u>
		<u>\$ 349,571</u>	<u>\$ 398,995</u>

Support and revenue recognition

Service fee revenue consists two primary sources: Health Homes and Medicaid. The Agency recognizes this revenue as the services are provided. Health Homes services provided to clients are paid via one of three managed care organizations. 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, 2022 AND 2021

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, 2022 and 2021, conditional contributions totaling \$24,919,113 and \$20,092,550, 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, 2022 and 2021, no significant amounts were disallowed as a result of such examinations.

Approximately 49% and 41%, respectively, of total government grants and contracts in 2022 and 2021 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.

During the years ending December 31, the Agency received the following in-kind donations that have been reflected in the statement of activities:

	<u>2022</u>	<u>2021</u>
Facilities	\$ 201,687	\$ 182,462
Goods	298,211	621,486
Services	<u>120,327</u>	<u>101,740</u>
	<u>\$ 620,225</u>	<u>\$ 905,688</u>

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 \$0, respectively, for the years ended December 31, 2022 and 2021. Due to the onset of COVID-19, Head Start waived the requirement to document parent volunteer activities.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Total financial assets	\$11,448,742	\$ 9,367,209
Less: Donor-imposed purpose restrictions	(1,279,235)	(1,418,065)
Less: Board designated funds	<u>(749,672)</u>	<u>(776,826)</u>
	<u>\$ 9,419,835</u>	<u>\$ 7,172,318</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE D - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2022 and 2021 are:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of December 31, 2022				
Money market funds	\$ 105,851	\$ -	\$ -	\$ 105,851
Certificates of deposit	-	339,858	-	339,858
Equity securities	612,028	-	-	612,028
Fixed income securities	104,613	-	-	104,613
	<u>\$ 822,492</u>	<u>\$ 339,858</u>	<u>\$ -</u>	<u>\$ 1,162,350</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>

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, 2022 AND 2021

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 2022 and 2021, \$80,300 (one-fiftieth) of the grant was recognized. The remaining conditional promise to give related to this grant totaled \$1,715,116 and \$1,795,416 as of December 31, 2022 and 2021, respectively.

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.

Washington State Department of Commerce - Early Learning Centers

Construction and renovation at four Early Learning Centers (High Point, Rainier Vista, Seola Gardens, and St. Elizabeth) was partially financed with grant proceeds from the Washington State Department of Commerce (Commerce). The grant for \$2,000,000 was received during the year ending December 31, 2022 and \$1,076,805 was reimbursed by Commerce for costs incurred during the year ending December 31, 2022. The grant 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 for ten years to commence upon completion of the projects. The projects were not yet complete as of December 31, 2022.

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, 2022 and 2021, \$732,473 and \$215,631, respectively, was received in advance of the provision of allowable services.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE F - COMMITMENTS

The Agency has operating leases for office space. Management elected to apply the short-term lease exception under Topic 842, Leases; therefore, leases with an initial term of twelve months or less are not recorded in the statements of financial position. Operating leases are included in Right of Use (ROU) assets and operating lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Agency's obligation to make lease payments arising from the lease. The discount rate represents the Agency's election of the risk-free rate. Nonlease components, such as payments required for common area maintenance, are not included in the lease liability and are expensed as incurred.

The components of the lease costs for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Operating lease costs	1,018,513	881,435
Supplemental cash flow information:		
Weighted-average remaining lease term	8.18 years	
Weighted-average discount rate	1.50%	

Maturities of lease liabilities are as follows for the years ending December 31:

2023	\$ 863,163
2024	729,364
2025	514,250
2026	367,816
2027	142,338
Thereafter	<u>1,377,393</u>
	\$ 3,994,324
Less present value discount	<u>(1,238,702)</u>
	<u>\$ 2,755,622</u>

NOTE G - 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, 2022 and 2021 were \$585,403 and \$477,484, respectively.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2022 through June 15, 2023, 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, 2022, 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, 2022

Federal Grantor

<i>Pass-through Grantor</i>		Contract Number	Assistance Listing #	Passed Through To Subrecipients	Federal Expenditures
"Program Title"					
Department of Health and Human Services					
"Head Start"		10CH011327-03		\$ -	\$ 3,788,851
"Head Start"		10CH010785-04		-	1,141,321
"Head Start"		10CH010418-06		-	398,923
"Head Start"		10CH012133-01		-	2,316,973
"Head Start"		10CH012046-02		-	4,918,933
"Head Start"		10WH000008-01-00		-	1,066,754
COVID-19 "Head Start"		10HE001042-01-00		-	798,346
	Head Start Cluster		93.600*	-	14,430,101
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SM080503-01		-	412,715
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SM080766		-	494,260
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79TI082392		-	445,061
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SP082442-01		-	287,314
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SP082254-01		-	148,593
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SM084393-01		-	80,529
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"		1H79SM086225-01		-	72,418
			93.243*	-	1,940,890
"CARA Act - Comprehensive Addiction and Recovery Act of 2016"		21NH28CE003293	93.799	-	49,417
"Drug-Free Communities Support Program Grants"		1NH28CE003485-01-00	93.276	-	13,769
<i>Washington State Department of Commerce</i>					
"Community Services Block Grant"	477 Cluster	F21-32101-018 ; F22-32101-018 ; F20-3210C-018	93.569	-	94,853

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	Assistance Listing #	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"	6277301	93.959	-	191,266
<i>City of Seattle Human Services Department</i>				
"Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers"	DA21-1872		-	333,475
"Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers"	DA22-1585		-	50,547
Aging Cluster		93.044	-	384,022
<i>City of Seattle Human Services Department</i>				
"National Family Caregiver Support, Title III, Part E"	DA21-1872	93.052	-	33,381
<i>City of Seattle Human Services Department</i>				
"Medical Assistance Program"	DA21-1173		-	1,014,541
"Medical Assistance Program"	DA21-1872		-	35,000
"Medical Assistance Program"	DA21-1780 ; DA22-1780		-	920,881
<i>Full Life Care</i>				
"Medical Assistance Program"	2-HH[3]		-	58,065
Medicaid Cluster		93.778	-	2,028,487
Subtotal Department of Health and Human Services			-	19,166,186
Department of Agriculture				
<i>State of Washington Department of Social and Health Services</i>				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	2212-44559		-	17,300
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	2112-29030 ; 2112-31093		-	136,343
SNAP Cluster		10.561	-	153,643
<i>State of Washington Office of the Superintendent of Public Instruction</i>				
"Child and Adult Care Food Program"	159101	10.558	-	152,670
Subtotal Department of Agriculture			-	306,313

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	Assistance Listing #	Passed Through To Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
<i>City of Seattle</i> "Continuum of Care Program"	DA-140	14.267	-	360,459
<i>HomeSight</i> "Community Development Block Grants / Entitlement Grants"	2022-0001	14.218	-	77,481
<i>Workforce Development Council of Seattle-King County</i> "Community Development Block Grants / State's Program"	21-311-CMC	14.228	-	178,715
Subtotal Department of Housing and Urban Development			-	616,655
Department of Labor				
<i>Workforce Development Council of Seattle-King County</i> "WIA Adult Program"	21-101-ADU ; 22-101-ADU ; WIOA Cluster 21-212-ESA	17.258	-	420,662
<i>Workforce Development Council of Seattle-King County</i> "Workforce Investment Act (WIA) National Emergency Grants"	20-271-NDR ; 20-280-NER	17.277	-	172,516
Subtotal Department of Labor			-	593,178
Department of Treasury				
<i>Workforce Development Council of Seattle-King County</i> COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	6277388		-	55,105
COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	22-134-CAC		-	25,375
			21.027	80,480
Department of Transportation				
<i>Washington Traffic Safety Commission</i> "State and Community Highway Safety"	2023-AG-4666 ; 2023-AG-4667	20.600	-	34,720
Subtotal Department of Transportation			-	34,720
Total Expenditures of Federal Awards			\$ -	\$ 20,797,532

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

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 2022, the predetermined rate was 13.3% 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, 2022 and 2021, 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 15, 2023.

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 15, 2023

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, 2022. 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, 2022.

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 15, 2023

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

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:
Assistance Listing No. 93.243, "Substance Abuse and Mental Health Services Projects of Regional and National Significance"
Assistance Listing No. 93.600, "Head Start"
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