

NORTHSHORE SENIOR CENTER

Financial Statements
December 31, 2023 and 2022

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northshore Senior Center
Bothell, Washington

Opinion

We have audited the accompanying financial statements of Northshore Senior Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 Northshore Senior Center as of December 31, 2023 and 2022, 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. 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 Northshore Senior Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Senior Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 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.

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In performing an audit in accordance with generally accepted 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 Northshore Senior Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northshore Senior Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Greenwood Ohlund

Seattle, Washington
April 17, 2024

NORTHSHORE SENIOR CENTER

STATEMENTS OF FINANCIAL POSITION December 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 268,812	\$ 122,043
Investments	-	47,996
Grants and contributions receivable, net	233,896	347,213
Current portion of in-kind use of facilities receivable	28,107	27,294
Prepaid expenses	<u>5,631</u>	<u>5,086</u>
Total current assets	536,446	549,632
In-kind Use of Facilities Receivable, net	465,347	493,454
Property and Equipment, net	<u>123,053</u>	<u>164,910</u>
Total assets	<u><u>\$ 1,124,846</u></u>	<u><u>\$ 1,207,996</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 41,463	\$ 57,627
Accrued payroll, taxes, and benefits	113,486	113,453
Unearned membership dues	47,653	38,881
Current portion of loan payable	<u>3,764</u>	<u>3,662</u>
Total current liabilities	206,366	213,623
Loan Payable, less current portion	<u>137,273</u>	<u>141,128</u>
Total liabilities	343,639	354,751
Net Assets		
Without donor restrictions	199,880	244,624
With donor restrictions	<u>581,327</u>	<u>608,621</u>
Total net assets	<u>781,207</u>	<u>853,245</u>
Total liabilities and net assets	<u><u>\$ 1,124,846</u></u>	<u><u>\$ 1,207,996</u></u>

See accompanying notes to financial statements.

NORTHSHORE SENIOR CENTER

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Grants and contributions	\$ 2,040,650	\$ -	\$ 2,040,650	\$ 2,232,888	\$ -	\$ 2,232,888
In-kind contributions	784,322	-	784,322	874,071	-	874,071
Program service fees	449,347	-	449,347	286,502	-	286,502
Membership dues	103,890	-	103,890	84,287	-	84,287
Other income	117,167	-	117,167	83,245	-	83,245
Investment return	939	-	939	(32,505)	-	(32,505)
Net assets released from restrictions	27,294	(27,294)	-	28,504	(28,504)	-
Total support and revenue	3,523,609	(27,294)	3,496,315	3,556,992	(28,504)	3,528,488
Expenses						
Program services	2,790,720	-	2,790,720	2,991,061	-	2,991,061
Management and general	740,303	-	740,303	775,092	-	775,092
Fundraising	37,330	-	37,330	38,589	-	38,589
Total expenses	3,568,353	-	3,568,353	3,804,742	-	3,804,742
Change in net assets	(44,744)	(27,294)	(72,038)	(247,750)	(28,504)	(276,254)
Net Assets, beginning of year	244,624	608,621	853,245	492,374	637,125	1,129,499
Net Assets, end of year	<u>\$ 199,880</u>	<u>\$ 581,327</u>	<u>\$ 781,207</u>	<u>\$ 244,624</u>	<u>\$ 608,621</u>	<u>\$ 853,245</u>

See accompanying notes to financial statements.

NORTHSHORE SENIOR CENTER

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel costs								
Salaries and wages	\$ 1,013,226	\$ 458,108	\$ 23,882	\$ 1,495,216	\$ 1,083,531	\$ 489,895	\$ 25,539	\$ 1,598,965
Payroll taxes	131,317	51,971	2,442	185,730	151,720	60,046	2,822	214,588
Employee benefits	90,204	43,507	2,408	136,119	94,493	45,576	2,523	142,592
Total personnel costs	1,234,747	553,586	28,732	1,817,065	1,329,744	595,517	30,884	1,956,145
Occupancy	875,714	142	-	875,856	806,674	131	-	806,805
Food	280,032	-	-	280,032	471,160	-	-	471,160
Transportation	129,580	-	1,841	131,421	105,844	-	1,504	107,348
Equipment and supplies	78,637	17,840	-	96,477	73,508	16,677	-	90,185
Professional fees	-	76,035	-	76,035	-	78,289	-	78,289
Class activities	72,721	-	-	72,721	42,553	-	-	42,553
Insurance	36,256	30,122	-	66,378	32,150	26,711	-	58,861
Depreciation and amortization	37,672	3,348	837	41,857	37,672	3,348	837	41,857
Office and information technology	22,368	16,081	981	39,430	18,631	13,394	817	32,842
Miscellaneous	4,512	20,882	625	26,019	5,385	24,917	748	31,050
State and local taxes	13,882	9,980	609	24,471	6,117	4,398	268	10,783
Bank and credit card fees	-	12,287	3,705	15,992	-	11,710	3,531	15,241
Direct assistance	4,599	-	-	4,599	61,623	-	-	61,623
Total expenses	<u>\$ 2,790,720</u>	<u>\$ 740,303</u>	<u>\$ 37,330</u>	<u>\$ 3,568,353</u>	<u>\$ 2,991,061</u>	<u>\$ 775,092</u>	<u>\$ 38,589</u>	<u>\$ 3,804,742</u>

See accompanying notes to financial statements.

NORTHSHORE SENIOR CENTER

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (72,038)	\$ (276,254)
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Change in discount on in-kind use of facilities receivable	(15,518)	(16,308)
Realized and unrealized losses (gains) on investments	(938)	32,534
Depreciation and amortization	41,857	41,857
Changes in assets and liabilities:		
Grants and contributions receivable	113,317	(188,584)
In-kind use of facilities receivable	42,812	42,812
Prepaid expenses	(545)	922
Accounts payable	(16,164)	(61,894)
Accrued payroll, taxes, and benefits	33	(15,366)
Unearned membership dues	8,772	1,277
	101,588	(439,004)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Sales of investments	48,934	344,050
Purchases of investments	-	(58,674)
Purchases of property and equipment	-	(12,028)
	48,934	273,348
Net cash flows from investing activities		
Cash Flows from Financing Activity		
Payments on loan payable	(3,753)	(1,364)
	(3,753)	(1,364)
Net change in cash and cash equivalents	146,769	(167,020)
Cash and Cash Equivalents, beginning of the year	122,043	289,063
Cash and Cash Equivalents, end of the year	\$ 268,812	\$ 122,043

See accompanying notes to financial statements.

NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Northshore Senior Center (NSC) was incorporated as a Washington nonprofit corporation. NSC's mission is to provide a community where everyone leads full, healthy, and inspired lives.

NSC accomplishes this mission by providing the following services to seniors:

- Adult Day Health
- Transportation
- Classes, including fitness, healthy aging, computer learning (see below)
- Day trips and other activities

NSC provides these services at four locations:

- Bothell Senior Center
- Mill Creek Senior Center
- Kenmore Senior Center
- Health & Wellness Center (in Bothell)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

NSC is required to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of NSC. These net assets may be used at the discretion of NSC's management and the Board of Directors and are comprised of undesignated and board-designated amounts. The Board of Directors has designated \$25,000 of net assets without donor restrictions as of December 31, 2023 and 2022, for the purchase of a new bus.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature; those restrictions will be met by action of NSC or by the passage of time.

NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Net assets with purpose restrictions		
Sport court	\$ 75,000	\$ 75,000
Vehicle purchase	12,873	12,873
	87,873	87,873
Net assets with time restrictions		
In-kind use of facilities - Senior Center	493,454	520,748
	\$ 581,327	\$ 608,621
	\$ 581,327	\$ 608,621

Cash and Cash Equivalents

Cash and cash equivalents are defined as any short-term, highly liquid instruments with original maturities of three months or less. At times, NSC maintains amounts on deposit in banks in excess of the federally insured limits. Management believes NSC is not subject to significant credit risk regarding these deposits.

Investments

NSC liquidated their investments by December 31, 2023; however, during the year they carried investments at fair value (using Level 1 inputs - quoted prices in an active market) and recognizes the realized and unrealized gain/loss in the change in net assets in the year the change in value occurs. Investments include cash equivalents that are associated with the investment account.

Investments consist of the following at December 31:

	2023	2022
Cash equivalents	\$ -	\$ 2,685
Domestic common stocks	-	33,427
Bond mutual funds	-	11,884
	\$ -	\$ 47,996
	\$ -	\$ 47,996

Investment return is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses, less investment expenses.

NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Grants and Contributions Receivable

Grants and contributions receivable represent the amount management expects to collect from outstanding balances and are recognized in the year the unconditional pledge is made. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable account. Grants and contributions receivable is presented net of an allowance for doubtful accounts of \$98,325 at December 31, 2023 and 2022.

At December 31, 2023 and 2022, 57% and 69%, respectively, of gross grants and contributions receivable were due from two government agencies.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of receipt, if donated. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Any acquisition with a value of over \$5,000 and an estimated life of longer than one year is capitalized. Vehicles are depreciated over 7 years and furniture and equipment over 10 years. Leasehold improvements are amortized over the lesser of the life of the lease or the useful life of the improvements, resulting in a useful life of 10 years.

Property and equipment consist of the following at December 31:

	2023	2022
Leasehold improvements	\$ 680,261	\$ 680,261
Vehicles	284,449	284,449
Furniture and equipment	49,061	49,061
	1,013,771	1,013,771
Less: accumulated depreciation and amortization	(890,718)	(848,861)
	<u>\$ 123,053</u>	<u>\$ 164,910</u>

Revenue Recognition

Grants and Contributions – NSC recognizes grant and contribution revenue with or without donor restrictions when the unconditional gift is received or pledged. Revenue from government grants is recorded when the service is provided or when a related qualified expenditure is incurred, as they are considered conditional.

Revenue from government grants is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can be first reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2023 and 2022, 25% and 23%, respectively, of total support and revenue was earned from one government agency.

NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

In-kind Contributions – In-kind contributed goods and services are recorded at their estimated fair value at the date of donation. NSC records the value of donated food as a contribution at the time the food is donated since NSC has discretion in deciding the disposition of the donated food. The dollar value of these contributions is estimated based on the fair value of donated goods at the time of donation at a rate ranging from \$1.70 to \$2.16 per pound during the years ending December 31, 2022 and 2023.

Donated use of facilities (rent) is recognized at an amount based on the estimate of the cost of similar space.

The facilities that house the Bothell Senior Center and the Health & Wellness Center are owned by Northshore Parks and Recreation. The Mill Creek Senior Center is in a facility owned by Vintage. The Kenmore Senior Center is in a facility owned by the City of Kenmore. The facilities are leased for \$1 per year. At inception of the lease, NSC recognized a contribution and in-kind use of facilities receivable for the fair value of the leased space over the term of the lease (including a present value discount at a rate of 2.98%). The in-kind use of facilities receivable is amortized to occupancy expense on a straight-line basis, with the change in discount to contribution and grants revenue.

The in-kind use of facilities receivable is presented as follows on the statements of financial position at December 31:

	2023	2022
In-kind use of facilities receivable	\$ 611,028	\$ 656,451
Present value discount	(117,574)	(135,703)
	493,454	520,748
Less: current portion	(28,107)	(27,294)
	\$ 465,347	\$ 493,454

A substantial number of unpaid volunteers have made significant contributions of their time in conjunction with NSC programs and services. The value of these contributions is not included in these financial statements, as the nature of these services does not meet the accounting criteria for recognition in the financial statements.

In-kind contributions consist of the following for the years ended December 31:

	2023	2022
Use of facilities	\$ 584,751	\$ 484,866
Food	199,571	389,205
	\$ 784,322	\$ 874,071

NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Program Services Fees – Revenue from program services is primarily composed of fees from adult day health, classes, activities, and salon services. Adult Day Health services are composed of fees from individual assessments for adults experiencing physical, mental, or social challenges. These revenues are recorded when NSC's performance obligations are satisfied ratably over the duration of the contracts, which approximates the time the various services are provided. There are no significant judgments affecting the determination of the amount and timing of revenue.

Membership Dues – Revenue from membership dues is recognized ratably over the membership period (a 12-month period) as the membership period coincides with the primary performance obligation (access to the facilities of NSC). Membership dues are paid in advance of the performance obligation being satisfied and are recognized as unearned membership dues (a contract liability). Contract liabilities at December 31, 2022, recognized to revenue during the year ended December 31, 2023, totaled \$38,881. Contract liabilities at December 31, 2021, recognized to revenue during the year ended December 31, 2022, totaled \$37,604.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation and amortization and occupancy, which are allocated on a square footage basis, as well as personnel costs, transportation, equipment and supplies, insurance, office and information technology, and other expenses, which are allocated based on estimates of time and effort.

Income Taxes

NSC is a nonprofit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

NSC has evaluated subsequent events through the date these financial statements were available to be issued, which was April 17, 2024.

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NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

NSC receives a significant portion of its funding from government grants. The government agency is not always able to remit payment to NSC in a timely manner. In order to ensure operational continuity in the event of an interruption of a significant portion of cash flow, NSC strives to maintain the equivalent of six months of operating expenses in cash and short-term investments without donor restrictions with the following goals:

- NSC has a goal to maintain three months of operating expenses in cash and cash equivalents. Cash funds shall be held in FDIC-insured accounts.
- NSC has a goal to maintain an additional three months of operating expenses in its investment portfolio, including holdings with time horizons of one year or less.
- NSC has a goal to invest funds in excess of the amounts stated above in longer term investments in securities such as equities, bonds, and mutual funds subject to the discretion of the board of directors and in adherence with the NSC Investment Policy.

The following tables show the total financial assets held by NSC and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures as of December 31:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 268,812	\$ 122,043
Investments	-	47,996
Grants and contributions receivable, net	233,896	347,213
	502,708	517,252
Amounts not available to be used within one year		
Net assets with purpose restrictions	(87,873)	(87,873)
	<u>\$ 414,835</u>	<u>\$ 429,379</u>

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NORTHSHORE SENIOR CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 – Loan Payable

NSC has an outstanding Economic Injury Disaster Loan due in monthly installments of \$641, including interest at 2.75%, and payable in full by June 2050. The loan is secured by all assets of NSC.

The principal maturities of the loan payable based on the terms of the note discussed above are as follows for the years ending December 31:

2024	\$	3,764
2025		3,868
2026		3,976
2027		4,087
2028		4,201
Thereafter		<u>121,141</u>
		141,037
Less: current portion		<u>(3,764)</u>
	\$	<u><u>137,273</u></u>