



University Heights Center

Financial Statements
Years Ended December 31, 2019 and 2018

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



University Heights Center

Financial Statements
Years Ended December 31, 2019 and 2018

University Heights Center

Contents

| | |
|-------------------------------------|-------|
| Independent Auditor's Report | 3-4 |
| Financial Statements | |
| Statements of Financial Position | 6 |
| Statements of Activities | 7 |
| Statements of Functional Expenses | 8 |
| Statements of Cash Flows | 9 |
| Notes to Financial Statements | 10-14 |



Tel: 206-382-7777
Fax: 206-382-7700
www.bdo.com

Two Union Square, 601 Union Street
Suite 2300
Seattle, WA 98101

Independent Auditor's Report

To the Board of Directors
University Heights Center
Seattle, Washington

We have audited the accompanying financial statements of University Heights Center, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Tel: 206-382-7777
Fax: 206-382-7700
www.bdo.com

Two Union Square, 601 Union Street
Suite 2300
Seattle, WA 98101

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University Heights Center as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Prior Period Financial Statement

The financial statements of University Heights Center as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated May 8, 2019.

BDO USA, LLP

April 8, 2020

Financial Statements

University Heights Center
Statements of Financial Position

| <i>December 31,</i> | 2019 | 2018 |
|-----------------------------------------|---------------------|---------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 371,482 | \$ 402,344 |
| Rent receivable | - | 84 |
| Grants and contributions receivable | 20,350 | 114,341 |
| Prepaid expenses | 4,470 | 3,163 |
| Total Current Assets | 396,302 | 519,932 |
| Property and Equipment, net | 8,508,469 | 7,971,484 |
| Total Assets | \$ 8,904,771 | \$ 8,491,416 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 60,354 | \$ 65,461 |
| Accrued payroll and benefits | 38,617 | 28,970 |
| Prepaid rent | 50,264 | 30,775 |
| Total Current Liabilities | 149,235 | 125,206 |
| Security Deposits | 52,465 | 50,452 |
| Total Liabilities | 201,700 | 175,658 |
| Net Assets | | |
| Without donor restrictions | 8,653,121 | 8,315,758 |
| With donor restrictions | 49,950 | - |
| Total Net Assets | 8,703,071 | 8,315,758 |
| Total Liabilities and Net Assets | \$ 8,904,771 | \$ 8,491,416 |

See accompanying notes to financial statements.

University Heights Center

Statements of Activities

| <i>Years Ended December 31,</i> | 2019 | | | 2018 | | |
|--------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenue | | | | | | |
| Rent revenue | \$ 738,175 | \$ - | \$ 738,175 | \$ 730,443 | \$ - | \$ 730,443 |
| Grants and contributions | 572,784 | 49,950 | 622,734 | 399,772 | - | 399,772 |
| In-kind contributions | 64,266 | - | 64,266 | 18,711 | - | 18,711 |
| Program and other | 105,493 | - | 105,493 | 14,637 | - | 14,637 |
| Net assets released from restriction | - | - | - | 8,750 | (8,750) | - |
| Total Support and Revenue | 1,480,718 | 49,950 | 1,530,668 | 1,172,313 | (8,750) | 1,163,563 |
| Expenses | | | | | | |
| Program services | 944,120 | - | 944,120 | 807,325 | - | 807,325 |
| Management and general | 80,488 | - | 80,488 | 76,710 | - | 76,710 |
| Fundraising | 118,747 | - | 118,747 | 71,563 | - | 71,563 |
| Total Expenses | 1,143,355 | - | 1,143,355 | 955,598 | - | 955,598 |
| Change in Net Assets | 337,363 | 49,950 | 387,313 | 216,715 | (8,750) | 207,965 |
| Net Assets, beginning of year | 8,315,758 | - | 8,315,758 | 8,099,043 | 8,750 | 8,107,793 |
| Net Assets, end of year | \$ 8,653,121 | \$ 49,950 | \$ 8,703,071 | \$ 8,315,758 | \$ - | \$ 8,315,758 |

See accompanying notes to financial statements.

University Heights Center
Statements of Functional Expenses

| <i>Years Ended December 31,</i> | 2019 | | | | 2018 | | | |
|---------------------------------------|---------------------|---------------------------|-------------------|--------------------|---------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Salaries, payroll taxes, and benefits | \$ 468,975 | \$ 44,046 | \$ 82,837 | \$ 595,858 | \$ 367,763 | \$ 37,914 | \$ 30,032 | \$ 435,709 |
| Professional fees | 30,116 | - | 32,711 | 62,827 | 14,474 | 21,412 | 40,372 | 76,258 |
| Utilities | 54,181 | 1,106 | - | 55,287 | 57,952 | 1,183 | - | 59,135 |
| Office expense | 28,710 | 23,142 | - | 51,852 | 27,367 | 5,711 | 1,005 | 34,083 |
| Supplies and building expenses | 35,546 | 214 | - | 35,760 | 33,267 | - | - | 33,267 |
| Property insurance | 27,861 | 569 | - | 28,430 | 27,861 | 569 | - | 28,430 |
| Repairs and maintenance | 25,439 | - | - | 25,439 | 41,229 | - | - | 41,229 |
| Marketing and communication | 16,976 | - | 1,886 | 18,862 | - | - | - | - |
| Program expense | 18,314 | - | - | 18,314 | 27,725 | - | - | 27,725 |
| Other (including in-kinds) | 57,204 | 7,722 | 1,313 | 66,239 | 34,111 | 6,338 | 154 | 40,603 |
| Total Expenses before | | | | | | | | |
| Depreciation | 763,322 | 76,799 | 118,747 | 958,868 | 631,749 | 73,127 | 71,563 | 776,439 |
| Depreciation | 180,798 | 3,689 | - | 184,487 | 175,576 | 3,583 | - | 179,159 |
| Total Expenses | \$ 944,120 | \$ 80,488 | \$ 118,747 | \$1,143,355 | \$ 807,325 | \$ 76,710 | \$ 71,563 | \$ 955,598 |

See accompanying notes to financial statements.

University Heights Center

Statements of Cash Flows

| <i>Years Ended December 31,</i> | 2019 | 2018 |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 387,313 | \$ 207,965 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 184,487 | 179,159 |
| Non-cash contribution towards capital project | (28,476) | - |
| Changes in operating assets and liabilities: | | |
| Rent receivable | 84 | 76 |
| Grants and contributions receivable | 93,991 | (87,341) |
| Prepaid expenses | (1,307) | 611 |
| Accounts payable | (5,107) | 45,601 |
| Accrued payroll and benefits | 9,647 | 1,929 |
| Prepaid rent | 19,489 | 12,871 |
| Security deposits | 2,013 | (660) |
| Net Cash Flows from Operating Activities | 662,134 | 360,211 |
| Cash Flows for Investing Activity | | |
| Purchase of property and equipment | (692,996) | (429,545) |
| Net Change in Cash and Cash Equivalents | (30,862) | (69,334) |
| Cash and Cash Equivalents, beginning of year | 402,344 | 471,678 |
| Cash and Cash Equivalents, end of year | \$ 371,482 | \$ 402,344 |

See accompanying notes to financial statements.

University Heights Center

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization

The mission of University Heights Center is to promote lifelong learning, creativity, culture, community activism, and the preservation of its historic building. Built in 1902, University Heights Center is a national and local historic landmark. The community came together in 1989 to save the historic building from demolition and to form the community center that exists today. Originally the site of University Heights Elementary School, the building and land was acquired from the Seattle School District in 2009. Since inception, University Heights Center has occupied its present location, but prior to acquisition, it had leased the building from the Seattle School District. The building and land purchase was made possible through grants received from the City of Seattle and the State of Washington. See further discussion of the building and land purchase in Note 4.

Financial Statement Presentation

University Heights Center is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

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.

Net Assets with Donor Restrictions

University Heights Center records contributions and grants received as with or without donor restrictions depending on the existence of any donor restrictions. Net assets are transferred between classes as expenditures are incurred for the restricted purpose or as time restrictions are met. Contributions and grants with donor imposed restrictions that are met in the same year they are received are reported as revenues in the net assets without donor restrictions class.

Net assets with donor restrictions at December 31, 2019, consist of \$43,950 restricted for the elevator capital project, and \$6,000 restricted for operations in 2020. There were no net assets with donor restrictions at December 31, 2018.

Cash and Cash Equivalents

University Heights Center considers highly liquid investments with an original maturity of three months or less to be cash equivalents. At times, University Heights Center has cash balances in excess of federal insurance limits.

University Heights Center

Notes to Financial Statements

Receivables

Receivables from tenants for rent are stated at their outstanding principal balances.

Unconditional promises to give (contributions and grants receivable) are all expected to be collected in one year and are recorded at net realizable value. There were no concentrations of grants and contributions receivable at December 31, 2019 or 2018.

Management reviews rent, contributions, and grants receivable on a regular basis and establishes an allowance for accounts that may not be collectible. Any amounts written off are charged against the allowance. Management determined an allowance for uncollectible receivables was not necessary at December 31, 2019 or 2018.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair value at the date of receipt, if donated. University Heights Center capitalizes all fixed assets with a cost in excess of \$5,000 and a useful life of one year or more. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets ranging between 3 and 25 years. Repairs and maintenance are charged to expense when incurred.

Rent Revenue

Rental income is recognized on the straight-line basis over the lease term as it becomes receivable according to the provisions of the lease. An adjustment to the straight-line basis has not been recognized, as the amount is not material to the financial statements. Rent received in advance of the lease period is recognized as prepaid rent.

University Heights Center receives regular monthly income from tenants with operating leases and hourly income from various entities looking to temporarily rent space for events. Revenue is recognized in accordance with lease contracts or on the date the hourly tenants occupy the space. During the years ended December 31, 2019 and 2018, one tenant accounted for approximately 9% and 14%, respectively, of total support and revenue.

Future noncancelable minimum rental payments to be received for the leasable space are as follows:

| <i>Years Ending December 31,</i> | |
|----------------------------------|--------------|
| 2020 | \$ 419,901 |
| 2021 | 362,260 |
| 2022 | 344,268 |
| 2023 | 200,219 |
| 2024 | 98,967 |
| Thereafter | 470,334 |
| | <hr/> |
| | \$ 1,895,949 |

University Heights Center

Notes to Financial Statements

Grant and Contribution Revenue

Grant and contribution revenue is recognized when the unconditional grant or contribution is awarded, unless the grant is conditional upon approval of qualified reimbursable expenditures. In this situation, revenue is recognized at the time the qualified expenditure is incurred. At December 31, 2019, University Heights Center has conditional awards outstanding of \$427,870 for the elevator capital project, and \$250,000 for water remediation.

Grants from one donor represented 26% and 28% of total support and revenue during 2019 and 2018, respectively.

In-Kind Contributions

In-kind contributions are recognized at estimated fair value when received. Donated services are recognized if the services received require specialized skills, are provided by a person possessing those skills, and would need to be purchased if not provided by donation.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses are attributed to more than one program or supporting function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include professional fees, utilities, office expense, supplies and building expenses, property insurance, and depreciation, which are allocated based on estimates of actual use made by the Accountant and Executive Director. Salaries and wages, benefits, and payroll taxes are allocated on the basis of estimates of time and effort made by the Accountant and Executive Director.

Income Taxes

University Heights Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

University Heights Center has evaluated subsequent events through the date these financial statements were available to be issued, which was April 8, 2020.

2. Liquidity and Availability of Resources

University Heights Center strives to maintain liquid financial assets and reserves sufficient to cover at least 180 days of general expenditures. Financial assets in excess of daily cash requirements are held in checking and savings accounts.

Financial assets not available include cash held for security deposits from building tenants and net assets with donor restrictions for capital projects.

University Heights Center

Notes to Financial Statements

The following table reflects University Heights Center's financial assets available to meet general expenditures within one year of the statement of financial position date:

| <i>December 31,</i> | 2019 | 2018 |
|---------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 371,482 | \$ 402,344 |
| Rent receivable | - | 84 |
| Grants and contributions receivable | 20,350 | 114,341 |
| | 391,832 | 516,769 |
| Less amounts not available to be used within one year: | | |
| Cash held for security deposits | (52,465) | (50,452) |
| Net assets with donor restrictions for elevator capital project | (43,950) | - |
| | 295,417 | 466,317 |
| Financial Assets Available to Meet Cash Needs for General Expenditures within One Year | \$ 295,417 | \$ 466,317 |

3. Property and Equipment

Property and equipment consist of the following:

| <i>December 31,</i> | 2019 | 2018 |
|--------------------------------------------------|---------------------|---------------------|
| Building | \$ 834,662 | \$ 834,662 |
| Building improvements and equipment | 2,399,217 | 2,323,782 |
| | 3,233,879 | 3,158,444 |
| Less: accumulated depreciation | (1,086,123) | (901,636) |
| | 2,147,756 | 2,256,808 |
| Land | 5,195,779 | 5,195,779 |
| Construction in progress - building improvements | 1,164,934 | 518,897 |
| | \$ 8,508,469 | \$ 7,971,484 |

Construction in progress at December 31, 2019 and 2018, consists primarily of building improvements related to water remediation. University Heights Center has construction commitments outstanding related to water remediation of approximately \$83,000 at December 31, 2019.

University Heights Center

Notes to Financial Statements

4. Building and Land Acquisition

In 2009, University Heights Center and the Seattle Department of Parks and Recreation entered into a purchase agreement with the Seattle School District for the building and land where University Heights Center operates. University Heights Center is required to be in compliance with certain restrictive covenants as part of the agreement that center around the use of the building. The agreement expires in 2049.

To assist in the purchase, grants were received from the City of Seattle and the State of Washington. University Heights Center is required to be in compliance with certain restrictive covenants as part of the agreement that also center around operations and building use. The agreement expires in 2024.

University Heights Center was in compliance with all restrictive covenants under these agreements at both December 31, 2019 and 2018.

5. Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on University Heights Center’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, University Heights Center is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2020.