

**UNIVERSITY HEIGHTS CENTER**

Financial Statements  
December 31, 2020 and 2019

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Matt Smith, CPA



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
University Heights Center  
Seattle, Washington

We have audited the accompanying financial statements of University Heights Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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.

### **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, 2020, 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.

### **Prior Period Financial Statements**

The financial statements of University Heights Center as of December 31, 2019, were audited by other auditors whose report dated April 8, 2020, expressed an unmodified opinion on those statements.

*Greenwood Ohlund*

Seattle, Washington  
May 13, 2021

**UNIVERSITY HEIGHTS CENTER**

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 356,701	\$ 371,482
Rent receivable, net	26,825	-
Grants and contributions receivable	281,694	20,350
Prepaid expenses	<u>3,295</u>	<u>4,470</u>
Total current assets	668,515	396,302
Property and Equipment, net	<u>8,621,173</u>	<u>8,508,469</u>
Total assets	<u>\$ 9,289,688</u>	<u>\$ 8,904,771</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 37,482	\$ 60,354
Accrued payroll and benefits	32,615	38,617
Prepaid rent	<u>36,356</u>	<u>50,264</u>
Total current liabilities	106,453	149,235
Security Deposits	<u>55,457</u>	<u>52,465</u>
Total liabilities	161,910	201,700
Net Assets		
Without donor restrictions	9,062,828	8,653,121
With donor restrictions	<u>64,950</u>	<u>49,950</u>
Total net assets	<u>9,127,778</u>	<u>8,703,071</u>
Total liabilities and net assets	<u>\$ 9,289,688</u>	<u>\$ 8,904,771</u>

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CENTER**

STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Rent revenue	\$ 646,260	\$ -	\$ 646,260	\$ 738,175	\$ -	\$ 738,175
Grants and contributions	814,179	21,000	835,179	572,784	49,950	622,734
In-kind contributions	20,101	-	20,101	64,266	-	64,266
Program and other	29,193	-	29,193	105,493	-	105,493
Net assets released from restrictions	6,000	(6,000)	-	-	-	-
Total public support and revenue	1,515,733	15,000	1,530,733	1,480,718	49,950	1,530,668
Expenses						
Program services	925,129	-	925,129	944,120	-	944,120
Management and general	112,381	-	112,381	80,488	-	80,488
Fundraising	68,516	-	68,516	118,747	-	118,747
Total expenses	1,106,026	-	1,106,026	1,143,355	-	1,143,355
<b>Change in net assets</b>	<b>409,707</b>	<b>15,000</b>	<b>424,707</b>	<b>337,363</b>	<b>49,950</b>	<b>387,313</b>
Net Assets, beginning of year	8,653,121	49,950	8,703,071	8,315,758	-	8,315,758
Net Assets, end of year	<u>\$ 9,062,828</u>	<u>\$ 64,950</u>	<u>\$ 9,127,778</u>	<u>\$ 8,653,121</u>	<u>\$ 49,950</u>	<u>\$ 8,703,071</u>

*See accompanying notes to financial statements.*

**UNIVERSITY HEIGHTS CENTER**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Administration and General	Fundraising	Total	Program Services	Administration and General	Fundraising	Total
Salaries, benefits, and taxes	\$ 477,655	\$ 43,041	\$ 55,590	\$ 576,286	\$ 468,975	\$ 44,046	\$ 82,837	\$ 595,858
Professional fees	17,410	26,100	10,871	54,381	30,116	-	32,711	62,827
Utilities	43,985	898	-	44,883	54,181	1,106	-	55,287
Property insurance	33,156	677	-	33,833	27,861	569	-	28,430
Other (including in-kinds)	24,986	4,271	952	30,209	57,204	7,722	1,313	66,239
Bad debts	-	30,000	-	30,000	-	-	-	-
Repairs and maintenance	25,655	-	-	25,655	25,439	-	-	25,439
Supplies and building expense	23,029	-	-	23,029	35,546	214	-	35,760
Community events expense	18,553	-	-	18,553	18,314	-	-	18,314
Office expense	9,911	2,478	-	12,389	28,710	23,142	-	51,852
Marketing and communication	9,925	-	1,103	11,028	16,976	-	1,886	18,862
Total expenses before depreciation	684,265	107,465	68,516	860,246	763,322	76,799	118,747	958,868
Depreciation	240,864	4,916	-	245,780	180,798	3,689	-	184,487
	<u>\$ 925,129</u>	<u>\$ 112,381</u>	<u>\$ 68,516</u>	<u>\$ 1,106,026</u>	<u>\$ 944,120</u>	<u>\$ 80,488</u>	<u>\$ 118,747</u>	<u>\$ 1,143,355</u>

*See accompanying notes to financial statements.*

## UNIVERSITY HEIGHTS CENTER

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 424,707	\$ 387,313
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	245,780	184,487
Bad debt expense	30,000	-
Non-cash contribution towards capital project	(17,219)	(28,476)
Changes in operating assets and liabilities		
Rent receivable	(56,825)	84
Grants and contributions receivable	(261,344)	93,991
Prepaid expenses	1,175	(1,307)
Accounts payable	(22,872)	(5,107)
Accrued payroll and benefits	(6,002)	9,647
Prepaid rent	(13,908)	19,489
Security deposits	2,992	2,013
Net cash flows from operating activities	326,484	662,134
Cash Flows from Investing Activity		
Purchases of property and equipment	(341,265)	(692,996)
<b>Net change in cash and cash equivalents</b>	<b>(14,781)</b>	<b>(30,862)</b>
Cash and Cash Equivalents, beginning of the year	371,482	402,344
Cash and Cash Equivalents, end of the year	\$ 356,701	\$ 371,482

*See accompanying notes to financial statements.*

# UNIVERSITY HEIGHTS CENTER

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Organization and Summary of 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.

Gifts of property and equipment are reported as without donor restrictions support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service.



# UNIVERSITY HEIGHTS CENTER

## NOTES TO FINANCIAL STATEMENTS

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

	2020	2019
Elevator construction	\$ 43,950	\$ 43,950
Arts program	15,000	-
Time restricted	6,000	6,000
	<u>\$ 64,950</u>	<u>\$ 49,950</u>

### *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.

### *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. 91% of contributions and grants receivable were due from one donor at December 31, 2020. There were no concentrations of grants and contributions receivable at December 31, 2019.

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, 2020 or 2019.

### *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 10 and 27.5 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

## NOTES TO FINANCIAL STATEMENTS

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.

Future noncancelable minimum rental payments to be received for the leasable space are as follows for the years ending December 31:

2021	\$	544,501
2022		517,485
2023		376,254
2024		229,337
2025		135,934
Thereafter		<u>394,696</u>
	\$	<u>2,198,207</u>

### *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, 2020, University Heights Center has conditional awards outstanding of \$280,000 for the elevator capital project.

During the year ended December 31, 2020, University Heights Center received a Paycheck Protection Program loan from the Small Business Administration of \$121,400. This loan included forgivable conditions which were met during the year ended December 31, 2020 and, therefore, the loan amount was recognized to contribution and grant revenue.

Contributions and grants from two donors represented 33% of total support and revenue during 2020. Contributions and grants from two donors represented 26% of total support and revenue during 2019.

### *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.

# UNIVERSITY HEIGHTS CENTER

## NOTES TO FINANCIAL STATEMENTS

### *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 salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort, and professional fees, utilities, property insurance, other, and depreciation, which are allocated based on estimates of actual use.

### *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 May 13, 2021.

### **Note 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.

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 at December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and cash equivalents	\$ 356,701	\$ 371,482
Rent receivable	26,825	-
Grants and contributions receivable	281,694	20,350
	<u>665,220</u>	<u>391,832</u>
Amounts Not Available to be Used Within One Year:		
Cash held for security deposits	(55,457)	(52,465)
Net assets with donor restrictions for elevator capital project	(43,950)	(43,950)
	<u>\$ 565,813</u>	<u>\$ 295,417</u>

# UNIVERSITY HEIGHTS CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 3 – Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Building	\$ 834,662	\$ 834,662
Building improvements and equipment	3,738,985	2,399,217
	4,573,647	3,233,879
Less: accumulated depreciation	(1,331,902)	(1,086,123)
	3,241,745	2,147,756
Land	5,195,779	5,195,779
Construction in progress - building improvements	183,649	1,164,934
	<u>\$ 8,621,173</u>	<u>\$ 8,508,469</u>

During the year ended December 31, 2020, University Heights Center completed a major water remediation project and placed it into service. Construction in progress at December 31, 2020 consists primarily of building improvements related to an elevator project. There are no material construction commitments related to the elevator project at December 31, 2020.

### Note 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 covenants as part of the agreement that restrict 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 covenants as part of the agreement that restrict 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, 2020 and 2019.

### Note 5 – Subsequent Event

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.

## UNIVERSITY HEIGHTS CENTER

### NOTES TO FINANCIAL STATEMENTS

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 2021.

On December 27, 2020, President Trump signed into law the "Consolidated Appropriations Act, 2021" (the Act). The Act, among other things, includes a second round of appropriated funds for the Small Business Administration (SBA) Paycheck Protection Program (PPP2) loans that are forgivable in certain situations to promote continued employment. To ensure the continued financial stability of University Heights Center, on January 22, 2021, University Heights Center issued a loan payable to a bank under the PPP2 offered by the SBA totaling \$110,400. The proceeds from the loan will be used to bring laid off and furloughed employees back to work and retain current staff. The loan payable incurs interest at 1.0% and is unsecured. The principal and interest of the loan is forgivable if the proceeds are spent on qualifying costs during the 24-week period following the date the loan was issued. Qualified costs are considered to be 60% of the loan amount on payroll costs, and 40% on non-payroll costs, including rent and utilities. Monthly principal and interest payments are deferred for 10 months after loan date, following the 24-week period (or January 5, 2022), unless, if earlier, the SBA determines the loan is eligible for forgiveness, at which point, monthly payments will begin. Should any portion of the principal and interest of the loan not meet the forgiveness provisions, the principal and interest will be repayable monthly over a five-year amortization period starting from the end of the deferral period until maturity of January 5, 2027. Management plans to apply for forgiveness of the PPP2 loan.