

UNIVERSITY HEIGHTS CENTER

Financial Statements
December 31, 2021 and 2020

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Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
University Heights Center
Seattle, Washington

Opinion

We have audited the accompanying financial statements of University Heights Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 University Heights 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 University Heights 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, 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.

Amanda O'Rourke, CPA
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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 University Heights 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 University Heights 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
May 17, 2022

UNIVERSITY HEIGHTS CENTER

STATEMENTS OF FINANCIAL POSITION December 31, 2021 and 2020

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 728,091	\$ 356,701
Rent receivable, net	37,406	26,825
Grants and contributions receivable	95,691	281,694
Prepaid expenses	-	3,295
Total current assets	861,188	668,515
Property and Equipment, net	8,392,407	8,621,173
Total assets	\$ 9,253,595	\$ 9,289,688
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 21,912	\$ 37,482
Accrued payroll and benefits	42,391	32,615
Prepaid rent	25,038	36,356
Total current liabilities	89,341	106,453
Security Deposits	59,039	55,457
Total liabilities	148,380	161,910
Net Assets		
Without donor restrictions	9,015,241	9,062,828
With donor restrictions	89,974	64,950
Total net assets	9,105,215	9,127,778
Total liabilities and net assets	\$ 9,253,595	\$ 9,289,688

See accompanying notes to financial statements.

UNIVERSITY HEIGHTS CENTER

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Rent revenue	\$ 738,396	\$ -	\$ 738,396	\$ 646,260	\$ -	\$ 646,260
Grants and contributions	452,055	46,024	498,079	814,179	21,000	835,179
In-kind contributions	12,779	-	12,779	20,101	-	20,101
Program and other	21,686	-	21,686	29,193	-	29,193
Net assets released from restrictions	21,000	(21,000)	-	6,000	(6,000)	-
Total support and revenue	1,245,916	25,024	1,270,940	1,515,733	15,000	1,530,733
Expenses						
Program services	1,068,575	-	1,068,575	925,129	-	925,129
Administration and general	114,765	-	114,765	112,381	-	112,381
Fundraising	110,163	-	110,163	68,516	-	68,516
Total expenses	1,293,503	-	1,293,503	1,106,026	-	1,106,026
Change in net assets	(47,587)	25,024	(22,563)	409,707	15,000	424,707
Net Assets, beginning of year	9,062,828	64,950	9,127,778	8,653,121	49,950	8,703,071
Net Assets, end of year	<u>\$ 9,015,241</u>	<u>\$ 89,974</u>	<u>\$ 9,105,215</u>	<u>\$ 9,062,828</u>	<u>\$ 64,950</u>	<u>\$ 9,127,778</u>

See accompanying notes to financial statements.

UNIVERSITY HEIGHTS CENTER

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Administration and General	Fundraising	Total	Program Services	Administration and General	Fundraising	Total
Salaries, benefits, and taxes	\$ 433,865	\$ 56,606	\$ 71,015	\$ 561,486	\$ 477,655	\$ 43,041	\$ 55,590	\$ 576,286
Professional fees	115,174	32,339	36,168	183,681	17,410	26,100	10,871	54,381
Utilities	67,087	1,369	-	68,456	43,985	898	-	44,883
Community events expense	40,476	-	-	40,476	18,553	-	-	18,553
Repairs and maintenance	39,050	-	-	39,050	25,655	-	-	25,655
Property insurance	37,648	768	-	38,416	33,156	677	-	33,833
Other (including in-kinds)	20,985	3,021	-	24,006	24,986	4,271	952	30,209
Office expense	19,144	1,819	2,577	23,540	9,911	2,478	-	12,389
Supplies and building expense	20,784	-	-	20,784	23,029	-	-	23,029
Bad debts	-	13,318	-	13,318	-	30,000	-	30,000
Marketing and communication	3,631	-	403	4,034	9,925	-	1,103	11,028
Total expenses before depreciation	797,844	109,240	110,163	1,017,247	684,265	107,465	68,516	860,246
Depreciation	270,731	5,525	-	276,256	240,864	4,916	-	245,780
	<u>\$ 1,068,575</u>	<u>\$ 114,765</u>	<u>\$ 110,163</u>	<u>\$ 1,293,503</u>	<u>\$ 925,129</u>	<u>\$ 112,381</u>	<u>\$ 68,516</u>	<u>\$ 1,106,026</u>

See accompanying notes to financial statements.

UNIVERSITY HEIGHTS CENTER

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ (22,563)	\$ 424,707
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	276,256	245,780
Bad debt expense	13,318	30,000
Non-cash contribution towards capital project	(3,655)	(17,219)
Changes in operating assets and liabilities		
Rent receivable	(23,899)	(56,825)
Grants and contributions receivable	186,003	(261,344)
Prepaid expenses	3,295	1,175
Accounts payable	(15,570)	(22,872)
Accrued payroll and benefits	9,776	(6,002)
Prepaid rent	(11,318)	(13,908)
Security deposits	3,582	2,992
	415,225	326,484
Net cash flows from operating activities		
Cash Flows from Investing Activity		
Purchases of property and equipment	(43,835)	(341,265)
	371,390	(14,781)
Net change in cash and cash equivalents		
Cash and Cash Equivalents, beginning of the year	356,701	371,482
	\$ 728,091	\$ 356,701
Cash and Cash Equivalents, end of the year		

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 3.

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 grants and contributions 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. Grants and contributions 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.

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

	2021	2020
Elevator construction	\$ 89,974	\$ 43,950
Arts program	-	15,000
Time restricted	-	6,000
	<u>\$ 89,974</u>	<u>\$ 64,950</u>

UNIVERSITY HEIGHTS CENTER

NOTES TO FINANCIAL STATEMENTS

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 (grants and contributions receivable) are all expected to be collected in one year and are recorded at net realizable value. 91% of grants and contributions receivable were due from one donor at December 31, 2020. There were no concentrations of grants and contributions receivable at December 31, 2021.

Management reviews all receivables on a regular basis and establishes an allowance for accounts that may not be collectible. Any amounts written off are charged against the allowance. The allowance was \$31,973 and \$30,000 as of December 31, 2021 and 2020, respectively.

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.

Property and equipment consist of the following at December 31:

	2021	2020
Building	\$ 834,662	\$ 834,662
Building improvements and equipment	3,738,985	3,738,985
	4,573,647	4,573,647
Less: accumulated depreciation	(1,608,158)	(1,331,902)
	2,965,489	3,241,745
Land	5,195,779	5,195,779
Construction in progress - elevator project	231,139	183,649
	<u>\$ 8,392,407</u>	<u>\$ 8,621,173</u>

UNIVERSITY HEIGHTS CENTER

NOTES TO FINANCIAL STATEMENTS

In February 2022, University Heights entered into a construction contract related to the elevator project for \$1,501,821. In addition, in March 2022, University Heights Center issued a loan under the Small Business Administration Economic Injury Disaster Loan Program in the amount of \$150,000 to assist with costs associated with the elevator project. The note requires monthly principal and interest payments of \$641 beginning March 2023 through maturity of March 2052, when all outstanding principal and interest are due. The loan bears interest at 2.75% and is secured by generally all assets of University Heights Center.

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.

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

2022	\$	572,626
2023		442,588
2024		324,456
2025		139,777
2026		103,646
Thereafter		291,048
		<hr/>
	\$	<u>1,874,141</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, 2021, University Heights Center has conditional awards outstanding of \$860,000 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 grants and contributions revenue. During the year ended December 31, 2021, University Heights Center received an additional Paycheck Protection Program loan from the Small Business Administration of \$110,400. This loan included forgivable conditions which were met during the year ended December 31, 2021 and, therefore, the loan amount was recognized to grants and contributions revenue.

Grants and contributions from two donors represented 33% of total support and revenue during the year ended December 31, 2020. There were no concentrations of grants and contributions during the year ended December 31, 2021.

UNIVERSITY HEIGHTS CENTER

NOTES TO FINANCIAL STATEMENTS

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 salaries, benefits, and 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 17, 2022.

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:

	2021	2020
Financial Assets:		
Cash and cash equivalents	\$ 728,091	\$ 356,701
Rent receivable	37,406	26,825
Grants and contributions receivable	95,691	281,694
	<u>861,188</u>	<u>665,220</u>
Amounts Not Available to be Used Within One Year:		
Cash held for security deposits	(59,039)	(55,457)
Net assets with donor restrictions for purpose	(89,974)	(58,950)
	<u>\$ 712,175</u>	<u>\$ 550,813</u>

UNIVERSITY HEIGHTS CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 – Building and Land Compliance and Covenants

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, 2021 and 2020.