

NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2020 AND 2019

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2020



NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

June 17, 2021

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. 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. 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 in the first paragraph of this letter present fairly, in all material respects, the financial position of Neighborhood House, Incorporated as of December 31, 2020 and 2019, 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.

Other Matters

Other 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 is presented for purposes of additional analysis as required by 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) and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 17, 2021 on our consideration of 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 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 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

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 2,020,340	\$ 2,013,619
Grants and contracts receivable	4,071,235	3,233,449
Pledges receivable	22,641	253,148
Other receivables	1,335,321	349,935
Investments	1,145,150	1,042,879
Prepaid expenses and deposits	339,936	307,739
	<u>8,934,623</u>	<u>7,200,769</u>
	Total Current Assets	
Equipment and Software, net	210,672	291,791
Facilities, net	<u>13,153,906</u>	<u>13,574,302</u>
	<u>\$22,299,201</u>	<u>\$21,066,862</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 1,140,373	\$ 578,520
Accrued expenses	1,680,880	1,263,744
Refundable advances	99,815	96,200
Deferred revenue	646	20,487
	<u>2,921,714</u>	<u>1,958,951</u>
	Total Current Liabilities	
Refundable Advances	<u>2,385,715</u>	<u>2,716,015</u>
	<u>5,307,429</u>	<u>4,674,966</u>
	Total Liabilities	
Net Assets		
Without donor restrictions		
Undesignated	14,924,687	14,683,399
Board designated for future operations	743,222	714,668
	<u>15,667,909</u>	<u>15,398,067</u>
	Total Net Assets Without Donor Restrictions	
With donor restrictions	<u>1,323,863</u>	<u>993,829</u>
	<u>16,991,772</u>	<u>16,391,896</u>
	Total Net Assets	
	<u>\$22,299,201</u>	<u>\$21,066,862</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Change in Net Assets Without Donor Restrictions		
Revenues and other support		
Government and private grants and contracts	\$20,175,764	\$17,528,404
In-kind support	616,234	785,527
United Way of King County	3,527,593	1,389,108
Contributions	1,220,831	856,943
Investment return	104,603	135,709
Service fees and other	127,535	157,193
	<u>25,772,560</u>	<u>20,852,884</u>
Net assets released from purpose restrictions	<u>419,121</u>	<u>711,347</u>
Total Revenues and Other Support Without Donor Restrictions	<u>26,191,681</u>	<u>21,564,231</u>
Expenses		
Program services	22,806,327	18,835,230
Management and general	2,608,660	2,401,818
Fund development	506,852	488,474
	<u>25,921,839</u>	<u>21,725,522</u>
Total Expenses	<u>25,921,839</u>	<u>21,725,522</u>
Change in Net Assets Without Donor Restrictions	<u>269,842</u>	<u>(161,291)</u>
Change in Net Assets With Donor Restrictions		
Government and private grants and contracts	266,297	119,769
United Way of King County	393,393	254,236
Contributions	89,465	116,347
Net assets released from purpose restrictions	<u>(419,121)</u>	<u>(711,347)</u>
Change in Net Assets With Donor Restrictions	<u>330,034</u>	<u>(220,995)</u>
Total Change in Net Assets	599,876	(382,286)
Net Assets - beginning of year	<u>16,391,896</u>	<u>16,774,182</u>
Net Assets - end of year	<u>\$16,991,772</u>	<u>\$16,391,896</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES							Total Program Services	Management and General	Fund Development	Total Expenses
	Child Development	Housing Stability	Aging & Disabilities Services	Community Health	Youth & Family Services	Adult Employment & Education	Other Programs				
Salaries and wages	\$ 6,198,305	\$ 994,574	\$ 2,292,978	\$ 1,312,736	\$ 751,690	\$ 732,526	\$ 235,439	\$ 12,518,248	\$ 1,714,869	\$ 342,208	\$ 14,575,325
Employee health and retirement benefits	916,777	160,956	313,787	179,369	112,656	118,702	31,846	1,834,093	216,097	46,067	2,096,257
Payroll taxes	526,070	79,885	184,869	115,009	65,364	60,410	20,055	1,051,662	139,672	29,298	1,220,632
Total Salaries and Related Expenses	7,641,152	1,235,415	2,791,634	1,607,114	929,710	911,638	287,340	15,404,003	2,070,638	417,573	17,892,214
Assistance to individuals	17	2,965,675	63,295	13,411	31,959	63,601	49,875	3,187,833	-	-	3,187,833
Occupancy	515,550	63,853	136,193	67,726	37,462	22,523	86,561	929,868	127,897	23,671	1,081,436
Supplies	641,854	34,588	64,778	80,468	43,736	11,562	16,122	893,108	97,865	13,781	1,004,754
Professional fees and contract services	196,611	4,918	48,801	330,944	56,515	4,532	3,277	645,598	136,454	23,021	805,073
Depreciation	325,305	5,343	31,887	17,936	52,507	18,465	82,153	533,596	38,149	5,796	577,541
In-kind other	197,186	18,884	51,551	30,293	76,877	12,856	-	387,647	49,340	5,996	442,983
Conferences and meetings	170,948	7,789	8,522	13,586	3,890	1,302	902	206,939	22,879	2,555	232,373
Telephone	123,576	10,570	28,303	14,427	17,977	11,497	4,080	210,430	6,641	1,286	218,357
In-kind occupancy	62,179	10,874	20,663	1,319	55,296	20,213	1,047	171,591	1,349	311	173,251
Other expenses	47,632	2,926	9,160	13,902	5,014	2,562	3,357	84,553	40,451	2,477	127,481
Local transportation	25,040	1,933	11,168	8,757	10,399	2,419	2,258	61,974	5,379	1,038	68,391
Printing and publications	2,151	621	1,396	30,205	1,994	815	3	37,185	4,642	8,518	50,345
Postage and shipping	10,353	315	10,635	1,311	681	238	949	24,482	6,976	829	32,287
Food	18,262	-	1,072	2,840	4,933	391	22	27,520	-	-	27,520
Total Expenses	<u>\$ 9,977,816</u>	<u>\$ 4,363,704</u>	<u>\$ 3,279,058</u>	<u>\$ 2,234,239</u>	<u>\$ 1,328,950</u>	<u>\$ 1,084,614</u>	<u>\$ 537,946</u>	<u>\$ 22,806,327</u>	<u>\$ 2,608,660</u>	<u>\$ 506,852</u>	<u>\$ 25,921,839</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES							Total Program Services	Management and General	Fund Development	Total Expenses
	Child Development	Housing Stability	Aging & Disabilities Services	Community Health	Youth & Family Services	Adult Employment & Education	Other Programs				
Salaries and wages	\$ 5,200,437	\$ 799,408	\$ 1,676,369	\$ 869,162	\$ 618,133	\$ 1,057,810	\$ 186,973	\$ 10,408,292	\$ 1,596,637	\$ 276,810	\$ 12,281,739
Employee health and retirement benefits	744,627	122,700	237,949	99,884	83,548	167,464	24,798	1,480,970	187,104	34,074	1,702,148
Payroll taxes	511,496	72,113	153,294	80,215	58,086	98,200	16,402	989,806	139,864	24,317	1,153,987
Total Salaries and Related Expenses	6,456,560	994,221	2,067,612	1,049,261	759,767	1,323,474	228,173	12,879,068	1,923,605	335,201	15,137,874
Assistance to individuals	-	1,579,001	831	15,290	3,692	109,215	-	1,708,029	-	-	1,708,029
Occupancy	572,583	57,612	87,359	23,056	37,188	34,970	95,244	908,012	113,622	22,391	1,044,025
Supplies	405,117	20,481	37,018	78,011	51,905	14,737	11,374	618,643	91,210	13,252	723,105
Professional fees and contract services	294,694	3,556	34,562	151,603	55,890	5,673	9,544	555,522	96,130	13,887	665,539
Depreciation	308,492	5,139	31,580	15,948	54,048	17,402	89,418	522,027	47,982	6,466	576,475
In-kind other	256,639	4,059	13,521	13,632	92,767	4,574	-	385,192	28,711	24,085	437,988
Conferences and meetings	245,606	4,712	8,304	80,403	4,161	3,655	7,099	353,940	11,246	35,471	400,657
Telephone	55,007	9,088	22,422	9,999	13,871	18,398	6,121	134,906	6,640	1,296	142,842
In-kind occupancy	67,349	1,974	17,830	4,394	52,225	25,567	-	169,339	-	-	169,339
Other expenses	68,508	4,531	10,850	15,604	6,616	3,968	4,935	115,012	54,576	14,014	183,602
Local transportation	99,574	4,895	26,395	14,388	26,424	10,480	5,157	187,313	8,933	1,576	197,822
Printing and publications	26,660	1,305	1,650	98,805	424	1,711	1,010	131,565	8,719	8,980	149,264
Postage and shipping	431	13	8,180	271	6	79	212	9,192	10,444	1,924	21,560
Food	118,111	42	1,864	15,753	19,064	2,536	100	157,470	-	9,931	167,401
Total Expenses	<u>\$ 8,975,331</u>	<u>\$ 2,690,629</u>	<u>\$ 2,369,978</u>	<u>\$ 1,586,418</u>	<u>\$ 1,178,048</u>	<u>\$ 1,576,439</u>	<u>\$ 458,387</u>	<u>\$ 18,835,230</u>	<u>\$ 2,401,818</u>	<u>\$ 488,474</u>	<u>\$ 21,725,522</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies and grantors	\$ 19,257,749	\$ 17,480,524
Donors	4,475,241	2,889,769
Investment return	6,904	8,456
Other income	124,125	150,173
Cash paid to:		
Personnel	(17,475,078)	(14,974,297)
Vendors	<u>(6,306,194)</u>	<u>(5,194,748)</u>
Net Cash Provided by Operating Activities	82,747	359,877
Cash Flows Used by Investing Activities		
Purchase of leasehold improvements, equipment, and software	<u>(76,026)</u>	<u>(199,538)</u>
Change in Cash and Cash Equivalents	6,721	160,339
Cash and Cash Equivalents - beginning of year	<u>2,013,619</u>	<u>1,853,280</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,020,340</u>	<u>\$ 2,013,619</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ 599,876	\$ (382,286)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	577,541	576,475
Realized and unrealized gain on investments	(85,957)	(113,735)
Reinvested investment earnings	(11,742)	(13,518)
Donation of software	-	(178,200)
Changes in assets and liabilities:		
Grants and contracts receivable	(837,786)	(169,135)
Pledges receivable	230,507	503,840
Other receivables	(989,958)	(237,725)
Prepaid expenses and deposits	(32,197)	(33,888)
Accounts payable	561,853	242,986
Accrued expenses	417,136	163,577
Deferred revenue	(19,841)	(14,414)
Refundable advances	<u>(326,685)</u>	<u>15,900</u>
Net Cash Provided by Operating Activities	<u>\$ 82,747</u>	<u>\$ 359,877</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$209,000 and \$217,000 revenue and expenses, respectively, for 2020. In 2019, the revenue and expenses included for SHSC were approximately \$179,000 and \$208,000, respectively.

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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Kay Hendricks Bequest Fund (operating reserves)	\$ 300,000	\$ 300,000
Building reserve fund - High Point Center	176,823	157,911
Building reserve fund - Rainier Vista Center	162,253	144,862
Seattle Human Services Coalition	104,146	111,895
	<u>\$ 743,222</u>	<u>\$ 714,668</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>2020</u>	<u>2019</u>
Housing Stability	\$ 722,701	\$ 434,931
Aging and Disability Services	231,600	25,850
Adult Employment and Education	149,424	145,250
Child Development	100,119	213,182
Other	93,456	107,353
Youth Development and Education	26,563	67,263
	<u>\$ 1,323,863</u>	<u>\$ 993,829</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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Money market funds	\$ 104,222	\$ 103,755
Certificates of deposit	337,034	332,460
Fixed income securities	111,370	105,815
Equity securities	592,524	500,849
	<u>\$ 1,145,150</u>	<u>\$ 1,042,879</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 18,646	\$ 21,974
Realized and unrealized gains	<u>85,957</u>	<u>113,735</u>
	<u>\$ 104,603</u>	<u>\$ 135,709</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 to give are considered to be fully collectible within one year as of December 31, 2020.

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.

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.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Estimated <u>Useful Lives</u>	<u>2020</u>	<u>2019</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>1,388,207</u>	<u>1,353,048</u>
		17,840,004	17,804,845
Less accumulated depreciation		<u>(4,686,098)</u>	<u>(4,230,543)</u>
		<u>\$ 13,153,906</u>	<u>\$ 13,574,302</u>

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

	Estimated <u>Useful Lives</u>	<u>2020</u>	<u>2019</u>
Furniture, equipment, and other	3 - 7 years	\$ 1,052,759	\$ 1,080,077
Less accumulated depreciation		<u>(842,087)</u>	<u>(788,286)</u>
		<u>\$ 210,672</u>	<u>\$ 291,791</u>

Support and revenue recognition

Service fee revenue primarily consists of various Health Homes services provided to clients that are paid via one of three managed care organizations. The Agency recognizes this revenue as the services are provided. 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, 2020 AND 2019

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, 2020, conditional contributions totaling \$18,290,501 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 F.

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, 2020 and 2019, no significant amounts were disallowed as a result of such examinations.

Concentration

Approximately 35% of total government grants and contracts in 2020 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.

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 \$277,800 and \$2,458,000, respectively, for the years ended December 31, 2020 and 2019. Due to the onset of COVID-19 (see Note J), Head Start waived the requirement to document parent volunteer activities, resulting in a substantial reduction in 2020.

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.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2019.

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>2020</u>	<u>2019</u>
Total financial assets	\$ 8,594,687	\$ 6,893,030
Less: Donor-imposed purpose restrictions	(1,323,863)	(993,829)
Less: Board designated funds	<u>(743,222)</u>	<u>(714,668)</u>
	<u>\$ 6,527,602</u>	<u>\$ 5,184,533</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE D - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2020 and 2019 are:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
As of December 31, 2020				
Money market funds	\$ 104,222	\$ -	\$ -	\$ 104,222
Certificates of deposit	-	337,034	-	337,034
Equity securities	592,524	-	-	592,524
Fixed income securities	111,370	-	-	111,370
	<u>\$ 808,116</u>	<u>\$ 337,034</u>	<u>\$ -</u>	<u>\$ 1,145,150</u>
As of December 31, 2019				
Money market funds	\$ 103,755	\$ -	\$ -	\$ 103,755
Certificates of deposit	-	332,460	-	332,460
Equity securities	500,849	-	-	500,849
Fixed income securities	105,815	-	-	105,815
	<u>\$ 710,419</u>	<u>\$ 332,460</u>	<u>\$ -</u>	<u>\$ 1,042,879</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 - SEATTLE HOUSING AUTHORITY MASTER LEASE

As part of the development and operational financing of the High Point Neighborhood Center, Neighborhood House High Point QALICB entered into a lease with Seattle Housing Authority as a tenant for a portion of the space at the High Point Neighborhood Center. The lease began in January 2010 and had an initial term of 15 years. As of January 1, 2015, following the merger of Neighborhood House High Point QALICB and Neighborhood House, Incorporated, Neighborhood House, Incorporated has waived base rent payments in this lease and is negotiating in good faith with Seattle Housing Authority on amendments to the lease.

NOTE F - 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.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE F - REFUNDABLE ADVANCES (Continued)

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.

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 2020 and 2019, \$80,300 (one-fiftieth) of the grant was recognized. The remaining conditional promise to give related to this grant totaled \$1,875,715 as of December 31, 2020.

City of Seattle - Rainier Vista

The acquisition and construction of the Rainier Vista facility was partially financed with grant proceeds from the City of Seattle, Human Services Department. The grant for \$250,000 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 2020. In 2020, it was determined that Neighborhood House, Incorporated met all conditions for release from this obligation, and the amount of this grant has therefore been recognized as part of 2020 government and private grants and contracts income.

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.

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, 2020, \$99,815 was received in advance of the provision of allowable services.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE G - COMMITMENTS

The Agency leases office and operating facilities at rates below market rents. The difference between the estimated fair value of the space provided and rent paid is included in the accompanying financial statements as in-kind support and as in-kind occupancy expense. Total rent expense for the years ended December 31, 2020 and 2019 was \$845,023 and \$736,282, respectively. Lease obligations also include various program office spaces, expiring through 2024. Future minimum payments are as follows for the years ending December 31:

2021	\$ 719,835
2022	457,954
2023	367,777
2024	<u>211,010</u>
	<u>\$ 1,756,576</u>

NOTE H - PAYCHECK PROTECTION PROGRAM

In May 2020, the Agency applied for and received a Paycheck Protection Program ("PPP") loan through KeyBank National Association in the amount of \$104,263. The loan was funded on May 12, 2020 and has a maturity date of May 12, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. The loan and accrued interest are subject to forgiveness after 24 weeks as long as the qualifying organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Agency entered into the program with the intention of complying with the terms for forgiveness and has recognized the loan as a conditional grant. On April 17, 2021, the Agency received notice from the Small Business Administration that its PPP loan was forgiven in full, including accrued interest. As such, conditions related to the grant have been met and the funding has been recorded as part of 2020 government and private grants and contracts.

NOTE I - 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, 2020 and 2019 were \$429,787 and \$348,204, respectively.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE J - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the financial impact of the COVID-19 pandemic and has concluded that while the pandemic will likely have a minimal effect on the Agency's overall financial position, change in net assets, and cash flows--the pandemic has increased some sources of support and revenue, while reducing others--the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2020 through June 17, 2021, 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, 2020, 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, 2020

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through To Subrecipients	Federal Expenditures
Department of Health and Human Services				
"Head Start"	10CH011327-01		\$ -	\$ 3,473,190
"Head Start"	10CH01078502		-	1,033,568
"Head Start"	10CH010418-05		-	2,187,702
"Head Start" COVID-19 Emergency Acts	10CH01078502C3		-	65,911
"Head Start" COVID-19 Emergency Acts	10CH01041805C3		-	131,821
"Head Start" COVID-19 Emergency Acts	10CH011327-01C3		-	217,066
		93.600*	-	<u>7,109,258</u>
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79SP082442-01		-	27,627
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79SM080503-01		-	598,985
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	5H79SP021924		-	36,666
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	5H79SP021216		-	229,107
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79SM080766		-	551,918
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79TI082392		-	516,420
<i>King County Department of Community and Human Services</i>				
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	6059040		-	32,940
		93.243	-	<u>1,993,663</u>
<i>TRAC Associates</i>				
"Affordable Care Act (ACA) Health Profession Opportunity Grants"	17-640-HWF-NH ; 19-640-HWF-NH	93.093	-	<u>93,875</u>
<i>Washington State Department of Commerce</i>				
"Community Services Block Grant" 477 Cluster	F19-32101-018 ; F20-32101-018	93.569	-	<u>200,748</u>
<i>King County Department of Community and Human Services</i>				
"Block Grants for Prevention and Treatment of Substance Abuse"	6059040	93.959	-	<u>142,560</u>

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through To Subrecipients	Federal Expenditures	
<i>City of Seattle Human Services Department</i>					
"Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers"	Aging Cluster	DA20-1872	93.044	-	129,975
<i>City of Seattle Human Services Department</i>					
"National Family Caregiver Support, Title III, Part E"		DA19-1609		-	18,456
"National Family Caregiver Support, Title III, Part E"		DA20-1872		-	31,289
			93.052	-	49,745
<i>City of Seattle Human Services Department</i>					
"Medical Assistance Program"		DA19-1173 ; DA20-1173		-	734,197
"Medical Assistance Program"		DA20-1872		-	32,041
"Medical Assistance Program"		DA20-1780		-	652,670
	Medicaid Cluster		93.778	-	1,418,908
	Subtotal Department of Health and Human Services			-	11,138,732
Department of Housing and Urban Development					
<i>City of Seattle</i>					
"Continuum of Care Program"		DA19-1815 ; DA20-1815	14.267	-	383,185
<i>City of Seattle</i>					
"Community Development Block Grants / Entitlement Grants"		DA20-1168		-	
	CDBG - Entitlement Grants Cluster		14.218	-	131,496
	Subtotal Department of Housing and Urban Development			-	514,681
Department of Agriculture					
<i>State of Washington Department of Social and Health Services</i>					
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"		2012-91444 ; 2012-94096		-	57,405
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"		1912-62750 ; 1912-63581		-	162,959
	SNAP Cluster		10.561	-	220,364

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through To Subrecipients	Federal Expenditures
<i>State of Washington Office of the Superintendent of Public Instruction</i> "Child and Adult Care Food Program"	159101	10.558	-	52,407
	Subtotal Department of Agriculture		-	272,771
Department of Labor <i>Workforce Development Council of Seattle-King County</i> "WIA Adult Program"	19-101-ADU ; 20-101-ADU ; WIOA Cluster 19-133-EMP	17.258	-	173,379
<i>Workforce Development Council of Seattle-King County</i> "Workforce Investment Act (WIA) National Emergency Grants"	20-271-NDR	17.277	-	20,377
	Subtotal Department of Labor		-	193,756
Department of Transportation <i>Washington Traffic Safety Commission</i> "State and Community Highway Safety"	WTSC Most Steer Clear	20.600	-	67,491
	Subtotal Department of Transportation		-	67,491
Department of the Treasury <i>Washington State Department of Children, Youth, and Families</i> "Coronavirus Relief Fund"	21-1095		-	207,703
<i>King County Department of Community and Human Services</i> "Coronavirus Relief Fund"	6057384		-	49,875
<i>United Way of King County</i> "Coronavirus Relief Fund"	4123		-	1,405,975
	Subtotal Department of the Treasury	21.019*	-	1,663,553
	Total Expenditures of Federal Awards		\$ -	\$ 13,850,984

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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 2020, the predetermined rate was 12.9% 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*

June 17, 2021

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, 2020 and 2019, 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 17, 2021.

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 may exist that have not been identified.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

June 17, 2021

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

Report on Compliance with 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Neighborhood House, Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood House, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighborhood House, Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Neighborhood House, Incorporated complied, in all material respects, with the types of compliance requirements referred to in the first paragraph of this letter that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Neighborhood House, Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighborhood House, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighborhood House, Incorporated's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

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:
CFDA No. 93.600, "Head Start"
CFDA No. 21.019, "Coronavirus Relief Fund"
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