

**UPLIFT NORTHWEST**

Financial Statements  
December 31, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Uplift Northwest  
Seattle, Washington

### **Opinion**

We have audited the accompanying financial statements of Uplift Northwest (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Uplift Northwest as of December 31, 2022 and 2021, 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 Uplift Northwest 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.

### **Emphasis of Matter Regarding Change in Accounting Principles**

As discussed in Note 1 to the financial statements, Uplift Northwest adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, Leases (Topic 842). The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to that matter.

### **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 Uplift Northwest's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA  
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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 Uplift Northwest'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 Uplift Northwest'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  
September 28, 2023

## UPLIFT NORTHWEST

### STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 935,938	\$ 1,285,462
Accounts receivable, net	1,244,993	1,555,116
Contributions and grants receivable	329,993	43,495
Prepaid expenses	50,616	41,690
Total current assets	2,561,540	2,925,763
Cash Restricted for Property and Equipment	143,679	143,679
Investments	2,569,861	2,773,330
Beneficial Interests in Trusts	349,933	417,807
Beneficial Interest in Assets Held by the Seattle Foundation	131,744	163,411
Right-of-Use Asset - Operating Lease	282,536	-
Property and Equipment, Net	870,212	804,729
Total assets	\$ 6,909,505	\$ 7,228,719
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other liabilities	\$ 229,131	\$ 440,359
Accrued payroll and related expenses	270,236	185,089
Operating lease liability	143,286	-
Total current liabilities	642,653	625,448
Operating Lease Liability, less current portion	185,588	-
Deferred Rent Liability	-	55,860
Total liabilities	828,241	681,308
Net Assets		
Without donor restrictions	5,587,651	5,985,925
With donor restrictions	493,613	561,486
Total net assets	6,081,264	6,547,411
Total liabilities and net assets	\$ 6,909,505	\$ 7,228,719

*See accompanying notes to financial statements.*

## UPLIFT NORTHWEST

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>						
Agency income	\$ 8,390,739	\$ -	\$ 8,390,739	\$ 6,640,799	\$ -	\$ 6,640,799
Contributions and grants	1,696,559	-	1,696,559	2,106,884	-	2,106,884
Bequests	40,621	-	40,621	-	-	-
Special events revenue	288,902	-	288,902	341,250	-	341,250
Special events direct expenses	(27,733)	-	(27,733)	(9,572)	-	(9,572)
In-kind contributions	127,655	-	127,655	28,040	-	28,040
Change in value of beneficial interests	(11,713)	(67,873)	(79,586)	30,670	32,259	62,929
Rental Income	370,749	-	370,749	426,577	-	426,577
Investment return	(318,705)	-	(318,705)	246,227	-	246,227
<b>Total support and revenue</b>	<b>10,557,074</b>	<b>(67,873)</b>	<b>10,489,201</b>	<b>9,810,875</b>	<b>32,259</b>	<b>9,843,134</b>
<b>Expenses</b>						
Programs	9,768,692	-	9,768,692	7,624,455	-	7,624,455
General and administrative	464,420	-	464,420	352,141	-	352,141
Fundraising	722,236	-	722,236	440,639	-	440,639
<b>Total expenses</b>	<b>10,955,348</b>	<b>-</b>	<b>10,955,348</b>	<b>8,417,235</b>	<b>-</b>	<b>8,417,235</b>
<b>Change in net assets</b>	<b>(398,274)</b>	<b>(67,873)</b>	<b>(466,147)</b>	<b>1,393,640</b>	<b>32,259</b>	<b>1,425,899</b>
Net Assets, beginning of year	5,985,925	561,486	6,547,411	4,592,285	529,227	5,121,512
Net Assets, end of year	<u>\$ 5,587,651</u>	<u>\$ 493,613</u>	<u>\$ 6,081,264</u>	<u>\$ 5,985,925</u>	<u>\$ 561,486</u>	<u>\$ 6,547,411</u>

*See accompanying notes to financial statements.*

## UPLIFT NORTHWEST

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Programs	General and Administrative	Fundraising	Total	Programs	General and Administrative	Fundraising	Total
Salaries and wages	\$ 5,397,325	\$ 234,619	\$ 257,742	\$ 5,889,686	\$ 4,689,032	\$ 162,139	\$ 173,896	\$ 5,025,067
Payroll taxes	672,374	29,228	32,108	733,710	488,641	16,896	18,122	523,659
Employee benefits	207,125	9,004	9,891	226,020	181,581	6,279	6,735	194,595
Total payroll expenses	6,276,824	272,851	299,741	6,849,416	5,359,254	185,314	198,753	5,743,321
Professional fees	2,283,973	126,965	319,320	2,730,258	1,325,807	17,121	130,274	1,473,202
Programs, non-specific and other	476,387	7,677	46,884	530,948	224,146	5,962	19,729	249,837
Occupancy	298,157	10,032	7,024	315,213	358,812	8,651	6,426	373,889
Information technology	109,143	11,085	23,950	144,178	97,838	10,315	28,432	136,585
Depreciation and amortization	128,494	3,788	3,655	135,937	123,163	4,246	3,462	130,871
Bank fees and interest	85,890	1,091	6,086	93,067	43,775	17,960	8,201	69,936
Office expenses	40,737	8,233	39,426	88,396	31,385	12,151	52,174	95,710
Insurance	69,087	6,276	3,883	79,246	60,275	6,200	2,760	69,235
Bad debts	-	16,422	-	16,422	-	84,221	-	84,221
Total expenses	9,768,692	464,420	749,969	10,983,081	7,624,455	352,141	450,211	8,426,807
Less: Special events - cost of direct benefit to donor	-	-	(27,733)	(27,733)	-	-	(9,572)	(9,572)
	<u>\$ 9,768,692</u>	<u>\$ 464,420</u>	<u>\$ 722,236</u>	<u>\$ 10,955,348</u>	<u>\$ 7,624,455</u>	<u>\$ 352,141</u>	<u>\$ 440,639</u>	<u>\$ 8,417,235</u>

*See accompanying notes to financial statements.*

## UPLIFT NORTHWEST

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (466,147)	\$ 1,425,899
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(525,816)
Realized and unrealized losses on investments	395,384	172,901
Change in value of beneficial interests in trusts	53,480	(42,611)
Change in value of beneficial interest in assets held by The Seattle Foundation	26,107	(20,318)
Amortization of right-of-use asset - operating lease	129,591	-
Depreciation and amortization	135,937	130,871
Bad debts	16,422	84,221
Changes in operating assets and liabilities:		
Accounts receivable	293,701	(1,088,177)
Contributions and grants receivable	(286,498)	43,741
Prepaid expenses	(8,926)	18,131
Accounts payable and accrued expenses	(126,081)	438,299
Operating lease liability	(139,113)	-
Deferred rent liability	-	(10,353)
	23,857	626,788
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of investments	(291,915)	(367,403)
Sales of investments	119,954	129,063
Purchase of property and equipment	(201,420)	-
	(373,381)	(238,340)
Net cash flows from investing activities		
<b>Net change in cash and cash equivalents</b>	<b>(349,524)</b>	<b>388,448</b>
Cash and Cash Equivalents, beginning of the year	1,429,141	1,040,693
Cash and Cash Equivalents, end of the year	\$ 1,079,617	\$ 1,429,141
Cash and Cash Equivalents, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 935,938	\$ 1,285,462
Cash restricted for property and equipment	143,679	143,679
	\$ 1,079,617	\$ 1,429,141

*See accompanying notes to financial statements.*



# UPLIFT NORTHWEST

## NOTES TO FINANCIAL STATEMENTS

### **Note 1 – Organization and Summary of Significant Accounting Policies**

Founded in 1921 Uplift Northwest (ULNW) also known as the Millionair Club Inc. is committed to providing dignified jobs and supportive services to those in need in the Puget Sound Region. Through equitable programs that empower individuals, ULNW offers job assistance, transitional housing, housing assistance, showers, laundry services, and vision care to hundreds of people every year to disrupt the cycle of poverty. More than 300 businesses partner with ULNW in this critical work and over 800 individuals are positively impacted on their way to a living wage career path.

#### *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 those estimates.

#### *Financial Statement Presentation*

ULNW reports information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions.

Support and revenue received are recorded depending on the existence and/or nature of any donor restrictions.

#### *Net Assets without and with Donor Restrictions*

Net assets without donor restrictions are available to support ULNW's operations. ULNW's Board of Directors has designated net assets without donor restrictions to support hygiene center development of \$6,534 at both December 31, 2022 and 2021.

Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future time periods. Net assets with donor restrictions also represent gifts given with the intent that the principal will be maintained intact into perpetuity and the income be used for current operations. Net assets with perpetual restrictions consist entirely of a beneficial interest in a perpetual trust at December 31, 2022 and 2021. Changes in the fair value of the beneficial interest in the perpetual trust increase or decrease net assets with donor restrictions. Distributions of income from the perpetual trust are reported as investment income and may be used for current operations. There were no releases from net assets with donor restrictions during the years ended December 31, 2022 and 2021.

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.

# UPLIFT NORTHWEST

## NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are available for the following purposes at December 31:

	2022	2021
Net assets with purpose or time restrictions		
Beneficial interests in remainder and lead trusts	\$ 195,404	\$ 242,984
Freezer	89,387	89,387
Kitchen remodel	54,292	54,292
	<u>339,083</u>	<u>386,663</u>
Net assets with perpetual restrictions		
Beneficial interest in perpetual trust	154,530	174,823
	<u>\$ 493,613</u>	<u>\$ 561,486</u>

### *Fair Value Measurements*

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash in banks and money market funds. ULNW considers all short-term securities with an original maturity of three months or less to be cash equivalents. ULNW occasionally maintains cash balances in excess of federally insured limits. ULNW has not experienced any losses in these accounts, and management does not believe it is exposed to any significant risk.

### *Restricted Cash*

ULNW holds cash and cash equivalents restricted by donors for the purpose of acquiring property and equipment and, therefore, classifies these amounts held as noncurrent cash restricted for property and equipment on the statements of financial position.

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

#### *Investments*

Investments include certificates of deposit, corporate bonds, common stock, and mutual funds. Certificates of deposit are recorded at cost plus accrued interest. Investments in common stock and mutual funds are reported at fair value using Level 1 valuation inputs determined by the quoted market price of these securities traded on national exchanges. Corporate bonds are valued based on the original principal amount multiplied by a factor and security price and are considered Level 2 in the fair value hierarchy. Realized and unrealized gains and losses are included in the statements of activities.

Investments are reported as long-term investments, as management intends to hold those investments for the long term.

Investments consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Common stocks	\$ 1,315,052	\$ 1,429,553
Corporate bonds	1,117,962	1,222,478
Bond mutual funds	100,037	99,858
Equity mutual funds	36,810	21,441
	<u>\$ 2,569,861</u>	<u>\$ 2,773,330</u>

Investment income consists of the following for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 56,725	\$ 404,222
Realized and unrealized losses	(395,384)	(172,901)
Distributions received from beneficial interests in lead trusts	14,394	10,352
Distributions received from beneficial interests in The Seattle Foundation	5,560	4,554
	<u>\$ (318,705)</u>	<u>\$ 246,227</u>

#### *Receivables*

Accounts receivable are unsecured and are subject to credit risk. ULNW uses the allowance method of accounting for bad debts. Accordingly, accounts receivable are stated at the amount management expects to collect from balances outstanding at year end.

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, management has recorded an allowance for uncollectible accounts of \$7,676 and \$108,959 at December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, 69% and 64%, respectively, of accounts receivable were due from two customers.

Contributions and grants receivable are stated at estimated net realizable value. ULNW assesses the need for an allowance on its contributions and grants receivable in the same manner as its accounts receivable. Management has determined that an allowance for uncollectible contributions and grants receivable was not necessary at December 31, 2022 or 2021.

#### *Property and Equipment*

Land, buildings, and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. ULNW capitalizes property and equipment purchases with a cost greater than \$2,500 and a useful life in excess of one year. Depreciation and amortization of buildings, furniture and equipment, software, and vehicles is computed using the straight-line method over the estimated useful lives of the assets. Useful lives of these assets range from 3 to 15 years. Amortization of leasehold improvements is calculated based on the shorter of the life of the lease or the estimated useful life, resulting in a useful life of 10 years (the life of the lease). Property and equipment consist of the following:

	2022	2021
Buildings	\$ 1,971,169	\$ 1,901,700
Leasehold improvements	324,734	275,133
Furniture and equipment	854,745	772,393
Software	73,951	73,951
Vehicles	125,790	125,790
	<u>3,350,389</u>	<u>3,148,967</u>
Less: accumulated depreciation and amortization	<u>(2,530,927)</u>	<u>(2,394,988)</u>
	819,462	753,979
Land	<u>50,750</u>	<u>50,750</u>
	<u>\$ 870,212</u>	<u>\$ 804,729</u>

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

#### *Deferred Rent Liability*

ULNW has entered into an operating lease agreement (see Note 6), which contains provisions for future rent increases. In accordance with accounting principles generally accepted in the United States of America, ULNW records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent liability, which is reflected as a separate line item in the accompanying statement of financial position as of December 31, 2021. As disclosed below, ULNW adopted the provisions of ASU 2016-02, Leases (Topic 842), with an effective date of January 1, 2022. Under ASU 2016-02, the deferred rent liability is recognized as a reduction in the right-of-use-asset, and therefore reclassified for this presentation as of December 31, 2022.

#### *Agency Income*

ULNW recognizes agency income from the Transitional Jobs Program using an allowable practical expedient under Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The practical expedient allows ULNW to recognize revenue when it has the right to invoice, which is determined based on each hour worked at agreed-upon fixed rates as the customer is simultaneously receiving and consuming the benefits of ULNW's performance as ULNW performs. Labor hours are generally contracted for periods throughout the year on an as-needed basis. Customers are billed on a weekly basis, and payment terms are generally seven to 30 days from the date the services are invoiced.

There are no significant judgments affecting the determination of amount and timing of agency income.

During the years ended December 31, 2022 and 2021, agency income from one customer represented 37% and 23% of total support and revenue, respectively.

#### *Contributions, Grants and Bequests Revenue Recognition*

Contributions and grants (including those from governments and generated through special events) are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. ULNW classifies support and revenue as without donor restrictions if the contribution is received and the restrictions are satisfied in the same year. During the year ended December 31, 2020, ULNW received a Paycheck Protection Program loan from the Small Business Administration of \$525,816. This loan included forgivable conditions which were met during the year ended December 31, 2021 and, therefore, the loan amount was recognized to contribution and grant revenue.

Revenue from government agencies is subject to audit, which could result in adjustments to revenue. 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, 2022 and 2021, no such adjustments were made.

ULNW records contributions from bequests as revenue when ULNW is notified by the executor as to the amount of the bequest to be received and the estate has cleared probate.

# UPLIFT NORTHWEST

## NOTES TO FINANCIAL STATEMENTS

### *In-Kind Contributions*

In-kind contributions of goods are recorded at fair value at the date of donation. Contributed services are recognized as support and expense if the services involve specialized skills and would need to be purchased by ULNW if not donated. ULNW also receives donated services that are not recognized in these financial statements.

### *Rental Income*

ULNW subleases residential units under operating leases to certain temporary employees who participate in the workforce generating agency income. The residential units are originally leased through the lease disclosed in Note 6. Subleases carry a term of six months and revert to a month-to-month term at the expiration of the original six-month term. ULNW recognizes rental revenue under these leases based on tenant occupancy. ULNW recognizes bad debt for any outstanding receivables associated with the lease and discontinues recognizing rental revenue when collectability of rental payments is no longer reasonably assured.

In addition, on February 1, 2020, ULNW entered into a lease agreement with Operation Sack Lunch, an unrelated nonprofit meal service organization, for the use of ULNW's kitchen space, and generally all kitchen-related equipment. The lease term matures April 30, 2023, and includes monthly base rent of \$7,500, plus additional fixed monthly charges of \$125 for common area costs including taxes, insurance, and utilities. Future rents for the year ending December 31, 2023 are expected to be \$30,500. The cost and accumulated depreciation of leased property and equipment was \$381,896 and \$309,888 at December 31, 2022. The cost and accumulated depreciation of leased property and equipment was \$381,896 and \$302,339 at December 31, 2021.

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.

### *Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain expenses are attributed to more than one supporting function.

Accordingly, certain costs have been allocated among the supporting services benefited. The expenses that are allocated include occupancy and depreciation and amortization, which are allocated based on estimated use of space, and payroll expenses, professional fees, programs, non-specific and other, information technology, and other, which are allocated on the basis of time and effort.

### *Federal Income Taxes*

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

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

#### *Recently Adopted Accounting Standards*

FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. This new standard increases transparency and comparability among organizations. The most prominent change required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On January 1, 2022, ULNW adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on January 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

ULNW has elected to adopt the package of practical expedients available in the year of adoption.

#### *Leases*

ULNW determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent ULNW's right to use an underlying asset for the lease term, and lease liabilities represent ULNW's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that ULNW will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

ULNW has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

ULNW has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

#### *Subsequent Events*

ULNW has evaluated subsequent events through the date these financial statements were available to be issued, which was September 28, 2023.

# UPLIFT NORTHWEST

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – Liquidity and Availability of Resources

ULNW regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash needs are invested in marketable securities as prescribed by ULNW's investment policy.

Financial assets not available include board-designated funds or net assets with donor restrictions. In the event the need arises to utilize the board-designated funds for liquidity purposes, the designations could be drawn upon through board resolution. The following table reflects ULNW's financial assets as of December 31, 2022 and 2021, available to meet general expenditures within one year of the statement of financial position date:

	2022	2021
Financial Assets		
Cash and cash equivalents	\$ 935,938	\$ 1,285,462
Cash restricted for property and equipment	143,679	143,679
Investments	2,569,861	2,773,330
Accounts receivable, net	1,244,993	1,555,116
Contributions and grants receivable	329,993	43,495
	<u>5,224,464</u>	<u>5,801,082</u>
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(6,534)	(6,534)
Net assets with donor restrictions for freezer and kitchen remodel	(143,679)	(143,679)
	<u>\$ 5,074,251</u>	<u>\$ 5,650,869</u>

### Note 3 – Beneficial Interests in Trusts

ULNW has beneficial interests in four trusts (the Trusts). Three of the trusts are remainder or lead trusts, and the remaining trust is a perpetual trust. The beneficial interests are valued at the fair value of the Trusts' assets (using Level 3 inputs as determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions). Interests in remainder or lead trusts are included in net assets with donor restrictions, as the trust agreements stipulate ULNW to receive the assets with the ability to use the assets for unrestricted purposes upon the death of all preceding beneficiaries (time restricted). Interest in the perpetual trust is included in net assets with restrictions, as the trust agreement stipulates that the income from the assets be provided to ULNW and the principal remain intact into perpetuity. Under the lead and perpetual trust agreements, ULNW typically receives annual distributions based on its interest in each respective trust. Income distributions are available to support ULNW's general operations.



# UPLIFT NORTHWEST

## NOTES TO FINANCIAL STATEMENTS

ULNW's beneficial interests in the Trusts consist of the following at December 31:

	2022	2021
Remainder and lead trusts	\$ 195,403	\$ 242,984
Perpetual trust	154,530	174,823
	<u>\$ 349,933</u>	<u>\$ 417,807</u>

A reconciliation of the beginning and ending balances of the Trusts are as follows for the years ended December 31:

	2022	2021
Beginning balance	\$ 417,807	\$ 385,548
Change in value	(53,480)	42,611
Distributions of earnings	(14,394)	(10,352)
Change in value, net	(67,874)	32,259
Ending balance	<u>\$ 349,933</u>	<u>\$ 417,807</u>

The change in value of the beneficial interests (including those held by the Seattle Foundation in Note 4) is reported net of distributions of earnings on the statements of activities, as distributions are classified as investment income.

### **Note 4 - Beneficial Interest in Assets Held by the Seattle Foundation**

ULNW has a beneficial interest in assets held by the Seattle Foundation (the Foundation). The beneficial interest held by the Foundation was set up without donor restricted funds of ULNW in a previous year and is therefore recognized in net assets without donor restrictions. Under the terms of the agreement, ULNW will receive distributions at such times as decided by the Foundation, but at least annually, in amounts as determined by the Foundation's spending policy. The timing and amount of the distributions are determined at the sole discretion of the Foundation and may invade the principal. The Foundation has variance power over the assets, which gives the Foundation the right to modify any restriction or condition regarding distributions from the fund for any charitable purpose or to any organization if, in the sole judgment of the Foundation's Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

The beneficial interest in assets held by the Foundation is stated at the fair value of the underlying investments (cash and marketable securities) as provided by the Foundation, which constitutes Level 3 inputs using the market approach.

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

A reconciliation of the beginning and ending balances of the beneficial interest in assets held by the Foundation is as follows for the years ended December 31:

	2022	2021
Beginning balance	\$ 163,411	\$ 147,647
Change in value	(26,107)	20,318
Distributions of earnings	(5,560)	(4,554)
Change in value, net	(31,667)	15,764
Ending Balance	<u>\$ 131,744</u>	<u>\$ 163,411</u>

ULNW's beneficial interests in the Foundation are invested in the Foundation's balanced pool portfolio. The balanced pool reflects a total return approach to investing and is focused on maximizing income while maintaining an efficient and well diversified portfolio for donors with at least a 10-year giving horizon. As the best performing asset class varies from year to year, this diversified portfolio benefits philanthropists by maintaining consistent exposures to all asset categories. Assets will be subject to an optimized amount of capital market volatility in order to achieve targeted long-term return objectives.

#### **Note 5 – Employee Benefit Plan**

ULNW provides 403(b) benefits to eligible employees. All eligible employees can make elective deferrals under the plan. Employees are eligible for employer contributions to the plan after age 21 and completion of one year of service. ULNW, at its discretion, contributes 5% of the employee's compensation annually and matches employee contributions to the plan up to 3% of their compensation. ULNW's contributions to the plan totaled \$11,659 and \$54,050 for the years ended December 31, 2022 and 2021, respectively. Employer contributions vest over five years. Employee contributions are 100% vested at the time of contribution.

#### **Note 6 – Operating Lease**

ULNW leases a building to provide low-income individuals housing under a noncancelable operating lease expiring in March 2025.

ULNW has recognized an operating lease ROU asset representing the right to use the underlying asset and corresponding operating lease liabilities representing the payments required under the lease through maturity. Operating lease costs under this lease totaled \$143,996 and \$125,431 for the years ended December 31, 2022 and 2021, respectively, and are included within occupancy in the statement of functional expenses. Net operating cash flows for the renewed operating lease totaled \$139,113 during the year ended December 31, 2022.

## UPLIFT NORTHWEST

### NOTES TO FINANCIAL STATEMENTS

A maturity analysis of annual cash flows for lease liabilities as of December 31, 2022, is as follows:

2023	\$	143,286
2024		147,585
2025		<u>38,003</u>
	\$	<u><u>328,874</u></u>

The operating lease liability is presented in the statement of financial position as follows at December 31, 2022:

Operating lease liability (a current liability)	\$	143,286
Operating lease liability, less current portion		<u>185,588</u>
	\$	<u><u>328,874</u></u>