

UPLIFT NORTHWEST
Financial Statements
December 31, 2023 and 2022

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Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

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.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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
May 24, 2024

UPLIFT NORTHWEST

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 742,269	\$ 935,938
Certificates of deposit	1,063,638	-
Accounts receivable, net	2,783,255	1,244,993
Contributions and grants receivable	739,078	329,993
Prepaid expenses	<u>11,023</u>	<u>50,616</u>
Total current assets	5,339,263	2,561,540
 Cash Restricted for Property and Equipment	143,679	143,679
Investments	2,812,156	2,569,861
Beneficial Interests in Trusts	366,820	349,933
Beneficial Interest in Assets Held by the Seattle Foundation	144,385	131,744
Right-of-Use Asset - Operating Lease	154,084	282,536
Property and Equipment, Net	<u>1,226,032</u>	<u>870,212</u>
Total assets	<u>\$ 10,186,419</u>	<u>\$ 6,909,505</u>
 LIABILITIES AND NET ASSETS		
 Current Liabilities		
Accounts payable and other liabilities	\$ 604,302	\$ 229,131
Accrued payroll and related expenses	447,878	270,236
Operating lease liability	147,585	143,286
Line of credit	<u>600,000</u>	-
Total current liabilities	1,799,765	642,653
Operating Lease Liability, less current portion	<u>38,003</u>	<u>185,588</u>
Total liabilities	1,837,768	828,241
 Net Assets		
Without donor restrictions	7,838,152	5,587,651
With donor restrictions	<u>510,499</u>	<u>493,613</u>
Total net assets	<u>8,348,651</u>	<u>6,081,264</u>
Total liabilities and net assets	<u>\$ 10,186,419</u>	<u>\$ 6,909,505</u>

See accompanying notes to financial statements.

UPLIFT NORTHWEST

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Agency income	\$ 9,073,436	\$ -	\$ 9,073,436	\$ 8,390,739	\$ -	\$ 8,390,739
Contributions and grants	5,550,278	-	5,550,278	1,737,180	-	1,737,180
Special events revenue	225,354	-	225,354	288,902	-	288,902
Special events direct expenses	(106,634)	-	(106,634)	(27,733)	-	(27,733)
In-kind contributions	389,954	-	389,954	127,655	-	127,655
Change in value of beneficial interests	32,815	16,886	49,701	(11,713)	(67,873)	(79,586)
Rental Income	419,485	-	419,485	370,749	-	370,749
Investment return	347,316	-	347,316	(318,705)	-	(318,705)
Total support and revenue	15,932,004	16,886	15,948,890	10,557,074	(67,873)	10,489,201
Expenses						
Programs	12,164,697	-	12,164,697	9,768,692	-	9,768,692
General and administrative	795,584	-	795,584	464,420	-	464,420
Fundraising	721,222	-	721,222	722,236	-	722,236
Total expenses	13,681,503	-	13,681,503	10,955,348	-	10,955,348
Change in net assets	2,250,501	16,886	2,267,387	(398,274)	(67,873)	(466,147)
Net Assets, beginning of year	5,587,651	493,613	6,081,264	5,985,925	561,486	6,547,411
Net Assets, end of year	\$ 7,838,152	\$ 510,499	\$ 8,348,651	\$ 5,587,651	\$ 493,613	\$ 6,081,264

See accompanying notes to financial statements.

UPLIFT NORTHWEST

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2023 and 2022

	2023				2022			
	General and		General and					
	Programs	Administrative	Fundraising	Total	Programs	Administrative	Fundraising	Total
Salaries and wages	\$ 6,420,204	\$ 438,458	\$ 316,634	\$ 7,175,296	\$ 5,397,325	\$ 234,619	\$ 257,742	\$ 5,889,686
Payroll taxes	778,524	53,166	38,396	870,086	672,374	29,228	32,108	733,710
Employee benefits	<u>367,518</u>	<u>25,098</u>	<u>18,125</u>	<u>410,741</u>	<u>207,125</u>	<u>9,004</u>	<u>9,891</u>	<u>226,020</u>
Total payroll expenses	7,566,246	516,722	373,155	8,456,123	6,276,824	272,851	299,741	6,849,416
Professional fees	2,574,391	143,032	322,654	3,040,077	2,283,973	126,965	319,320	2,730,258
Programs, non-specific and other	1,025,057	10,368	11,619	1,047,044	476,387	7,677	46,884	530,948
Occupancy	335,750	6,431	5,111	347,292	298,157	10,032	7,024	315,213
Information technology	198,047	19,825	59,730	277,602	109,143	11,085	23,950	144,178
Depreciation and amortization	199,635	5,012	6,175	210,822	128,494	3,788	3,655	135,937
Office expenses	102,745	13,016	36,388	152,149	40,737	8,233	39,426	88,396
Insurance	94,711	8,290	4,674	107,675	69,087	6,276	3,883	79,246
Bank fees and interest	68,115	2,121	8,350	78,586	85,890	1,091	6,086	93,067
Bad debts	-	70,767	-	70,767	-	16,422	-	16,422
Total expenses	12,164,697	795,584	827,856	13,788,137	9,768,692	464,420	749,969	10,983,081
Less: Special events - cost of direct benefit to donor	-	-	(106,634)	(106,634)	-	-	(108,634)	(108,634)
	<u>\$ 12,164,697</u>	<u>\$ 795,584</u>	<u>\$ 721,222</u>	<u>\$ 13,681,503</u>	<u>\$ 9,768,692</u>	<u>\$ 464,420</u>	<u>\$ 641,335</u>	<u>\$ 10,874,447</u>

See accompanying notes to financial statements.

UPLIFT NORTHWEST

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 2,267,387	\$ (466,147)
Adjustments to reconcile change in net assets to net cash flows for operating activities:		
Realized and unrealized (gains) losses on investments	(221,031)	395,384
Change in value of beneficial interests in trusts	(31,463)	53,480
Change in value of beneficial interest in assets held by The Seattle Foundation	(18,239)	26,107
Amortization of right-of-use asset - operating lease	128,452	129,591
Depreciation and amortization	210,822	135,937
Bad debts	70,767	16,422
Changes in operating assets and liabilities:		
Accounts receivable	(1,609,029)	293,701
Contributions and grants receivable	(409,085)	(286,498)
Prepaid expenses	39,593	(8,926)
Accounts payable and accrued expenses	552,813	(126,081)
Operating lease liability	<u>(143,286)</u>	<u>(139,113)</u>
Net cash flows from operating activities	837,701	23,857
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(1,063,638)	-
Purchases of investments	(31,264)	(291,915)
Sales of investments	30,174	119,954
Purchase of property and equipment	<u>(566,642)</u>	<u>(201,420)</u>
Net cash flows from investing activities	(1,631,370)	(373,381)
Cash Flows from Financing Activity		
Draws on line of credit	<u>600,000</u>	<u>-</u>
Net change in cash and cash equivalents	(193,669)	(349,524)
Cash and Cash Equivalents, beginning of the year	<u>1,079,617</u>	<u>1,429,141</u>
Cash and Cash Equivalents, end of the year	<u>\$ 885,948</u>	<u>\$ 1,079,617</u>
Cash and Cash Equivalents, as presented on the Statements of Financial Position		
Cash and cash equivalents	\$ 742,269	\$ 935,938
Cash restricted for property and equipment	<u>143,679</u>	<u>143,679</u>
	<u>\$ 885,948</u>	<u>\$ 1,079,617</u>

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 150 businesses partner with ULNW in this critical work and over 1100 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 the following at December 31:

	2023	2022
Building renovation	\$ 1,023,552	\$ -
Hygiene center development	6,534	6,534
	<hr/> \$ 1,030,086	<hr/> \$ 6,534

During the year ended December 31, 2023, ULNW began their building renovation project and designated the \$1,023,552 above towards this project. In addition, ULNW signed a commitment for contract services with a company owned by a board member totaling \$325,000. Costs capitalized under this contract were \$60,000 during the year ended December 31, 2023.

Finally, in relation to the building renovation project, subsequent to year end, ULNW signed commitments to contractors for architectural services of up to \$9,100,000.

UPLIFT NORTHWEST

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022. 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, 2023 and 2022.

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

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

	2023	2022
Net assets with purpose or time restrictions		
Beneficial interests in remainder and lead trusts	\$ 209,285	\$ 195,404
Kitchen remodel	89,387	89,387
Freezer	<u>54,292</u>	<u>54,292</u>
	352,964	339,083
Net assets with perpetual restrictions		
Beneficial interest in perpetual trust	<u>157,535</u>	<u>154,530</u>
	<u>\$ 510,499</u>	<u>\$ 493,613</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.

UPLIFT NORTHWEST

NOTES TO FINANCIAL STATEMENTS

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.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest.

Investments

Investments include corporate bonds, common stock, and mutual funds. 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>2023</u>	<u>2022</u>
Common stocks	\$ 1,470,893	\$ 1,315,052
Corporate bonds	1,269,026	1,117,962
Bond mutual funds	50,240	100,037
Equity mutual funds	<u>21,997</u>	<u>36,810</u>
	<u><u>\$ 2,812,156</u></u>	<u><u>\$ 2,569,861</u></u>

UPLIFT NORTHWEST

NOTES TO FINANCIAL STATEMENTS

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

	2023	2022
Interest and dividends	\$ 106,111	\$ 56,725
Realized and unrealized gains (losses)	221,031	(395,384)
Distributions received from beneficial interests in lead trusts	14,576	14,394
Distributions received from beneficial interests in The Seattle Foundation	5,598	5,560
	<hr/>	<hr/>
	\$ 347,316	\$ (318,705)

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.

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 \$8,308 and \$7,676 at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, 77% and 69% of accounts receivable were due from three and two customers, respectively.

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, 2023 or 2022. At December 31, 2023, 69% of contributions and grants receivable were due from one donor. There were no concentrations of contributions and grants receivable at December 31, 2022.

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.

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NOTES TO FINANCIAL STATEMENTS

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.

Property and Equipment

Land, buildings, and furniture 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:

	2023	2022
Buildings	\$ 2,103,265	\$ 1,971,169
Leasehold improvements	324,734	324,734
Furniture and equipment	873,940	854,745
Software	73,951	73,951
Vehicles	<u>481,141</u>	<u>125,790</u>
	3,857,031	3,350,389
Less: accumulated depreciation and amortization	<u>(2,741,749)</u>	<u>(2,530,927)</u>
	1,115,282	819,462
Construction in progress (building renovation)	60,000	-
Land	<u>50,750</u>	<u>50,750</u>
	<u><u>\$ 1,226,032</u></u>	<u><u>\$ 870,212</u></u>

Agency Income

UNLW 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

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NOTES TO FINANCIAL STATEMENTS

throughout the year on an as-needed basis. Customers are billed on a weekly basis, and payment terms are generally 7 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 year ended December 31, 2023, agency income from two customers represented 37% of total support and revenue. During the year ended December 31, 2022, one customer represented 37% of total support and revenue.

Contributions, Grants and Bequests Revenue Recognition

Contributions and grants (including those from governments, bequests, and 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, 2023 ULNW met the conditions for an Employee Retention Credit (ERC) totaling \$2,327,492. ULNW recognized the ERC as contribution and grants revenue as presented in the statements of activities.

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, 2023 and 2022, 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.

Conditional promises to give – that is, those with a measurable performance or barrier and a right of return – are not recognized until the conditions on which they depend have been met. ULNW had approximately \$1,100,000 in conditional grants awarded, of which it was notified prior to December 31, 2023, not yet recognized as revenue. The awards are conditional upon ULNW performing certain measurables related to specific programs run by ULNW.

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. In-kind contributions consist primarily of donated optical equipment for program recipients during the years ended December 31, 2023 and 2022.

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 7. 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

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NOTES TO FINANCIAL STATEMENTS

and discontinues recognizing rental revenue when collectability of rental payments is no longer reasonably assured.

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.

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

ULNW has evaluated subsequent events through the date these financial statements were available to be issued, which was May 24, 2024.

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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. In addition ULNW maintains a line of credit (see Note 5).

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, 2023 and 2022, available to meet general expenditures within one year of the statement of financial position date:

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 742,269	\$ 935,938
Certificates of deposit	1,063,638	-
Cash restricted for property and equipment	143,679	143,679
Investments	2,812,156	2,569,861
Accounts receivable, net	2,783,255	1,244,993
Contributions and grants receivable	<u>739,078</u>	<u>329,993</u>
	8,284,075	5,224,464
Less: Amounts Not Available to be Used Within One Year		
Board-designated net assets	(1,030,086)	(6,534)
Net assets with donor restrictions for freezer and kitchen remodel	<u>(143,679)</u>	<u>(143,679)</u>
	<u>\$ 7,110,310</u>	<u>\$ 5,074,251</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.

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NOTES TO FINANCIAL STATEMENTS

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

	2023	2022
Remainder and lead trusts	\$ 209,285	\$ 195,403
Perpetual trust	<u>157,535</u>	<u>154,530</u>
	<u><u>\$ 366,820</u></u>	<u><u>\$ 349,933</u></u>

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

	2023	2022
Beginning balance	\$ 349,933	\$ 417,807
Change in value	31,463	(53,480)
Distributions of earnings	<u>(14,576)</u>	<u>(14,394)</u>
Change in value, net	<u><u>16,887</u></u>	<u><u>(67,874)</u></u>
Ending balance	<u><u>\$ 366,820</u></u>	<u><u>\$ 349,933</u></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.

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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:

	2023	2022
Beginning balance	\$ 131,744	\$ 163,411
Change in value	18,239	(26,107)
Distributions of earnings	<u>(5,598)</u>	<u>(5,560)</u>
Change in value, net	<u>12,641</u>	<u>(31,667)</u>
Ending Balance	<u><u>\$ 144,385</u></u>	<u><u>\$ 131,744</u></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 – Line of Credit

ULNW maintains a line of credit with a bank carrying a maximum borrowing limit equivalent to the value of collateralized assets, resulting in a maximum borrowing rate of approximately \$1.9 million at December 31, 2023. The line of credit bears interest at the bank's prime rate plus 1.5% (resulting in a rate of 6.94% at December 31, 2023 and is collateralized by certain investments held by ULNW. The line of credit has an outstanding balance of \$600,000 at December 31, 2023, which is due on demand, and therefore classified as a current liability on the statement of financial position.

Note 6 – 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 4% of the employee's compensation annually and matches employee contributions to the plan up to 8% of their compensation. ULNW's contributions to the plan totaled \$89,319 and \$11,659 for the years ended December 31, 2023 and 2022, respectively. Employer contributions vest over five years. Employee contributions are 100% vested at the time of contribution.

Note 7 – Operating Lease

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

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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 for the years ended December 31, 2023 and 2022 and are included within occupancy in the statement of functional expenses. Net operating cash flows for the renewed operating lease totaled \$143,286 and \$139,113 during the years ended December 31, 2023 and 2022, respectively.

A maturity analysis of annual cash flows for lease liabilities as of December 31, 2023, is as follows for the years ending December 31:

2024	\$ 147,585
2025	<u>38,003</u>
	<u><u>\$ 185,588</u></u>

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

	2023	2022
Operating lease liability (a current liability)	\$ 147,585	\$ 143,286
Operating lease liability, less current portion	<u>38,003</u>	<u>185,588</u>
	<u><u>\$ 185,588</u></u>	<u><u>\$ 328,874</u></u>