



Report of Independent Auditors  
and Financial Statements for  
**Northwest Communities'  
Education Center**  
December 31, 2015 and 2014

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants

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## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Northwest Communities' Education Center

### **Report on Financial Statements**

We have audited the accompanying financial statements of Northwest Communities' Education Center (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets 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. Those standards require that we plan and perform the audits 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mon Adams LLP*

Yakima, Washington

June 2, 2016

**NORTHWEST COMMUNITIES' EDUCATION CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 380,159	\$ 239,557
Prepaid expense	-	186
Accounts receivable	87,900	34,280
Grants receivable	8,531	118,880
Total current assets	476,590	392,903
<b>PROPERTY AND EQUIPMENT</b>		
Land	144,626	140,648
Buildings	3,261,466	3,261,466
Leasehold improvements	892,581	883,396
Construction in process	-	3,978
	4,298,673	4,289,488
Less accumulated depreciation	1,790,403	1,668,969
	2,508,270	2,620,519
<b>TOTAL ASSETS</b>	<b>\$ 2,984,860</b>	<b>\$ 3,013,422</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 15,124	\$ 17,722
Deferred revenue	180,186	151,209
Accrued expenses	21,562	19,806
Total current liabilities	216,872	188,737
<b>NET ASSETS</b>		
Unrestricted	2,759,387	2,807,325
Temporarily restricted	8,601	17,360
Total net assets	2,767,988	2,824,685
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,984,860</b>	<b>\$ 3,013,422</b>

**NORTHWEST COMMUNITIES' EDUCATION CENTER**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS SUPPORT		
Grants and contracts	\$ 373,127	\$ 257,186
Donations and contributions	15,620	113,146
Membership dues	8,281	5,140
Total unrestricted net assets support	<u>397,028</u>	<u>375,472</u>
RELEASED FROM TEMPORARILY RESTRICTED NET ASSETS		
Released from restrictions	<u>8,759</u>	<u>12,731</u>
REVENUE		
Underwriting and production	159,748	126,738
Rent revenue	77,368	42,199
Other income	4,560	7,527
Total revenue	<u>241,676</u>	<u>176,464</u>
Total support, released from restrictions, and revenue	<u>647,463</u>	<u>564,667</u>
OPERATING EXPENSES		
Salaries	260,710	254,351
Depreciation	121,434	125,264
Payroll taxes and benefits	117,245	108,337
Professional fees	73,062	33,543
Occupancy cost	32,493	27,965
Office expense	22,168	14,820
Repairs and maintenance	16,535	16,906
Miscellaneous	9,082	2,904
Telephone	9,026	14,097
Travel and training	7,028	4,112
Supplies	6,285	4,305
National acquisition and distribution	3,810	12,257
Equipment rental	3,500	4,725
Property taxes	2,994	6,601
Advertising	2,274	1,645
Fundraising	1,795	3,078
Bad debt	1,400	2,730
Insurance	4,560	6,239
Total operating expenses	<u>695,401</u>	<u>643,879</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(47,938)</u>	<u>(79,212)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Released from restrictions	<u>(8,759)</u>	<u>(12,731)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(8,759)</u>	<u>(12,731)</u>
CHANGE IN NET ASSETS	(56,697)	(91,943)
NET ASSETS, beginning of year	<u>2,824,685</u>	<u>2,916,628</u>
NET ASSETS, end of year	<u>\$ 2,767,988</u>	<u>\$ 2,824,685</u>

**NORTHWEST COMMUNITIES' EDUCATION CENTER**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (56,697)	\$ (91,943)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	121,434	125,264
Increase (decrease) in cash due to changes in assets and liabilities		
Prepaid expenses	186	(186)
Accounts receivable	(53,620)	(2,650)
Grants receivable	110,349	(118,880)
Accounts payable	(2,598)	13,786
Deferred revenue	28,977	19,888
Accrued expenses	1,756	(5,825)
Net cash from operating activities	149,787	(60,546)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,185)	(13,748)
Net cash from investing activities	(9,185)	(13,748)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,602	(74,294)
CASH AND CASH EQUIVALENTS, beginning of year	239,557	313,851
CASH AND CASH EQUIVALENTS, end of year	\$ 380,159	\$ 239,557

# NORTHWEST COMMUNITIES' EDUCATION CENTER

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1 – Description of Operations**

Northwest Communities' Education Center (NCEC or the Organization) is a community-based organization that addresses the social, educational, and health needs of economically disadvantaged Spanish speaking residents of Central and Eastern Washington. NCEC empowers communities to succeed and participate more fully in global and multicultural society through innovative programs and community partnerships. NCEC receives the majority of its revenues from state government and private grants. The most widely known component of NCEC is a Spanish speaking radio station (Radio KDNA) located in Granger, Washington.

The Organization receives an annual operating allocation from the Corporation of Public Broadcasting (CPB) based on annual appropriations. The Organization's revenues derived from the CPB for the years ended December 31, 2015 and 2014 approximated 25% and 26% of total revenue, respectively.

### **Note 2 – Summary of Significant Accounting Policies**

**Basis of accounting** – The Organization is on the accrual method of accounting for financial statement purposes. Accordingly, revenues and expenses are recognized as income and expense when incurred.

**Concentration of credit risk** – The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high-quality financial institutions. At times, such investments may be in excess of the federally insured limit.

**Cash and cash equivalents** – For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Property and equipment** – Depreciation is computed using the straight-line method based on the estimated useful lives of the assets, which range from 5 to 30 years.

Purchased property, equipment, and betterments are capitalized when they individually have a useful life exceeding one year and a cost of \$250 or more, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Donated property and assets are valued at their fair market value at the date of receipt.

**Donated services** – No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

**Membership** – The Organization collects annual membership fees from individuals and businesses in the communities. These fees are recorded as contributions to the Organization when received. There are no member services required to be provided by the Organization.

**Deferred revenue** – Deferred revenue consists of grant funds received that have not yet been spent in accordance with the guidelines set forth by the granting party.

# NORTHWEST COMMUNITIES' EDUCATION CENTER

## NOTES TO FINANCIAL STATEMENTS

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

**Revenue recognition** – All contributions and underwriting revenue are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and as an increase in unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as an increase in unrestricted net assets if the restrictions are met in the same reporting period as the income recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets and changes in net assets released from restrictions.

The Organization recognizes grant revenue in the period in which the costs are incurred and the service is provided.

**Federal income tax** – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. As of December 31, 2015 and 2014, the Organization had no unrelated business activities subject to federal income taxes. In accordance with requirements related to accounting for uncertainties in income taxes, the Organization had no uncertain tax positions at December 31, 2015 and 2014.

**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 the reported amounts of assets and liabilities and disclosure 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.

**Subsequent events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through June 2, 2016, which is the date the financial statements were available to be issued.

**NORTHWEST COMMUNITIES' EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 - Property and Equipment**

In 2005, NCEC received a grant from the Corporation for Public Broadcasting (CPB) to convert its radio transmission from analog to digital signal. As of December 31, 2006, the Organization completed the project with a total cost of \$192,000. The equipment and installation costs have been capitalized and are included in equipment and are being depreciated using the straight-line method based on the estimated useful lives of the assets. The grant agreement states that if any time within ten years of the execution of the agreement the Organization ceases to be qualified to receive a community service grant from CPB, the Organization upon request from CPB shall return any or all CPB grant funds used in the digital conversion project.

**Note 4 - Restrictions/Limitations on Net Assets**

Temporarily restricted net assets for the years ended December 31, 2015 and 2014 of \$8,601 and \$17,360, respectively, are restricted by donor stipulations for the maintenance of the building.

**Note 5 - Lease Income**

The Company leases offices in its commercial building to unrelated third parties under noncancelable operating leases as well as month-to-month agreements. The lease terms vary between one to three years. Minimum lease receipts in this schedule exclude contingent rentals and rentals under renewal options, which, as of December 31, 2015, are not reasonably assured of being exercised.

The following is a schedule of unrelated third party future minimum lease receipts required under their lease:

2016	\$	52,900
2017		13,800

**Note 6 - Classification of Expenses by Function**

The statements of activities and changes in net assets disclose expenses by natural classification. The classification of expenses by function is as follows:

	<u>2015</u>	<u>2014</u>
Program services		
KDNA Radio Station	\$ 360,568	\$ 386,759
Health and Education	270,715	161,804
Management and general	62,323	92,238
Fundraising	<u>1,795</u>	<u>3,078</u>
	<u>\$ 695,401</u>	<u>\$ 643,879</u>

**NORTHWEST COMMUNITIES' EDUCATION CENTER**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 7 – Operating Leases**

In November 2002, the Organization entered into a ten-year non-cancelable operating lease for land where its radio transmitter is located. The lease requires rent of \$3,000 annually and expired October 2013. Management is currently negotiating a new operating lease.

**Note 8 – Commitments and Contingencies**

As of January 1, 2008, NCEC elected to sponsor a defined contribution plan under Section 401(k) of the Internal Revenue Code that covers all employees who have met certain eligibility requirements. The Organization can elect to make certain discretionary contributions to the plan. Plan contributions for the years ended December 31, 2015 and 2014 were \$5,761 and \$4,579, respectively.

As of June 1, 2013, NCEC entered into a collective bargaining agreement for medical, dental, and vision benefits that expires on May 31, 2016. In addition, NCEC will contribute to a pension trust fund for eligible employees. Contributions into the plan for the years ended December 31, 2015 and 2014 were \$6,590 and \$6,160, respectively.

**Note 9 – Related-Party Transactions**

During the years ended December 31, 2015 and 2014, the Organization received zero and \$90,000, respectively, in donations from a related party to support operations for the Organization. Related-party donations included in grants receivable at December 31, 2015 and 2014 were zero and \$90,000, respectively.