

ATLANTIC STREET CENTER

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2021 AND 2020

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

ATLANTIC STREET CENTER

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Atlantic Street Center
Seattle, Washington

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlantic Street Center as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. 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 Atlantic Street Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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.

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 Atlantic Street Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 Atlantic Street Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlantic Street Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2022 on our consideration of the Atlantic Street Center'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 solely 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 the effectiveness of the Atlantic Street Center's 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 Atlantic Street Center's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

Seattle, Washington

May 18, 2022

ATLANTIC STREET CENTER

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>		
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 1,147,578	\$ 1,397,499
Investments	2,433,371	2,345,804
Grants receivable	280,518	262,599
Promises to give	47,522	21,001
Prepaid expenses	69,931	139,087
Total Current Assets	<u>3,978,920</u>	<u>4,165,990</u>
Endowment Investments	65,258	66,222
Property and Equipment, net	<u>1,086,317</u>	<u>1,123,974</u>
	<u>\$ 5,130,495</u>	<u>\$ 5,356,186</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 85,668	\$ 41,160
Accrued expenses	118,578	125,058
Refundable advances	<u>15,786</u>	<u>58,762</u>
Total Current Liabilities	<u>220,032</u>	<u>224,980</u>
Net Assets		
Without donor restriction		
Undesignated and available for operations	1,193,552	1,376,275
Board designated operating reserve	2,433,371	2,345,804
Investment in property and equipment, net	<u>1,086,317</u>	<u>1,123,974</u>
Total Without Donor Restriction	4,713,240	4,846,053
With donor restriction	<u>197,223</u>	<u>285,153</u>
Total Net Assets	<u>4,910,463</u>	<u>5,131,206</u>
	<u>\$ 5,130,495</u>	<u>\$ 5,356,186</u>

See notes to financial statements.

ATLANTIC STREET CENTER

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support						
Government grants and contracts	\$ 3,188,240	\$ -	\$ 3,188,240	\$ 3,523,107	\$ -	\$ 3,523,107
Contributions	984,183	105,833	1,090,016	941,953	178,050	1,120,003
United Way	984,359	26,132	1,010,491	805,958	21,001	826,959
In-kind contributions	148,802	-	148,802	217,742	-	217,742
Special events	115,306	-	115,306	110,775	-	110,775
Net assets released from purpose restrictions	219,895	(219,895)	-	357,176	(357,176)	-
Total Public Support	5,640,785	(87,930)	5,552,855	5,956,711	(158,125)	5,798,586
Revenue						
Investment returns	82,146	-	82,146	173,644	5,719	179,363
Other income	9,522	-	9,522	16,234	-	16,234
Total Revenue	91,668	-	91,668	189,878	5,719	195,597
Total Public Support and Revenue	5,732,453	(87,930)	5,644,523	6,146,589	(152,406)	5,994,183
Expenses						
Program services	4,416,987		4,416,987	4,311,384		4,311,384
Management and general	1,019,384		1,019,384	969,939		969,939
Fundraising	428,895		428,895	345,180		345,180
Total Expenses	5,865,266		5,865,266	5,626,503		5,626,503
Change in Net Assets	(132,813)	(87,930)	(220,743)	520,086	(152,406)	367,680
Net Assets - Beginning of Year	4,846,053	285,153	5,131,206	4,325,967	437,559	4,763,526
Net Asset - End of Year	\$ 4,713,240	\$ 197,223	\$ 4,910,463	\$ 4,846,053	\$ 285,153	\$ 5,131,206

ATLANTIC STREET CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Youth and Family Development	Counseling Services	Gender- Based Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,186,612	\$ 1,069,565	\$ 281,000	\$ 2,537,177	\$ 563,652	\$ 258,425	\$ 3,359,254
Payroll taxes and benefits	282,574	250,850	52,019	585,443	112,646	65,743	763,832
Total Payroll and Related Expenses	1,469,186	1,320,415	333,019	3,122,620	676,298	324,168	4,123,086
Professional fees	97,208	139,947	10,117	247,272	152,080	43,400	442,752
Client assistance	171,874	1,514	145,738	319,126	-	-	319,126
Occupancy	84,585	57,207	2,454	144,246	26,534	4,562	175,342
Supplies	138,533	10,373	312	149,218	8,261	1,679	159,158
In-kind service expense	-	91,742	-	91,742	57,060	-	148,802
Depreciation and amortization	41,997	28,486	9,067	79,550	13,220	4,961	97,731
Equipment rental and maintenance	22,611	28,198	1,572	52,381	21,224	6,219	79,824
Telephone	30,675	28,901	4,451	64,027	12,107	1,602	77,736
Insurance	30,828	32,422	2,005	65,255	8,722	3,754	77,731
Miscellaneous	3,212	6,664	567	10,443	36,218	9,275	55,936
Printing and postage	2,466	7,886	742	11,094	4,775	25,204	41,073
Client and staff education	21,002	5,398	-	26,400	2,535	499	29,434
Transportation and travel	12,439	5,355	3,177	20,971	280	-	21,251
Conferences and meetings	9,628	2,998	16	12,642	70	3,572	16,284
Total Expenses	\$ 2,136,244	\$ 1,767,506	\$ 513,237	\$ 4,416,987	\$ 1,019,384	\$ 428,895	\$ 5,865,266

ATLANTIC STREET CENTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Youth and Family Development	Counseling Services	Gender- Based Services	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,067,595	\$ 1,184,244	\$ 164,541	\$ 2,416,380	\$ 458,156	\$ 193,549	\$ 3,068,085
Payroll taxes and benefits	269,787	263,117	21,584	554,488	93,112	49,505	697,105
Total Payroll and Related Expenses	1,337,382	1,447,361	186,125	2,970,868	551,268	243,054	3,765,190
Professional fees	54,483	163,332	6,120	223,935	239,109	42,912	505,956
Client assistance	312,967	24,346	41,616	378,929	955	-	379,884
Occupancy	75,188	62,410	3,865	141,463	18,472	7,317	167,252
Supplies	94,060	5,103	916	100,079	3,349	475	103,903
In-kind service expense	14,420	146,261	-	160,681	57,061	-	217,742
Depreciation and amortization	26,023	21,445	3,091	50,559	40,731	1,998	93,288
Equipment rental and maintenance	32,167	27,280	1,943	61,390	-	6,653	68,043
Telephone	13,429	20,621	2,312	36,362	6,212	1,186	43,760
Insurance	25,039	26,333	1,629	53,001	7,084	3,048	63,133
Miscellaneous	7,419	8,605	107	16,131	36,642	10,723	63,496
Printing and postage	1,444	8,673	1,335	11,452	5,851	25,607	42,910
Client and staff education	53,742	3,446	-	57,188	997	-	58,185
Transportation and travel	16,840	17,907	3,410	38,157	79	451	38,687
Conferences and meetings	9,935	1,200	54	11,189	2,129	1,756	15,074
Total Expenses	<u>\$ 2,074,538</u>	<u>\$ 1,984,323</u>	<u>\$ 252,523</u>	<u>\$ 4,311,384</u>	<u>\$ 969,939</u>	<u>\$ 345,180</u>	<u>\$ 5,626,503</u>

ATLANTIC STREET CENTER

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 3,127,345	\$ 3,645,434
Donors	2,184,110	2,141,535
Other revenue	9,522	16,234
Cash paid for:		
Personnel	(4,129,566)	(3,740,700)
Services and supplies	<u>(1,381,983)</u>	<u>(1,567,606)</u>
Net Cash (Used) Provided by Operating Activities	<u>(190,572)</u>	<u>494,897</u>
Cash Flows from Investing Activities		
Proceed from sale of investments	2,427,272	867,859
Purchases of investments	(2,427,272)	(867,859)
Purchases of property and equipment	<u>(59,349)</u>	<u>(22,816)</u>
Net Cash Used by Investing Activities	<u>(59,349)</u>	<u>(22,816)</u>
Changes in Cash and Cash Equivalents	(249,921)	472,081
Cash and Cash Equivalents - beginning of year	<u>1,397,499</u>	<u>925,418</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,147,578</u>	<u>\$ 1,397,499</u>

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Atlantic Street Center ("ASC") is a not-for-profit organization headquartered in Seattle, Washington that provides social services to help families and communities raise healthy, successful children and youth through these direct services:

Early Learning Programs - ASC believes that each child's first and best teachers are their parents. Our Early Learning Program (ParentChild+) is an evidence-based early literacy, parenting, and school readiness model that is committed to closing the achievement gap by providing low-income families with the skills and materials they need to prepare their children for school and life success.

Youth Development and Education Support - These programs offer after-school activities, violence prevention education, tutoring, summer school, support groups, classes, community events, and access to resources for self-help and improvement for youth. Families are supported through our Kinship Care groups, Teen Parent Program and Learn and Raise program; all three designed to support families in raising healthy, successful children and youth while supporting parents and caregivers.

Behavioral Health Services - ASC clients face a wide variety of personal and emotional challenges, including anxiety, depression, bullying, stress and much more. Licensed, skilled mental health therapists provide counseling services that strengthen participants' coping skills, giving them the tools to achieve and maintain emotional health and well being. Counseling services are supported by case management to help children and families identify needs, access services, assess options, and create action plans for positive changes.

Domestic Violence Services - These programs are designed to provide advocacy and therapeutic services to assist domestic violence survivors in navigating systems, accessing resources, increasing independent life skills and strengthening networks necessary to achieve safety and stability for themselves and their families.

Basis of presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ASC and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction are not subject to donor-imposed stipulations. Net assets without donor restriction also include a board-designated operating reserve in place to ensure that ASC may continue to operate smoothly if it incurs a significant unanticipated liability or a significant loss of expected revenues, and enable ASC to invest in new programs or infrastructure or to expand existing programs as opportunities may arise.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restriction are 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. Net assets with donor restrictions are restricted for the following purposes at December 31.

	<u>2021</u>	<u>2020</u>
Program support for future periods	\$ 131,965	\$ 178,931
Purchase of vehicle	-	40,000
Endowment funds (See Note E)	<u>65,258</u>	<u>66,222</u>
Total net assets with donor restrictions	<u>\$ 197,223</u>	<u>\$ 285,153</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 statement 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 released from restriction when the assets are placed in service.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 determined that ASC is exempt from federal income tax as an entity described in Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Cash and cash equivalents

For financial statement purposes, ASC considers all highly liquid instruments purchased with an original maturity of three months or less and not held for investment purposes to be cash equivalents. ASC held deposits at financial institutions in excess of federally insured amounts.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. 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 reported at their fair values in the statement of financial position. Market risk could occur and is dependent on the future changes in market prices of the various investments held.

Promises to give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Promises to give are shown net of the allowance for uncollectible amounts. The allowance for uncollectible amounts is estimated based on management's periodic evaluation of the ASC's past loss experience, and management's analysis of specific amounts due. Promises to give were deemed fully collectible as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, unconditional promises to give due in less than one year total \$47,522 and \$21,001, respectively.

Grants receivable

The carrying amount of grants receivable represents the amount management expects to collect from outstanding balances.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost, or if donated, at fair value as of the donation date. ASC capitalizes all fixed assets with a cost in excess of \$1,000 and a useful life longer than one year. Repairs and maintenance are expensed as incurred. ASC provides for depreciation using the straight-line method over the estimated useful lives, principally 40 year for buildings, three - five years for furniture, equipment and vehicles, and the shorter of useful life or length of lease for leasehold improvements. Property and equipment consist of the following as of December 31.

	<u>2021</u>	<u>2020</u>
Land	\$ 16,000	\$ 16,000
Buildings and building improvements	2,095,951	2,095,951
Furniture and equipment	969,162	953,298
Vehicles	100,889	104,980
Leasehold improvements	<u>402,089</u>	<u>396,588</u>
	3,584,091	3,566,817
Accumulated depreciation	<u>(2,497,774)</u>	<u>(2,442,843)</u>
	<u>\$ 1,086,317</u>	<u>\$ 1,123,974</u>

Support and revenue recognition

ASC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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. Certain of ASC's contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2021 and 2020, conditional contributions and grants for which no amounts had been received in advance totaling \$2,132,690 and \$2,531,633, respectively, have not been recognized in the accompanying financial statements. When amount are received in advance of meeting the conditions, they are reported as refundable advances until conditions are met.

A substantial portion of grants from government agencies is derived from grants and contracts administered by various federal, state, and local government agencies. Support from these grants and contracts is subject to audits that 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 year ended December 31, 2021 and 2020, no such adjustments were made. As a significant portion of ASC's funding comes from governmental agencies, the viability of ASC is dependent upon continuation of these grants.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind contributions

In-kind services are recorded at estimated fair values at the date of receipt. Donated services are recognized if the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. During the year ended December 31, ASC received the following in-kind donations that have been reflected in the statement of activities:

	<u>2021</u>	<u>2020</u>
Professional services	\$ 91,742	\$ 146,261
Contributed facilities (See Note F)	57,060	57,060
Donated goods	<u>-</u>	<u>14,421</u>
	<u>\$ 148,802</u>	<u>\$ 217,742</u>

Professional services primarily represent program services provided to ASC by graduate level interns at no charge.

Functional allocation of expenses

Expenses consist of costs related to youth and family leadership, counseling, gender-based services, fundraising, and management and general. These costs have been summarized on a functional basis in the statement of activities and statement of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. Facility-related and certain general expenses are allocated to each function based on square footage utilized by the function or employee time, depending on the nature of the expense.

NOTE B - LIQUIDITY

ASC has a goal to maintain financial assets, which consist of cash and short- to medium-term (up to three years) investments with the ability to be liquidated into cash to meet working capital needs. ASC holds the majority of its cash at its current bank, approximately \$1,146,600 and \$1,396,500 as of December 31, 2021 and 2020, respectively, to meet 90 days of normal operating expenses, which are, on average, approximately \$460,000 per month.

ASC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. ASC receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE B - LIQUIDITY (Continued)

ASC's financial assets available within one year of the statement of financial position date for general expenditure were as follows at December 31:

	<u>2021</u>	<u>2020</u>
Total financial assets	\$ 3,974,247	\$ 4,093,125
Less: Donor-imposed restrictions		
Funds for capital purposes	-	(40,000)
Endowment funds	<u>(65,258)</u>	<u>(66,222)</u>
	<u>\$ 3,908,989</u>	<u>\$ 3,986,903</u>

NOTE C - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Funds - Valued at cost, which approximates fair value.

Mutual and Exchange-Traded Funds - Valued at quoted market prices in active market, which represent the net asset value (NAV) of shares held by ASC at year-end.

Equity Securities - Valued at quoted market prices in active markets.

Fixed Income Securities - Valued at the closing price reported on the active market on which the securities are traded.

Assets carried at fair value on a recurring basis (at least annually) consist of the following as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 72,645	\$ -	\$ -	\$ 72,645
Mutual and exchange-traded funds	2,420,802	-	-	2,420,802
Equity securities	<u>5,182</u>	<u>-</u>	<u>-</u>	<u>5,182</u>
Total investments at fair value	<u>\$ 2,498,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,498,629</u>

Assets carried at fair value on a recurring basis (at least annually) consist of the following as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,772,730	\$ -	\$ -	\$ 1,772,730
Mutual and exchange-traded funds	632,044	-	-	632,044
Equity securities	<u>7,252</u>	<u>-</u>	<u>-</u>	<u>7,252</u>
Total investments at fair value	<u>\$ 2,412,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,412,026</u>

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D - PAYCHECK PROTECTION PROGRAM

On May 13, 2020, ASC received a \$615,433 loan guaranteed by the Small Business Administration (SBA) under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. 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. ASC entered into the program with the intention of complying with the terms for forgiveness and recognized the loan as a conditional grant. As of December 31, 2020, ASC believed they had met the conditions for forgiveness and recognized the full amount as grant income. ASC received the confirmation of full forgiveness for this PPP loan on March 17, 2021.

NOTE E - ENDOWMENT

ASC's endowment fund consists of donor-restricted funds. Per the terms of the donor-restricted endowment fund, investment earnings generated by the fund are to be maintained within the fund until the fund reaches a corpus of \$100,000. At that time, any additional investment earnings are available for appropriation for support of ASC's mission. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

ASC has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations there under, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, ASC classifies as corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulated earnings of the endowment in accordance with the direction of the applicable donor gift instrument.

The remaining accumulated earnings are classified as donor-restricted net assets until those amounts are appropriated for expenditure by ASC in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, ASC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of ASC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of ASC
- The investment policies of ASC

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE E - ENDOWMENT (Continued)

Once the endowment fund reaches the donor stipulated corpus amount, the Investment Subcommittee will recommend the amount to be appropriated. The targeted amount will be approximately 4% (net of investment management fees) of the last four years' average beginning balances. In establishing this policy, ASC considered the long term expected return on its endowment. Accordingly, over the long term, ASC expects the current spending policy to allow its endowment to outperform inflation on an annualized basis by at least 1%, net of investment management fees.

In no event will an appropriation be made that will result in either (a) the total transfers since the establishment of the fund exceeding the total return since the establishment of the fund or (b) the total transfers within the last ten years exceeding the total return during that ten-year period.

To satisfy its long-term rate-of-return objectives, ASC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield interest and dividends. ASC targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Changes to endowment net assets for the year ended December 31, 2021 are as follows:

	<u>Net Assets with Donor Restrictions</u>		
	<u>Accumulated</u>	<u>Endowment</u>	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	\$ 66,222	\$ 66,222
Endowment investment return	-	-	-
Appropriated for expenditure	-	(965)	(965)
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 65,257</u>	<u>\$ 65,257</u>

Changes to endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Net Assets with Donor Restrictions</u>		
	<u>Accumulated</u>	<u>Endowment</u>	
	<u>Earnings</u>	<u>Corpus</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	\$ 60,503	\$ 60,503
Endowment investment return	-	5,719	5,719
Appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2021	<u>\$ -</u>	<u>\$ 66,222</u>	<u>\$ 66,222</u>

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE F - LEASES

In January 2019, ASC entered into a five-year noncancelable operating lease for office space in Kent, Washington beginning on April 1, 2019. Total rent expense under the lease for the years ended December 31, 2021 and 2020 was \$54,012 and \$52,833, respectively. ASC also leases certain equipment under various cancelable and noncancelable operating leases with maturity dates extending through October 2026. Scheduled minimum lease payments are as follows for the years ending December 31:

2022	\$	35,358
2023		21,780
2024		9,250
2025		300
2026		<u>300</u>

Total future minimum lease payments \$ 66,988

ASC leases land from the Women's Division of the General Board of Global Ministries of the United Methodist Church (the Church) which includes an existing building as well as the Frank Raines Building, which was constructed and placed into service by ASC in 2000. The 20-year lease provides ASC with contributed use of the land and building beginning in December 1998 and expiring December 2018. Under terms of the lease agreement, the lease was to terminate on December 31, 2018 unless renewed or further extended by ASC and the Church.

Subsequent to expiration, ASC has continued to utilize the property under the terms of the prior lease. In November 2019, ASC was notified that it was the Church's intention to transfer the title of the building to ASC as a contribution; however, no firm date nor agreement has yet been provided by the Church. During the years ended December 31, 2021 and 2020, the use of these facilities was recognized as in-kind revenue and expense on the statements of activities and of functional expenses.

NOTE G - RETIREMENT PLAN

ASC sponsors a defined contribution service benefit plan (the Plan) covering substantially all of its permanent employees. ASC contributes 10% of each participant's compensation to the Plan annually. Total service benefit expense was \$157,490 and \$143,323 for the years ended December 31, 2021 and 2020. ASC also sponsors a tax-deferred annuity plan to which employees may contribute through payroll deductions.

ATLANTIC STREET CENTER

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE H - RISKS AND UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of all nonessential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closure. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE I - SELF-INSURANCE

ASC has elected to self-insure employees for unemployment compensation through participation in the 501(c) Agencies Trust plan. The ultimate costs of unemployment claims are accrued as payable when incidents occur that give rise to claims and are included in accrued expenses. The accrued amounts represent management's estimate, including claims incurred but not reported. Unemployment claims made are paid from ASC's account held by the 501(c) Agencies Trust. The surplus in ASC's trust account is included in prepaid expenses and totaled \$60,583 and \$90,440 as of December 31, 2021 and 2020.

NOTE J - PRIOR PERIOD RESTATEMENT

During 2020, management determined that a grant which was previously considered to be an unconditional donor-restricted contribution was in fact conditional in nature. As such, the beginning balance of net assets with donor restriction was adjusted to remove the amount of \$426,911, for which the condition had not been met as of December 31, 2019.

NOTE K - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2021 through May 18, 2022, 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, 2021, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Atlantic Street Center
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 Atlantic Street Center, which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlantic Street Center'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 Atlantic Street Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Atlantic Street Center'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic Street Center'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 Atlantic Street Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlantic Street Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
May 18, 2022