

**501 COMMONS**

Financial Statements

For the Years Ended December 31, 2022 and 2021

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## Independent Auditor's Report

**To the Board of Directors  
501 Commons  
Seattle, Washington**

### Opinion

We have audited the accompanying financial statements of 501 Commons (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

### Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization has suffered recurring losses from operations, loss of liquid assets, and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



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## **Report on Comparative Information**

The financial statements of the Organization as of December 31, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated July 20, 2022. Our opinion is not modified in regards to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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, 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, 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 the Organization'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 the Organization'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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program-level information included in the statements of financial position and statements of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber P.S.*

Certified Public Accountants  
September 25, 2025

## 501 COMMONS

### Statement of Financial Position December 31, 2022

	<u>501 Commons</u>	<u>WSOS</u>	<u>Interfund Eliminations</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 527,347	\$ 1,196,247	\$ -	\$ 1,723,594
Accounts receivable, net	422,621	230,979		653,600
Current portion of contributions and grants receivable, net		3,542,440		3,542,440
Interfund receivable		2,221	(2,221)	
Prepaid expenses and deposits	48,755	55,285		104,040
<b>Total Current Assets</b>	<b>998,723</b>	<b>5,027,172</b>	<b>(2,221)</b>	<b>6,023,674</b>
Contribution and grants receivable, less current portion		17,198,818		17,198,818
Investments		94,104,901		94,104,901
Fixed assets, net	14,955	15,555		30,510
Operating right-of-use assets		198,611		198,611
Financing right-of-use assets	7,050	6,660		13,710
<b>Total Assets</b>	<b>\$ 1,020,728</b>	<b>\$ 116,551,717</b>	<b>\$ (2,221)</b>	<b>\$ 117,570,224</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 68,317	\$ 142,500	\$ -	\$ 210,817
Accrued payroll and other expenses	245,049	150,309		395,358
Interfund payable	2,221		(2,221)	
Deferred revenue	65,031			65,031
Current portion of operating lease liabilities	3,292	60,404		63,696
Current portion of financing lease liabilities		4,116		4,116
Current portion of scholarship liabilities, net		11,235,604		11,235,604
<b>Total Current Liabilities</b>	<b>383,910</b>	<b>11,592,933</b>	<b>(2,221)</b>	<b>11,974,622</b>
Long-term portion of scholarship liabilities, net		10,313,548		10,313,548
Operating lease liabilities, net of current portion	3,375	133,644		137,019
Financing lease liabilities, net of current portion		9,638		9,638
<b>Total Liabilities</b>	<b>387,285</b>	<b>22,049,763</b>	<b>(2,221)</b>	<b>22,434,827</b>
<b>Net Assets:</b>				
Without donor restrictions	364,868			364,868
With donor restrictions	268,575	94,501,954		94,770,529
<b>Total Net Assets</b>	<b>633,443</b>	<b>94,501,954</b>		<b>95,135,397</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,020,728</b>	<b>\$ 116,551,717</b>	<b>\$ (2,221)</b>	<b>\$ 117,570,224</b>

See accompanying notes.

## 501 COMMONS

### Statement of Financial Position December 31, 2021

	<u>501 Commons</u>	<u>WSOS</u>	<u>Interfund Eliminations</u>	<u>Total</u>
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,337,453	\$ -	\$ -	\$ 1,337,453
Cash and cash equivalents held for others, Give Big	793,831			793,831
Accounts receivable, net	337,634			337,634
Contributions and grants receivable, net	18,490			18,490
Prepaid expenses and deposits	21,434			21,434
<b>Total Current Assets</b>	<b>2,508,842</b>			<b>2,508,842</b>
Fixed assets, net	17,808			17,808
Goodwill, net	8,930			8,930
<b>Total Assets</b>	<b>\$ 2,535,580</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,535,580</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 36,462	\$ -	\$ -	\$ 36,462
Accrued payroll and other expenses	232,726			232,726
Funds held for others, Give Big	793,831			793,831
Deferred revenue	57,564			57,564
<b>Total Liabilities</b>	<b>1,120,583</b>			<b>1,120,583</b>
<b>Net Assets:</b>				
Without donor restrictions	1,188,408			1,188,408
With donor restrictions	226,589			226,589
<b>Total Net Assets</b>	<b>1,414,997</b>			<b>1,414,997</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,535,580</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,535,580</b>

See accompanying notes.

## 501 COMMONS

### Statement of Activities For the Year Ended December 31, 2022

	501 Commons	WSOS	Interfund Eliminations	2022 Total
<b>Activity Without Donor Restrictions</b>				
<b>Support and Revenue Without Donor Restrictions:</b>				
Consulting fees	\$ 3,106,010	\$ -	\$ (166,860)	\$ 2,939,150
Contributions and grants	163,648			163,648
Government grants	52,084			52,084
In-kind contributed services	533,744			533,744
Other income	9,967			9,967
Net assets released from restrictions	207,564	2,984,597		3,192,161
<b>Total Support and Revenue Without Donor Restrictions</b>	<b>4,073,017</b>	<b>2,984,597</b>	<b>(166,860)</b>	<b>6,890,754</b>
<b>Expenses:</b>				
Program services	4,092,800	2,447,513		6,540,313
Management and general	784,571	361,180	(166,860)	978,891
Fundraising	19,186	175,904		195,090
<b>Total Expenses</b>	<b>4,896,557</b>	<b>2,984,597</b>	<b>(166,860)</b>	<b>7,714,294</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(823,540)</b>			<b>(823,540)</b>
<b>Activity With Donor Restrictions</b>				
Contributions and grants with donor restrictions	249,550	2,518,685		2,768,235
Transfer in of the WSOS Program		95,400,211		95,400,211
Investment return, net		(432,345)		(432,345)
Release from time restrictions	(100,000)			(100,000)
Release from purpose restrictions	(107,564)	(2,984,597)		(3,092,161)
<b>Change in Net Assets With Donor Restrictions</b>	<b>41,986</b>	<b>94,501,954</b>		<b>94,543,940</b>
<b>Total Change in Net Assets</b>	<b>(781,554)</b>	<b>94,501,954</b>		<b>93,720,400</b>
Net assets, beginning of year	1,414,997			1,414,997
<b>Net Assets, End of Year</b>	<b>\$ 633,443</b>	<b>\$ 94,501,954</b>	<b>\$ -</b>	<b>\$ 95,135,397</b>

See accompanying notes.

## 501 COMMONS

### Statement of Activities For the Year Ended December 31, 2021

	501 Commons	WSOS	Interfund Eliminations	2021 Total
<b>Activity Without Donor Restrictions</b>				
<b>Support and Revenue Without Donor Restrictions:</b>				
Consulting fees	\$ 2,706,833	\$ -	\$ -	\$ 2,706,833
Contributions and grants	192,255			192,255
Government grants	961,932			961,932
In-kind contributed services	1,099,322			1,099,322
Other income	14,477			14,477
Net assets released from restrictions	392,234			392,234
<b>Total Support and Revenue Without Donor Restrictions</b>	<b>5,367,053</b>			<b>5,367,053</b>
<b>Expenses:</b>				
Program services	4,775,151			4,775,151
Management and general	496,372			496,372
Fundraising	14,469			14,469
<b>Total Expenses</b>	<b>5,285,992</b>			<b>5,285,992</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>81,061</b>			<b>81,061</b>
<b>Activity With Donor Restrictions</b>				
Contributions and grants with donor restrictions	153,501			153,501
Release from purpose restrictions	(392,234)			(392,234)
<b>Change in Net Assets With Donor Restrictions</b>	<b>(238,733)</b>			<b>(238,733)</b>
<b>Total Change in Net Assets</b>	<b>(157,672)</b>			<b>(157,672)</b>
Net assets, beginning of year	1,572,669			1,572,669
<b>Net Assets, End of Year</b>	<b>\$ 1,414,997</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,414,997</b>

See accompanying notes.

## 501 COMMONS

### Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services - Scholarships	Program Services - 501 Commons	Program Services - Total	Management and General	Fundraising	2022 Total
<b>Expenses:</b>						
Employee wages and taxes	\$ 618,536	\$ 2,850,354	\$ 3,468,890	\$ 431,452	\$ 101,348	\$ 4,001,690
Scholarship	1,605,853		1,605,853			1,605,853
Professional services and contractors	109,974	433,794	543,768	72,776	71,345	687,889
In-kind contributed services		533,744	533,744			533,744
Employee benefits	45,879	32,044	77,923	250,927	7,021	335,871
Information technology	8,732	108,260	116,992	38,480	5,446	160,918
Rent	11,592	1,480	13,072	99,544	3,341	115,957
Miscellaneous	21,441	35,700	57,141	44,677	2,663	104,481
Taxes, licenses, and fees	25	67,968	67,993	1,274		69,267
Travel and meetings	15,491	7,385	22,876	264	1,177	24,317
Printing, postage, and promotion	8,471	7,209	15,680	6,340	1,804	23,824
Bank fees	99	1,265	1,364	15,569	945	17,878
Utilities	1,420	11,579	12,999	3,466		16,465
Depreciation and amortization		1,748	1,748	12,543		14,291
Recruiting, training, and staff support		270	270	1,579		1,849
<b>Total Expenses</b>	<b>\$ 2,447,513</b>	<b>\$ 4,092,800</b>	<b>\$ 6,540,313</b>	<b>\$ 978,891</b>	<b>\$ 195,090</b>	<b>\$ 7,714,294</b>

See accompanying notes.

## 501 COMMONS

### Statement of Functional Expenses For the Year Ended December 31, 2021

	Program Services - Scholarships	Program Services - 501 Commons	Program Services - Total	Management and General	Fundraising	2021 Total
<b>Expenses:</b>						
Employee wages and taxes	\$ -	\$ 2,874,184	\$ 2,874,184	\$ 300,770	\$ 12,762	\$ 3,187,716
In-kind contributed services		1,099,322	1,099,322			1,099,322
Professional services and contractors		450,166	450,166	25,983		476,149
Employee benefits		154,892	154,892	22,696	593	178,181
Rent		1,776	1,776	93,561		95,337
Information technology		72,467	72,467	4,928		77,395
Taxes, licenses, and fees		53,202	53,202	1,758		54,960
Miscellaneous		23,238	23,238	17,007		40,245
Bank fees		4,015	4,015	16,395	277	20,687
Recruiting, training, and staff support		14,161	14,161	1,690	105	15,956
Printing, postage, and promotion		11,272	11,272	754	732	12,758
Depreciation and amortization		874	874	10,610		11,484
Utilities		11,027	11,027	220		11,247
Travel and meetings		4,555	4,555			4,555
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 4,775,151</b>	<b>\$ 4,775,151</b>	<b>\$ 496,372</b>	<b>\$ 14,469</b>	<b>\$ 5,285,992</b>

See accompanying notes.

## 501 COMMONS

### Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Cash Flows From Operating Activities:</b>		
Total change in net assets	\$ 93,720,400	\$ (157,672)
Adjustment to reconcile change in net assets to net cash flows used in operating activities-		
Forgiveness of Paycheck Protections Program loans		(638,708)
Depreciation and amortization	14,291	11,484
Transfer in of the WSOS program	(96,416,686)	
Realized and unrealized losses on investments	545,519	
Changes in operating assets and liabilities:		
Accounts, contributions, and grants receivable	3,159,377	(85,599)
Prepaid expenses and deposits	(7,487)	(457)
Accounts payable	118,461	(7,670)
Accrued payroll and other expenses	(10,615)	(38,635)
Deferred revenue	7,467	28,985
Funds held for others, Give Big	(793,831)	434,498
Operating right of use asset, net of operating lease liability	973	
Scholarship liabilities	(4,665,174)	
<b>Total Cash Flows Used in Operating Activities</b>	<b>(4,327,305)</b>	<b>(453,774)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchases of furniture, fixtures, and equipment		(8,739)
Proceeds from sales of investments	2,015,806	
Purchases of investments	(128,701)	
<b>Total Cash Flows Provided by (Used in) Investing Activities</b>	<b>1,887,105</b>	<b>(8,739)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from Paycheck Protection Program loans		638,708
Transfer of cash with WSOS program to 501 Commons	1,016,475	
Principal payments on financing lease	(440)	
Proceeds from line of credit	82,430	
Repayment of line of credit	(82,430)	
<b>Total Cash Flows (Used in) Provided by Financing Activities</b>	<b>1,016,035</b>	<b>638,708</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(407,690)</b>	<b>176,195</b>
Cash and cash equivalents, beginning of year	2,131,284	1,955,089
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,723,594</b>	<b>\$ 2,131,284</b>
The following table provides a reconciliation of cash and cash equivalents reported within the statements of financial position that sums to the total of the same such amount on the statement of cash flows:		
Cash and cash equivalents	\$ 1,723,594	\$ 1,337,453
Cash and cash equivalents held for others, Give Big		793,831
<b>Total Cash and Cash Equivalents Shown on the Statement of Cash Flows</b>	<b>\$ 1,723,594</b>	<b>\$ 2,131,284</b>
<b>Supplementary Disclosures:</b>		
Noncash net assets transferred for WSOS Program	\$ (96,416,686)	\$ -

See accompanying notes.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Organization and Significant Accounting Policies

**Organization** - 501 Commons is a not-for-profit organization established in 1988. The organization provides not-for-profit management support services, including affordable management and technology consulting delivered by staff and volunteers; ongoing human resources, technology support, and financial services; coaching and leadership development; an information and referral program; and other capacity building programs. Services are provided to not-for-profit organizations, schools, and other public agencies.

**WSOS** - Washington State Opportunity Scholarship (WSOS) is a public-private partnership established by the Washington State legislature in 2011 under the Revised Code of Washington (RCW) Title 28B.145, *Opportunity Scholarship Act*, to increase access to high-demand STEM and health care majors for low- and middle-income students through scholarships and academic support. The legislation describes in detail how the program is to be funded and administered. Effective September 1, 2022, the Board of 501 Commons approved an interagency contract with the State of Washington's Washington Student Achievement Council (WSAC) and the WSOS Board of Directors for professional services, whereby 501 Commons serves as Program Administrator to the WSOS program. The interagency contract currently expires August 31, 2024. See Note 11 for the subsequent event. As such, 501 Commons became the fiscal sponsor for WSOS in 2022; therefore, the balances and activity of the WSOS program are included in the 501 Commons financial statements.

The financial account balances and activities of 501 Commons and WSOS, collectively, are referred to through these financial statements as "the Organization".

**Give Big** - During the year ended December 31, 2021, 501 Commons operated as an agent for the Give Big fundraiser to raise money for local nonprofit organizations. At December 31, 2021, 501 Commons had cash and cash equivalents held for others in the amount of \$793,831. These funds are owed to the earmarked nonprofit organization and were paid out in 2022, resulting in an offsetting liability at December 31, 2021. During the year ended December 31, 2022, an alternative platform was used as custodian for the money raised. No cash equivalents held for others nor an associated liability were recognized at December 31, 2022.

**Basis of Presentation** - The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Continued

**Consulting Fees Revenue Recognition** - The Organization recognizes consulting fees using an allowable practical expedient in the amount to which the Organization 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 the Organization's performance as the Organization performs. Labor hours are generally contracted for periods throughout the year on an as-needed basis. Customers are generally billed monthly, and payment terms are 30 days from the date the services are invoiced. Payments received in advance of the performance obligations met are recognized as deferred revenue (a contract liability).

Consulting (contract) accounts receivable and contract liabilities on the statements of financial position were as follows:

	2022	2021	
	<u>December 31</u>	<u>December 31</u>	<u>January 1</u>
Contract accounts receivable	\$ 420,668	\$ 313,320	\$ 181,221
Contract liabilities	\$ 65,031	\$ 43,564	\$ 28,576

There are no significant judgments affecting the determination of the amount and timing of consulting fees.

**Contribution and Grant Revenue** - Contributions and grants (including those from government agencies) are recognized when the conditions of the award become unconditional and are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

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. The Organization has conditional awards outstanding from government agencies of \$116,700 at December 31, 2021. No conditional awards were outstanding at December 31, 2022.

Revenue from these conditional awards is contingent upon incurring certain qualified expenditures under the grant agreements. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2022 and 2021, no such adjustments were made.

During the year ended December 31, 2021, the Organization received a Paycheck Protection Program loan from the Small Business Administration of \$638,708. This loan included forgivable conditions which were met during the year ended December 31, 2021 and, therefore, the loan amount was recognized to government grant revenue on the statement of activities.

**Concentrations** - During the year ended December 31, 2022, 59% of contribution revenue was from one donor. At December 31, 2022, 100% of contributions and pledges receivables were due from two donors. There were no such concentrations for the year ended December 31, 2021.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Continued

**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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents consist of cash and money market funds held at banks. The Organization may occasionally have cash deposits in excess of federally insured limits.

**Accounts Receivable** - Accounts receivable are generated from providing consulting services generally provided to other organizations. The balances are stated at the invoiced amounts, adjusted for any possible allowance for uncollectible amounts.

Management reviews the collectability of accounts receivable on a periodic basis and determines the appropriate amount of any allowance. The Organization charges off receivables to the allowance (if any) when management determines that a receivable is not collectible. At December 31, 2022 no allowance was deemed necessary. At December 31, 2021, the allowance related to accounts receivable amounted to \$5,000.

**Contributions and Grants Receivable** - Contributions and grants receivable represent amounts pledged by donors. Contributions and grants receivable are recorded at net realizable value. Management reviews the collectability of contributions and grants receivable on a periodic basis and determines the appropriate amount of any allowance. The Organization charges off receivables to the allowance (if any) when management determines that a receivable is not collectible. No allowance was considered necessary as of December 31, 2022 or 2021.

**Investments and Investment Income** - Investments generally consist of money market funds and commingled index and intermediate credit funds. Returns on investment, including unrealized gains and losses, are recognized in the period earned. Investment return is reported net of related fees.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of these investments will fluctuate in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**Fixed Assets** - Fixed assets are stated at cost if purchased, or at fair value if contributed. The Organization capitalizes all assets with a cost in excess of \$1,000 and a useful life of three years or more. Depreciation is provided on the straight-line method over the estimated useful lives of the assets or the lease term, if shorter, for leasehold improvements. The lease term used for calculation of depreciation expense includes renewal options if management intends to exercise them.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Continued

**Scholarship Liabilities** - Scholarship liabilities for the WSOS program, which includes the baccalaureate, Career and Technical Scholarship (CTS), Rural Jobs Initiative (RJI), and Graduate (GRD) scholarships, are estimated using the number of students enrolled in the scholarship program and assumptions regarding retention rates, transfer rates, average spending year-by-year based on historical data, and award amounts. It is reasonably possible that the Organization's estimates used to calculate scholarship commitments will change in the near term. Scholarship liabilities due in subsequent years are reported at their present value, using risk-adjusted rates applicable to the year in which the liabilities were originally accrued (Note 6).

The Organization does not consider its scholarship commitments to be conditional, and as such, it records the liability for scholarships when each new cohort is awarded.

**Lease Accounting** - Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, 501 Commons recognized on January 1, 2022, a lease liability of \$9,900 and a right-of-use asset of \$10,474. During the transition in of the WSOS program, an additional lease liability of \$222,992 and a right-of-use asset of \$221,138 were recognized.

ASC Topic 842 requires lessors to classify leases as an operating lease, sales-type lease, or direct financing lease. There was no material impact on the Organization's results of operations or financial condition upon adoption of the new standard.

The Organization determines if an arrangement contains a lease at inception. Operating and financing leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's leases do not provide an implicit rate of return; thus, the Organization uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date, if significant. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Organization has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability are not recognized for leases with an initial term of 12 months or less.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Continued

**Goodwill** - The Organization has recognized goodwill as a result of acquiring assets from NPower Northwest in October 2012.

The Organization evaluates the carrying value of goodwill annually, as well as between annual evaluations if events occur or circumstances indicate that the carrying amount may not be recoverable. Recoverability is first reviewed from a qualitative perspective. If that process indicates a possible impairment, recoverability of goodwill is measured by a comparison of its carrying amount to the implied fair value of the net assets of the related reporting unit. If the carrying amount of goodwill exceeds its implied fair value, an impairment charge is recognized by the amount by which the carrying amount of goodwill exceeds the implied fair value of the goodwill. The Organization has not recognized any impairment losses to date.

Effective January 1, 2018, management has elected to amortize goodwill on a straight-line basis over a period of five years in accordance with ASU 2019-06.

Amortization expense for goodwill totaled \$8,930 and \$8,931 for the years ended December 31, 2022 and 2021, respectively. Goodwill was fully amortized at December 31, 2022.

**In-Kind Contributed Services** - In-kind contributions are recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. For both 2022 and 2021, in-kind contributions are primarily composed of time expended by volunteer consultants in connection with management and technology consulting and coaching services. These services are recognized in the financial statements at their estimated fair value, which amounted to \$401,343 and \$989,805 in 2022 and 2021, respectively. The Organization relies on donated time and services to support its programs and changes in these contributions can impact its ability to provide comprehensive programmatic services.

In-kind contributions also include computer software and were used to support general operations. In-kind contributions did not have donor-imposed restrictions. The software was valued at the price the Organization would have paid if it had purchased a similar product, which amounted to \$132,401 and \$109,518 in 2022 and 2021, respectively.

**Allocation of Functional Expenses** - The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation and amortization, which are allocated on a square footage basis, as well as employee wages and taxes, employee benefits, professional services and contractors, information technology, and other which are allocated on the basis of estimates of time and effort.

**Income Taxes** - The Organization has been notified by the Internal Revenue Service that the Organization is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 1 - Continued

**Reclassifications** - Certain accounts in the December 31, 2021 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets for the year ended December 31, 2021.

**Subsequent Events** - Management of the Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was September 25, 2025.

#### Note 2 - Pledges Receivable

Pledges receivable with due dates extending beyond one year were discounted using discount rates based on risk adjusted rate of return of 1.23% - 1.46% at December 31, 2022. No pledge receivables existed with due dates extending beyond one year at December 31, 2021.

	<u>501 Commons</u>	<u>WSOS</u>	<u>2022 Total</u>
Pledges receivable expected in-			
Less than one year	\$ -	\$ 3,542,440	\$ 3,542,440
One to five years		16,000,000	16,000,000
Thereafter		2,000,000	2,000,000
		<u>21,542,440</u>	<u>21,542,440</u>
Present value discount		<u>(801,182)</u>	<u>(801,182)</u>
<b>Pledges Receivable</b>	<b>\$ -</b>	<b>\$ 20,741,258</b>	<b>\$ 20,741,258</b>

#### Note 3 - Investments

Investments as presented in the statements of financial position in the WSOS program consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 6,898,775	\$ -
Commingled equity index funds	28,746,237	
Commingled intermediate credit	58,459,889	
<b>Total Investments</b>	<b>\$ 94,104,901</b>	<b>\$ -</b>

501 Commons and the WSOS Board approved the investment policies for WSOS investments. The investments are sourced from both private and public funds. These investment policies were guided by and are designed to comply with various State policies which govern the investment of State funds. All WSOS long-term investments are managed by the Washington State Investment Board (WSIB) as of December 31, 2022. The investment allocation is reviewed periodically based on program spending forecasts and other considerations.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 3 - Continued

Investment return related to WSOS is classified as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 129,365	\$ -
Realized and unrealized (losses) gains	(545,519)	
Investment fees	(16,191)	
<b>Total Investment Return, Net</b>	<b><u>\$ (432,345)</u></b>	<b><u>\$ -</u></b>

#### Note 4 - Fair Value Measurements

**Valuation Techniques** - U.S. GAAP provides a consistent model for determining fair value measurements for financial assets and liabilities and identifies three levels of inputs that are available for measuring fair value. Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 or 2021:

Cash and Cash Equivalents - Valued at cost, which approximates fair value.

Commingled Funds - Valued based on the market prices of the underlying investments as determined by quoted market prices. The commingled funds are managed and held by the Washington State Investment Board (WSIB) and have no redemption restrictions.

**Fair Values Measured on a Recurring Basis** - Fair values of assets WSOS measured on a recurring basis were as follows:

	<u>December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,898,775	\$ -	\$ -	\$ 6,898,775
Commingled equity index funds		28,746,237		28,746,237
Commingled intermediate credit		58,459,889		58,459,889
<b>Total Investments at December 31, 2022</b>	<b><u>\$ 6,898,775</u></b>	<b><u>\$87,206,126</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 94,104,901</u></b>

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 5 - Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are composed of the following at December 31:

	<u>501 Commons</u>	<u>WSOS</u>	<u>2022 Total</u>
Furniture and fixtures	\$ 17,951	\$ 19,540	\$ 37,491
Leasehold improvements	16,570		16,570
Other	16,500		16,500
Computers	<u>8,739</u>	<u>49,558</u>	<u>58,297</u>
	59,760	69,098	128,858
Less accumulated depreciation and amortization	<u>(44,805)</u>	<u>(53,543)</u>	<u>(98,348)</u>
<b>Total Furniture, Fixtures, and Equipment, Net</b>	<b><u>\$ 14,955</u></b>	<b><u>\$ 15,555</u></b>	<b><u>\$ 30,510</u></b>

  

	<u>501 Commons</u>	<u>WSOS</u>	<u>2021 Total</u>
Furniture and fixtures	\$ 17,951	\$ -	\$ 17,951
Leasehold improvements	16,570		16,570
Other	16,500		16,500
Computers	<u>8,739</u>		<u>8,739</u>
	59,760		59,760
Less accumulated depreciation and amortization	<u>(41,952)</u>		<u>(41,952)</u>
<b>Total Furniture, Fixtures, and Equipment, Net</b>	<b><u>\$ 17,808</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 17,808</u></b>

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 6 - Scholarship Commitments Liability

The WSOS program awards scholarships to qualifying students under the following programs:

Baccalaureate Scholarship - Supports students pursuing four-year degrees in STEM and health care-oriented majors at various institutions of higher education in the state, beginning as early as freshman year and continuing through graduation, which may be in year five or six, subject to various restrictions.

Career and Technical Scholarship (CTS) - Supports students pursuing a certificate, apprenticeship, or associate degree in trade, STEM, and health care occupations at various community and technical colleges in the state, subject to various restrictions.

Rural Jobs Initiative (RJI) - Supports students within the CTS program by providing additional funding to those who live in rural communities in Washington State.

Graduate Scholarship (GRD) - Supports students pursuing advanced health care degrees in Washington who plan to work in a medically underserved area upon graduation.

Scholarship commitments outstanding for the WSOS programs are as follows at December 31, 2022:

	<u>Baccalaureate</u>	<u>CTS</u>	<u>RJI</u>	<u>GRD</u>	<u>Total</u>
Expected to be paid in-					
2023	\$ 8,159,368	\$ 2,492,748	\$ 125,201	\$ 458,287	\$ 11,235,604
2024 through 2027	<u>9,602,140</u>	<u>1,696,992</u>	<u>89,268</u>	<u>349,077</u>	<u>11,737,477</u>
Total scholarship commitments	17,761,508	4,189,740	214,469	807,364	22,973,081
Less discounts to present value (rate of 3%)	<u>(1,307,766)</u>	<u>(91,268)</u>	<u>(4,815)</u>	<u>(20,080)</u>	<u>(1,423,929)</u>
<b>Scholarship Commitments, Net</b>	<b><u>\$16,453,742</u></b>	<b><u>\$4,098,472</u></b>	<b><u>\$ 209,654</u></b>	<b><u>\$ 787,284</u></b>	<b><u>\$21,549,152</u></b>

#### Note 7 - Line of Credit

In the year ended December 31, 2022, the Organization obtained a line of credit with a maximum of \$150,000 and maturity date of January 31, 2025, bearing interest at a rate of 9.5%. Borrowings on the line of credit totaled \$82,430 and were repaid in the same year.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>501 Commons</u>	<u>WSOS</u>	<u>2022</u>
Program-restricted-			
Fair Chance/Next Level	\$ 134,070	\$ -	\$ 134,070
Give Big	20,000		20,000
Other	14,505		14,505
WSOS		73,761,936	73,761,936
Time restricted	<u>100,000</u>	<u>20,740,018</u>	<u>20,840,018</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 268,575</u></b>	<b><u>\$ 94,501,954</u></b>	<b><u>\$ 94,770,529</u></b>
	<u>501 Commons</u>	<u>WSOS</u>	<u>2021</u>
Program-restricted-			
Fair Chance/Next Level	\$ 170,839	\$ -	\$ 170,839
Give Big	45,000		45,000
COVID response	1,250		1,250
Other	<u>9,500</u>		<u>9,500</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 226,589</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 226,589</u></b>

#### Note 9 - Leases

Effective October 1, 2022, the Organization leases office space for the WSOS program under a long-term, noncancelable lease agreement which expires in 2026. Additionally, lease includes payments for common area maintenance, utilities, taxes, and insurance that are considered variable lease payments and are excluded from determining the lease liability. The Organization also has a number of finance equipment leases for the WSOS program and 501 Commons with maturity dates through 2025.

Leases as of December 31, 2021, under ASC Topic 840, were immaterial to the financial statements as a whole.

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 9 - Continued

The total minimum payments due under each of these agreements for future years are as follows:

For the Year Ending December 31,	Finance	Operating
2023	\$ 4,614	\$ 65,490
2024	4,614	67,345
2025	4,290	65,840
2026	720	5,500
2027	480	
Total undiscounted cash flows	14,718	204,175
Less present value discount	(964)	(3,460)
<b>Total Lease Liabilities</b>	<b>\$ 13,754</b>	<b>\$ 200,715</b>

The components of lease expense for the year ended December 31, 2022 were as follows:

Finance lease cost-	
Amortization of right-of-use assets	\$ 470
Interest on lease liabilities	64
Operating lease cost	19,406
Variable lease cost	9,283
Short-term and other lease costs	48,912
<b>Total Leasing Expense</b>	<b>\$ 78,135</b>

Supplemental cash flow information related to leases as of December 31, 2022 was as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 18,525
Operating cash flows from financing leases	\$ 64
Financing cash flows from finance leases	\$ 440
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 14,194
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 218,697
Weighted-average remaining lease term - operating lease	3.9 years
Weighted-average remaining lease term - finance lease	4 years
Weighted-average discount rate - operating lease	2.5%
Weighted-average discount rate - finance lease	6.0%

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

#### Note 10 - Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are deposited across multiple financial institutions in money market and savings accounts.

The following table reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal management designations. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions for purpose.

	<u>501 Commons</u>	<u>WSOS</u>	<u>2022</u>
Financial assets-			
Cash and cash equivalents	\$ 527,347	\$ 1,196,247	\$ 1,723,594
Accounts receivable, net	422,621	230,979	653,600
Current portion of contributions and grants receivable, net		3,542,440	3,542,440
Interfund receivable		<u>2,221</u>	<u>2,221</u>
	949,968	4,971,887	5,921,855
Less amounts not available to be used within one year-			
Net assets with donor restrictions <sup>(1)</sup>	<u>(268,575)</u>		<u>(268,575)</u>
	<u><b>\$ 681,393</b></u>	<u><b>\$ 4,971,887</b></u>	<u><b>\$ 5,653,280</b></u>

(1) Excludes WSOS donor restrictions as the balance of WSOS restrictions are for use of the WSOS program.

	<u>501 Commons</u>	<u>WSOS</u>	<u>2021</u>
Financial assets-			
Cash and cash equivalents	\$ 1,337,453	\$ -	\$ 1,337,453
Accounts, grants, and contributions receivable	<u>356,124</u>		<u>356,124</u>
	1,693,577		1,693,577
Less amounts not available to be used within one year-			
Net assets with donor restrictions for purpose	<u>(226,589)</u>		<u>(226,589)</u>
	<u><b>\$ 1,466,988</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 1,466,988</b></u>

## 501 COMMONS

### Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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#### Note 11 - Subsequent Events

During the year ended December 31, 2024, the interagency contract with WSAC and WSOS was terminated and the WSOS program was transferred to a new entity.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. After December 31, 2022, the Organization experienced several challenges including significant staff turnover in the finance department, resulting in difficulty in completing audits; the transition and management of the WSOS program; and a leadership transition. These events interrupted some of the normal funding streams for the Organization, which has resulted in a net loss for fiscal years 2023 and 2024. These factors raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

Management's evaluation of the significance of these conditions and events indicates that, in its current financial condition, the Organization may be unable to meet its obligations as they become due. Management has taken several steps to ensure that the Organization continues delivering programs and remains financially sustainable in fiscal year 2025 and beyond. Cost cutting and fundraising measures were implemented as soon as new leadership became aware of the continued shortfall in 2025:

- Reduction and elimination of the least profitable lines of business;
- Refocusing and investing in the largest and most profitable lines of business;
- Investing in development and fundraising staff, and
- Reached out to key donors to secure funding for the short term.

These measures allowed the Organization to continue to operate despite the budget shortfall for the year ended December 31, 2025. These measures will remain in place and additional efforts are being taken to build the Organization's financial stability in fiscal year 2026. However, there is no assurance that such plans will be successful in mitigating the conditions that raise substantial doubt about the Company's ability to continue as a going concern.

Management is confident, given these changes, that The Organization will build back to financial sustainability in fiscal year 2026. Which includes meeting budget and fulfilling all financial obligations. In order to maintain operations in fiscal year 2026, the Organization needs approximately \$700,000 in additional funding, of which only approximately \$200,000 has been committed as of year end, which only covers the shortfall in fiscal year 2025.

The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern. The financial statements also do not include any adjustments that might result from the outcome of any uncertainty regarding the Organization's ability to continue as a going concern. In addition, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Organization be unable to continue as a going concern.