

**THE WASHINGTON INSTITUTE OF FINANCIAL SECURITY
dba THE PROSPERITY AGENDA**

AUDITED FINANCIAL STATEMENTS (RESTATED)
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

Prepared By

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Washington Institute for Financial Security dba The Prosperity Agenda

We have audited the accompanying financial statements of The Washington Institute for Financial Security dba The Prosperity Agenda (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington Institute for Financial Security dba The Prosperity Agenda as of June 30, 2018, 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.

Other Matter

As discussed in Note 8 to the financial statements, the financial statements for the years ended June 30, 2018 and 2017 have been restated for the correction of an error.

Seattle, Washington
February 11, 2019

THE WASHINGTON INSTITUTE FOR FINANCIAL SECURITY
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STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017 (RESTATED)

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 374,013	\$ 459,650
Grants & contract receivables (Note 3)	389,384	565,453
Prepaid expenses	-	2,222
	<hr/>	<hr/>
Total assets	\$ 763,397	\$ 1,027,325
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 35,566	\$ 1,744
Credit cards payable	9,104	1,171
Vacation payable	14,485	8,268
Taxes payable	6,527	8,269
Total liabilities	<hr/> 65,682	<hr/> 19,452
Net Assets		
Unrestricted	44,790	64,619
Temporarily restricted (Note 4)	652,924	943,254
Total net assets	<hr/> 697,714	<hr/> 1,007,873
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and net assets	\$ 763,396	\$ 1,027,325

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2018 (RESTATED)

	2018		Totals 2018
	Unrestricted	Temporarily Restricted	
<u>Public Support and Revenue</u>			
Grants	\$ 6,430	\$ 75,000	\$ 81,430
Contracts	513,228	-	513,228
Donation	15,345	-	15,345
Interest & dividend income	625	-	625
	<u>535,628</u>	<u>75,000</u>	<u>610,628</u>
Released from restrictions	365,330	(365,330)	-
Total public support and revenue	<u>900,958</u>	<u>(290,330)</u>	<u>610,628</u>
<u>Expenses</u>			
Program services	728,918	-	728,918
Management and general	191,869	-	191,869
	<u>920,787</u>	<u>-</u>	<u>920,787</u>
Change in net assets	(19,829)	(290,330)	(310,159)
Net assets, beginning of year	<u>64,619</u>	<u>943,254</u>	<u>1,007,873</u>
Net assets, end of year	<u>\$ 44,790</u>	<u>\$ 652,924</u>	<u>\$ 697,714</u>

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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017 (RESTATED)

	2017		Totals 2017
	Unrestricted	Temporarily Restricted	
<u>Public Support and Revenue</u>			
Grants	\$ 122,763	\$ 1,025,000	\$ 1,147,763
Contracts	220,476	\$ -	220,476
Donation	3,806	-	3,806
Interest & dividend income	336	-	336
	<u>347,381</u>	<u>1,025,000</u>	<u>1,372,381</u>
Released from restrictions	270,025	(270,025)	-
Total public support and revenue	<u>617,406</u>	<u>754,975</u>	<u>1,372,381</u>
<u>Expenses</u>			
Program services	467,064	-	467,064
Management and general	238,803	-	238,803
	<u>705,867</u>	<u>-</u>	<u>705,867</u>
Change in net assets	(88,461)	754,975	666,514
Net assets, beginning of year	<u>153,080</u>	<u>188,279</u>	<u>341,359</u>
Net assets, end of year	<u>\$ 64,619</u>	<u>\$ 943,254</u>	<u>\$ 1,007,873</u>

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STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018 AND 2017 (RESTATED)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (310,159)	\$ 666,514
Cash provided/(used) by changes in operating assets and liabilities:		
Grant and contract receivables	176,069	(326,714)
Prepaid expenses	2,222	(2,222)
Accounts payable	33,822	(21,673)
Credit cards payable	7,933	(4,248)
Vacation payable	6,217	8,268
Payroll taxes payable	(1,742)	8,269
Net cash provided (used) by operating activities	<u>(85,638)</u>	<u>328,194</u>
Net increase/(decrease) in cash & cash equivalents	<u>(85,638)</u>	<u>328,194</u>
Cash at beginning of year	<u>459,651</u>	<u>131,456</u>
Cash at end of year	<u><u>\$ 374,013</u></u>	<u><u>\$ 459,650</u></u>
Supplementary information		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 41</u></u>

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STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2018 (RESTATED)

	Program Services	Management & General	Total Expenses
Employee expenses	\$ 414,349	\$ 66,948	\$ 481,297
Conference & training	17,854	5,642	23,496
Insurance	-	1,834	1,834
Marketing	20	16,921	16,941
Meals & entertainment	2,227	3,404	5,631
Miscellaneous	-	1,789	1,789
Occupancy	-	44,002	44,002
Office expenses	27,017	8,949	35,966
Professional services	229,172	40,452	269,624
Travel	38,279	1,928	40,207
	<u>\$ 728,918</u>	<u>\$ 191,869</u>	<u>\$ 920,787</u>

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STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2017 (RESTATED)

	Program Services	Management & General	Total 2017
Employee expenses	\$ 265,180	\$ 122,172	\$ 387,352
Conference & training	632	2,469	3,101
Insurance	-	519	519
Interest Expense	-	1,969	1,969
Marketing	-	41	41
Meals & entertainment	28,944	18,157	47,101
Miscellaneous	1,222	3,958	5,180
Occupancy	-	5,721	5,721
Office expenses	-	30,815	30,815
Professional services	10,896	7,075	17,971
Program Expenses	136,652	45,334	181,986
Travel	23,538	573	24,111
Total	<u>\$ 467,064</u>	<u>\$ 238,803</u>	<u>\$ 705,867</u>

THE WASHINGTON INSTITUTE OF FINANCIAL SECURITY dba THE PROSPERITY AGENDA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017 (RESTATED)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

The Washington Institute of Financial Security dba The Prosperity Agenda (The Prosperity Agenda) is a non-profit organization founded in the City of Seattle. The Organization was created in 2013 and is recognized as a 501(c)(3) by the Internal Revenue Service. The mission of the Organization is to provide training and technical assistance to nonprofit and government agencies in coaching, evaluation, and program design.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of The Prosperity Agenda have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Prosperity Agenda presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-210. Under FASB ASC No.958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Revenue Recognition

To ensure observance of limitations and restrictions placed on the use of resources available to Prosperity Agenda, their accounts are maintained in accordance with the FASB ASC No. 958-605. As such, contributions are recognized as revenue when they are received or unconditionally pledged. The Prosperity Agenda records gifts of cash and other assets as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Note 1 (Continued)

Functional Expense Classification and Allocation

Program expenses are classified in the accompanying statement of functional expenses according to whether they relate to the specific program or supporting services. Functional expenses have been allocated among program and supporting service classifications on the basis of time records and direct expenses made by the Organization management.

Contract and Grant Support

The Prosperity Agenda recognizes support from cost reimbursable contracts when eligible costs are incurred. For contracts where payment is not based on actual costs incurred, support is recognized when committed by the funding source.

Fixed Assets

Furniture and equipment are stated at cost. Depreciation is recorded on the straight-line basis over the assets' estimated useful lives. The Prosperity Agenda's current capitalization policy is to capitalize all assets with an estimated service life that exceeds one year and with a cost of greater than \$2,500.

Donated Goods and Services

Donated goods, if deemed material in amount, are recorded at their fair market value as of the date of the donation, while donated services are recorded at their estimated values. The fair market value and estimated values of donated goods and services are reported as both support and expenses in the accompanying statement of activity and changes in net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, The Prosperity Agenda considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Prosperity Agenda has evaluated subsequent events through February 11, 2019, the date on which the financial statements were available to be issued.

NOTE 2 - TAX EXEMPT STATUS

The Prosperity Agenda is a non-profit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code and, as such, is subject to income taxes only to the extent of taxable unrelated business income. During 2018 and 2017, Prosperity Agenda did not generate any taxable income and therefore no provision for federal income tax is necessary. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509 (a)(1).

Note 2 (Continued)

The Organization's tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are tax years 2013 and forward. During fiscal 2018 and 2017, Prosperity Agenda recognized \$0 in interest and penalties related to income tax filings, and had no unrecognized tax benefits which were expected to significantly increase or decrease in the following year.

NOTE 3 – GRANT AND CONTRACT RECEIVABLES

Grant and contract receivables consisted of funds committed by funding sources whereby The Prosperity Agenda will receive payments in the future. At June 30, 2018 and 2017, the composition of grant and contract receivables by funding source consisted of the following:

	2018	2017
The W.K. Kellogg Foundation	\$ 369,748	\$ 497,953
JP Morgan Chase Foundation	-	50,000
Other Organizations	19,636	17,500
	<u>\$ 389,384</u>	<u>\$ 565,453</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets reported for the twelve months ended June 30, 2018 and 2017 consisted of grant agreement contributions of \$652,924 and \$943,254, respectively, designated for support of The Prosperity Agenda's programs.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Prosperity Agenda maintains two cash accounts in one financial institution. The amount in excess of FDIC insurance were \$124,013 and \$209,650 at June 30, 2018 and 2017, respectively. Prosperity Agenda receives grants from fees from federal, state and county governments, and other non-profit organizations.

NOTE 6 – OPERATING LEASE

The Prosperity Agenda has renewed its lease agreement with New England Building LLC for office space located at New England Building, Seattle, WA for three years. The rental expense for this office space is \$36,033 in 2018 and \$24,624 in 2017.

The future minimum lease obligation as of June 30, 2018 were as follows:

Year Ending June 30	
2019	\$ 28,665
2020	19,535
	<u>\$ 48,200</u>

NOTE 7 – CONTRACT FOR SERVICE

The Prosperity Agenda is engaged by numerous funding agencies to perform educational programs. These contracts are considered fee for service contracts. The Organization held contracts for future expense reimbursements of \$121,729 at June 30, 2018.

NOTE 8 – RESTATEMENT ADJUSTMENTS

The financial statements for The Prosperity Agenda for the years ended June 30, 2018 and 2017 have been restated for the correction of temporarily restricted grant revenue recognition. The adjustments to the prior financial statements are as follows:

June 30, 2017 prior to adjustment	
Grants & contract receivables	\$ 615,625
Restatement adjustment	
Temporarily restricted	<u>50,172</u>
June 30, 2017 after adjustment	
Grants & contract receivables	<u>\$ 565,453</u>
June 30, 2018 prior to adjustments	
Grants & contract receivables	\$ 523,358
Restatement adjustment	
2018 additional contract revenue	18,248
2018 temporarily restricted revenue	<u>(152,222)</u>
June 30, 2018 after adjustment	
Grants & contract receivables	<u>\$ 389,384</u>