

**SPARK NORTHWEST**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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## **Independent Auditor's Report**

Board of Directors  
SPARK NORTHWEST  
Seattle, Washington

### ***Opinion***

We have audited the accompanying statements of financial position of Spark Northwest (a not-for-profit organization) as of December 31, 2021, and the related statements of activities, cash flows, and functional expenses for the year 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 Spark Northwest as of December 31, 2021, and the results of their operations and cash flows for the year 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 (GAAS). 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 Spark Northwest 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 the 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 Spark Northwest's ability to continue as a going concern for the twelve month period following the financial statement date.

### ***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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

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

### ***Report on Summarized Comparative Information***

We have previously audited Spark Northwest's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Bembridge & Associates*

Bembridge & Associates LLC  
Certified Public Accountants  
Seattle, Washington  
September 29, 2022

**SPARK NORTHWEST**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS**

	<u>Total</u>	<u>Total</u>
	<u>2021</u>	<u>2020</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$642,465	\$563,718
Accounts Receivable	88,765	128,166
Prepaid Expenses and Deposit	<u>13,235</u>	<u>12,460</u>
Total Current Assets	744,465	704,344
 <u>Property and Equipment (Note Four)</u>		
Furniture and Equipment (net of accumulated depreciation of \$37,524 (2020 - \$35,814))	<u>142</u>	<u>653</u>
TOTAL ASSETS	<u>\$744,607</u>	<u>\$704,997</u>

**LIABILITIES AND NET ASSETS**

<u>Current Liabilities</u>		
Payroll Liabilities	\$47,145	\$44,671
Vacation Payable	18,022	24,135
Accounts Payable	16,143	16,045
PPP Loan Payable (Note Five)	<u>-</u>	<u>113,205</u>
Total Current Liabilities	<u>81,310</u>	<u>198,056</u>
 <u>Long Term Liability</u>		
Deferred Rent	<u>7,266</u>	<u>8,262</u>
TOTAL LIABILITIES	<u>88,576</u>	<u>206,318</u>
 <u>Net Assets</u>		
Net Assets without Donor Restrictions (Note Six)	601,911	352,691
Net Assets with Donor Restrictions (Note Seven)	<u>54,120</u>	<u>145,988</u>
TOTAL NET ASSETS	<u>656,031</u>	<u>498,679</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$744,607</u>	<u>\$704,997</u>

The accompanying notes are an integral part  
of these financial statements.

**SPARK NORTHWEST**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>2021</u>	Total <u>2020</u>
<u>Operating Support and Revenue</u>				
Contributions	\$141,774	50,000	\$191,774	\$96,304
Grants	321,500	70,000	391,500	465,000
Program Service Revenue	268,810	-	268,810	297,008
Paycheck Protection Program (Note Five)	113,205	-	113,205	-
In-Kind Contributions (Note Nine)	-	-	-	14,225
Other Revenue	369	-	369	500
Interest Income	<u>740</u>	<u>-</u>	<u>740</u>	<u>259</u>
 Total Support and Revenue	 846,398	 120,000	 966,398	 873,296
 Net Assets Released from Restrictions	 <u>211,868</u>	 <u>(211,868)</u>	 <u>-</u>	 <u>-</u>
	<u>1,058,266</u>	<u>(91,868)</u>	<u>966,398</u>	<u>873,296</u>
 <u>Operating Expenses</u>				
<b>Program Services</b>	552,760	-	552,760	519,867
 <b>Supporting Services</b>				
Administration	179,134	-	179,134	176,224
Fundraising	<u>77,152</u>	<u>-</u>	<u>77,152</u>	<u>90,264</u>
Total Supporting Services	<u>256,286</u>	<u>-</u>	<u>256,286</u>	<u>266,488</u>
 Total Program and Supporting Services	 <u>809,046</u>	 <u>-</u>	 <u>809,046</u>	 <u>786,355</u>
 CHANGE IN NET ASSETS	 249,220	 (91,868)	 157,352	 86,941
 NET ASSETS, Beginning of Year	 <u>352,691</u>	 <u>145,988</u>	 <u>498,679</u>	 <u>411,738</u>
 NET ASSETS, End of Year	 <u>\$601,911</u>	 <u>\$54,120</u>	 <u>\$656,031</u>	 <u>\$498,679</u>

The accompanying notes are an integral part  
of these financial statements.

**SPARK NORTHWEST**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

	<u>Total</u> <u>2021</u>	<u>Total</u> <u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Contributions and Grants	\$696,479	\$561,274
Receipts from Program Service Revenue	308,211	294,107
Other Revenue	369	500
Interest Received	740	259
Payments to Employees and Suppliers	<u>(927,052)</u>	<u>(802,601)</u>
Net Cash Flows from Operating Activities	78,747	53,539
<u>Cash Flows from Financing Activities</u>		
PPP Loan	\$ -	\$113,205
Total Cash Flows from Financing Activities	-	113,205
CHANGE IN CASH AND CASH EQUIVALENTS	78,747	166,744
BEGINNING CASH AND CASH EQUIVALENTS	<u>563,718</u>	<u>396,974</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$642,465</u>	<u>\$563,718</u>
Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in Net Assets	\$157,352	\$86,941
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	511	687
Changes in:		
Accounts Receivable	39,401	(2,901)
Prepaid Expenses and Deposit	(775)	41
Accrued Payroll	2,474	(7,869)
Vacation Payable	(6,113)	5,041
Accounts Payable	(113,107)	(28,550)
Deferred Rent	<u>(996)</u>	<u>149</u>
Total Adjustments	<u>(78,605)</u>	<u>(33,402)</u>
Net Cash Flows from Operating Activities	<u>\$78,747</u>	<u>\$53,539</u>

The accompanying notes are an integral part  
of these financial statements.

**SPARK NORTHWEST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program</u>		<u>Fundraising</u>	<u>2021</u>	<u>Summarize</u>
	<u>Administration</u>			<u>Totals</u>	<u>2020</u>
					<u>Totals</u>
<u>PERSONNEL EXPENSES</u>					
Salaries	\$306,365	\$132,255	\$51,779	\$490,399	\$457,276
Payroll Taxes	22,219	9,676	3,942	35,837	30,774
Employee Benefits	37,079	14,180	7,251	58,510	65,650
Total Personnel Expenses	365,663	156,111	62,972	584,746	553,700
<u>OTHER EXPENSES</u>					
Professional Services	135,254	4,895	3,616	143,765	160,228
Occupancy	27,511	10,930	4,707	43,148	39,507
Communications	6,037	2,072	1,010	9,119	6,334
Licenses and Fees	2,122	2,142	1,683	5,947	7,046
Insurance	4,655	835	358	5,848	5,396
Travel and Expenses	3,124	228	89	3,441	3,477
Computers & Software	1,831	653	551	3,035	2,495
Equipment Rental	1,752	698	300	2,750	2,483
Media & Advertising	2,387	0	332	2,719	754
Supplies	674	269	199	1,142	1,345
Memberships & Subscriptions	624	113	259	996	1,029
Conferences and Workshops	801	0	0	801	570
Depreciation	325	130	56	511	687
Event Food Costs	0	0	442	442	475
Printing & Publications	0	0	386	386	156
Postage	0	58	192	250	332
Professional Development	0	0	0	0	341
Total Other Expenses	187,097	23,023	14,180	224,300	232,655
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$552,760</b>	<b>\$179,134</b>	<b>\$77,152</b>	<b>\$809,046</b>	<b>\$786,355</b>

The accompanying notes are an integral part  
of these financial statements



**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE ONE - ORGANIZATION**

Founded in 2001, Spark Northwest accelerates the just transition to clean energy in the Pacific Northwest. Spark Northwest uses two primary strategies: (1) on-the-ground project consulting, focusing on communities with limited financial resources and (2) systemic advocacy to create opportunities and overcome obstacles to equitable deployment of clean energy.

**Project Design and Management:** Spark Northwest lends technical expertise to people and groups to pursue renewable energy and energy efficiency options to power their homes, workplaces, and neighborhoods. This technical support includes education, outreach, planning, project design, resource evaluation, economic modeling, permitting assistance and contractor selection. Projects are designed to prioritize community involvement and accountability.

**Systemic Advocacy:** Spark Northwest advocates for strong policies to reduce the barriers to clean energy implementation and encourage development at the local level. Spark Northwest supports practical solutions to grow community solar, promote local energy generation and include vulnerable populations' perspectives in energy regulatory processes.

**NOTE TWO - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

These financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Generally accepted accounting principles require 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.

Generally accepted accounting principles require that net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of Spark Northwest and the changes therein are classified and reported as follows:

**Net Assets with Donor Restrictions**

Net Assets with Donor Restrictions are funds subject to donor imposed stipulations that will be met by actions of Spark Northwest and/or the passage of time. Net Assets with Donor Restrictions are released when the funds are spent for the donor stipulated purpose. Note Six discloses the Donor Restrictions.

**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

(continued)

**NOTE TWO - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (continued)**

**Net Assets without Donor Restrictions**

Net Assets without Donor Restrictions are funds not subject to donor imposed stipulations. Expirations of donor restrictions on net assets, that is, the donor imposed stipulated purpose has been accomplished, are reported as reclassifications between the applicable classes of net assets.

**Property & Equipment**

Equipment and furniture are recorded at cost or fair value at the date of donation and depreciated over their estimated useful lives using the straight-line method of depreciation. Items costing less than \$2,500 are not capitalized. Office equipment is depreciated over 5 years; laptop computers and the website over 3 years (Note Four).

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the organization considers all highly liquid assets with an initial maturity of three months or less to be cash equivalents.

**In-Kind Contributions**

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills, and the services are performed by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

The fair value of non-specialized volunteer services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Publicly traded securities are received on occasion for gift and pledge payments. These securities are not held for investment and are sold as soon as possible after receipt. Spark Northwest records these receipts as cash contributions or cash payments against pledges.

**Expense Allocation**

The organization allocates expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their proper expenditure classification. Other expenses, which are common to several functions, are allocated based on time records and the judgment of management.

**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

(continued)

**NOTE TWO - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Federal Tax Status

The organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Management does not believe that any of their activities result in unrelated business income, and consequently there is no provision for federal taxes in the accompanying financial statements.

In addition, the organization qualifies for the charitable contribution deduction under section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Management has considered the tax positions taken in its tax returns and believes that all of the positions taken by Spark Northwest in its federal and state tax returns are more likely than not to be sustained upon examination. Spark Northwest's federal tax returns could be subject to examination for three years after they are filed.

Prior Year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not in detail. Such information does not include sufficient detail to conform with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Spark Northwest's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**NOTE THREE - LIQUIDITY AND AVAILABILITY**

Financial Assets available for general expenditures within one year of December 31, 2021, are determined as follows:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$642,465	\$563,718
Accounts Receivable	<u>88,765</u>	<u>128,166</u>
Total Financial Assets	731,230	691,884
Net Assets with Donor Restrictions	(54,120)	(145,988)
Board Designated Operating Reserve	<u>(192,478)</u>	<u>(167,023)</u>
Financial Assets Available for General Expenditures within one year	<u>\$484,632</u>	<u>\$378,873</u>

**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

(continued)

**NOTE FOUR - PROPERTY AND EQUIPMENT**

At December 31, 2021 property and equipment were comprised of the following:

	Original Cost	Accumulated Depreciation	<u>2021</u> Net Book Value	<u>2020</u> Net Book Value
Office Equipment	6,975	6,833	142	653
Website	<u>25,698</u>	<u>25,698</u>	-	-
Total	<u>\$32,673</u>	<u>\$32,531</u>	<u>\$142</u>	<u>\$653</u>

Depreciation expense for the year was \$511 (2020 - \$687).

**NOTE FIVE - PPP LOAN LIABILITY**

On May 6, 2020, Spark Northwest received loan proceeds in the amount of \$113,205 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses. The loans are forgivable if the proceeds are used for eligible purposes, including payroll, benefits, rent and utilities. Spark Northwest used the loan proceeds for purposes consistent with the PPP and the full loan amount was forgiven on February 1, 2021.

**NOTE SIX - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net Assets without Donor Restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
Board Designated Operating Reserve	\$192,478	\$167,023
Undesignated	<u>409,433</u>	<u>185,668</u>
Total Net Assets without Donor Restrictions	<u>\$601,911</u>	<u>\$352,691</u>

The Operating Reserve may only be spent with the approval of the Board of Directors.

**NOTE SEVEN - NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets with Donor Restrictions consist of funds designated for the following donor-designated purposes:

	<u>2021</u>	<u>2020</u>
Energize Klamath	50,000	-
Access Solar	-	62,474
Rural Clean Energy	4,120	24,270
Energize South Coast	-	28,303
Solarize Proud Ground	<u>-</u>	<u>5,941</u>
Total Net Assets with Donor Restrictions	<u>\$54,120</u>	<u>\$120,988</u>

**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

(continued)

**NOTE EIGHT - COMMITMENTS**

Spark Northwest extended its lease for office premises for 85 months which commenced June 1, 2018. Spark Northwest is obligated to an operating lease for a copier with payments of \$183 per month through January 31, 2022. The following minimum commitments are payable in each of the following years:

	<u>Office Premises</u>	<u>Copier</u>	<u>Total</u>
December 31, 2022	36,982	183	37,165
December 31, 2023	38,117	-	38,117
December 31, 2024	<u>19,295</u>	<u>-</u>	<u>19,295</u>
Total	<u>\$94,394</u>	<u>\$183</u>	<u>\$94,577</u>

**NOTE NINE - IN-KIND CONTRIBUTIONS**

The following In-Kind contributions are included in the financial statements:

	<u>2021</u>	<u>2020</u>
Donated Services	-	14,000
Donated Goods	<u>-</u>	<u>225</u>
	<u>\$ -</u>	<u>\$14,225</u>

**NOTE TEN - RETIREMENT PLAN**

In 2011 Spark Northwest began offering a Simple IRA under Section 408(p) of the Internal Revenue Code to all employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year. Spark Northwest contributes 2% of eligible employees' salaries. For the year ended December 31, 2021 \$8,217 (2020 - \$7,812) was contributed by Spark Northwest.

**NOTE ELEVEN - CONTINGENCY**

Spark Northwest receives program service revenue from different government organizations. These organizations reserve the right to audit Spark Northwest to ensure compliance with billing procedures. If any government organization were to dispute amounts billed they could demand repayment. No audit has resulted in a dispute and no potential liability has been determined. Accordingly, no provision for any liability that could result has been made in the financial statements.

**SPARK NORTHWEST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

(continued)

**NOTE TWELVE - CONCENTRATION OF RISK**

The organization maintains cash balances in two financial institutions which are insured up to \$250,000 per institution. At December 31, 2021 the organization had uninsured cash balances totaling \$87,126.

**NOTE THIRTEEN - SUBSEQUENT EVENTS**

Management of Spark Northwest has evaluated events and transactions subsequent to December 31, 2021 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through the date the financial statements became available to be issued, September 29, 2022.