

SPARK NORTHWEST

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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FOR THE YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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
May 30, 2023

SPARK NORTHWEST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	<u>Total</u>	<u>Total</u>
ASSETS	2022	2021
<u>Current Assets</u>		
Cash and Cash Equivalents	\$673,961	\$642,465
Accounts Receivable	165,957	88,765
Prepaid Expenses	<u>-</u>	<u>10,019</u>
Total Current Assets	839,918	741,249
 <u>Property and Equipment</u> (Note Five)		
Furniture and Equipment (net of accumulated depreciation of \$37,524 (2021 - \$35,814))	<u>-</u>	<u>142</u>
 <u>Other Assets</u>		
Operating Lease Right of Use Assets (Note Four)	\$54,579	\$ -
Security Deposit	<u>3,216</u>	<u>3,216</u>
Total Other Assets	57,795	3,216
 TOTAL ASSETS	 <u>\$897,713</u>	 <u>\$744,607</u>
 LIABILITIES AND NET ASSETS		
 <u>Current Liabilities</u>		
Payroll Liabilities	\$60,773	\$47,145
Vacation Payable	17,129	18,022
Accounts Payable	23,579	16,143
Operating Lease Liabilities – Current Portion	<u>36,910</u>	<u>-</u>
Total Current Liabilities	<u>138,391</u>	<u>81,310</u>
 <u>Long Term Liabilities</u>		
Operating Lease Liabilities, net of Current Portion (Note Four)	<u>16,951</u>	<u>7,266</u>
TOTAL LIABILITIES	<u>155,342</u>	<u>88,576</u>
 <u>Net Assets</u>		
Net Assets without Donor Restrictions (Note Seven)	642,371	601,911
Net Assets with Donor Restrictions (Note Eight)	<u>100,000</u>	<u>54,120</u>
TOTAL NET ASSETS	<u>742,371</u>	<u>656,031</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$897,713</u>	 <u>\$744,607</u>

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

SPARK NORTHWEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2022

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>2022</u>	Total <u>2021</u>
<u>Operating Support and Revenue</u>				
Contributions	\$105,026	-	\$105,026	\$191,774
Grants	316,350	210,000	526,350	391,500
Program Service Revenue	397,160	-	397,160	268,810
Paycheck Protection Program (Note Six)	-	-	-	113,205
In-Kind Contributions (Note Nine)	14,030	-	14,030	-
Other Revenue	1,840	-	1,840	369
Interest Income	<u>950</u>	<u>-</u>	<u>950</u>	<u>740</u>
Total Support and Revenue	835,356	210,000	1,045,356	966,398
Net Assets Released from Restrictions	<u>164,120</u>	<u>(164,120)</u>	<u>-</u>	<u>-</u>
	999,476	45,880	1,045,356	966,398
<u>Operating Expenses</u>				
Program Services	674,392	-	674,392	552,760
Supporting Services				
Administration	205,009	-	205,009	179,134
Fundraising	<u>79,615</u>	<u>-</u>	<u>79,615</u>	<u>77,152</u>
Total Supporting Services	<u>284,624</u>	<u>-</u>	<u>284,624</u>	<u>256,286</u>
Total Program and Supporting Services	<u>959,016</u>	<u>-</u>	<u>959,016</u>	<u>809,046</u>
CHANGE IN NET ASSETS	40,460	45,880	86,340	157,352
NET ASSETS, Beginning of Year	<u>601,911</u>	<u>54,120</u>	<u>656,031</u>	<u>498,679</u>
NET ASSETS, End of Year	<u>\$642,371</u>	<u>\$100,000</u>	<u>\$742,371</u>	<u>\$656,031</u>

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

SPARK NORTHWEST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2022

	<u>Total</u> <u>2022</u>	<u>Total</u> <u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Contributions and Grants	\$476,797	\$696,479
Receipts from Program Service Revenue	419,968	308,211
Other Revenue	1,840	369
Interest Received	950	740
Payments to Employees and Suppliers	<u>(868,059)</u>	<u>(927,052)</u>
Net Cash Flows from Operating Activities	31,496	78,747
 CHANGE IN CASH AND CASH EQUIVALENTS	 31,496	 78,747
BEGINNING CASH AND CASH EQUIVALENTS	<u>642,465</u>	<u>563,718</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$673,961</u>	<u>\$642,465</u>
 Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
Change in Net Assets	\$86,340	\$157,352
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	142	511
Changes in:		
Accounts Receivable	(77,192)	39,401
Prepaid Expenses and Deposit	10,019	(775)
Operating Lease Assets and Liabilities	(718)	-
Accrued Payroll	13,628	2,474
Vacation Payable	(893)	(6,113)
Accounts Payable	7,436	(113,107)
Deferred Rent	<u>(7,266)</u>	<u>(996)</u>
Total Adjustments	<u>(54,844)</u>	<u>(78,605)</u>
Net Cash Flows from Operating Activities	<u>\$31,496</u>	<u>\$78,747</u>

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

SPARK NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program			Fundraising		2022	2021
	Administration					Totals	Totals
<u>PERSONNEL EXPENSES</u>							
Salaries	\$382,243	\$147,656	\$48,572			\$578,471	\$490,399
Payroll Taxes	31,230	13,600	5,541			50,371	35,837
Employee Benefits	43,661	19,270	2,656			65,587	58,510
Total Personnel Expenses	457,134	180,526	56,769			694,429	584,746
<u>OTHER EXPENSES</u>							
Professional Services	156,066	4,988	8,711			169,765	143,765
Occupancy	22,593	8,611	3,695			34,899	43,148
Communications	6,733	2,185	938			9,856	9,119
Licenses and Fees	4,482	2,060	2,920			9,462	5,947
Insurance	4,914	938	402			6,254	5,848
Travel and Expenses	6,558	974	388			7,920	3,441
Computers & Software	8,309	3,388	1,583			13,280	3,035
Equipment Rental	1,578	629	270			2,477	2,750
Media & Advertising	1,278		10			1,288	2,719
Supplies	631	455	108			1,194	1,142
Memberships & Subscriptions	1,246	132	58			1,436	996
Conferences and Workshops	2,013					2,013	801
Depreciation	91	36	16			143	511
Event Food Costs				3,634		3,634	442
Printing & Publications	266	28	78			372	386
Postage		59	35			94	250
Professional Development	500					500	0
Total Other Expenses	217,258	24,483	22,846			264,587	224,300
TOTAL FUNCTIONAL EXPENSES	\$674,392	\$205,009	\$79,615			\$959,016	\$809,046

The accompanying notes are an integral part
of these financial statements

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022

(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 Five).

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, 2022

(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, 2021, from which the summarized information was derived.

NOTE THREE - LIQUIDITY AND AVAILABILITY

Financial Assets available for general expenditures within one year of December 31, 2022, are determined as follows:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$673,961	\$642,465
Accounts Receivable	<u>165,957</u>	<u>88,765</u>
Total Financial Assets	839,918	731,230
Net Assets with Donor Restrictions	(100,000)	(54,120)
Board Designated Operating Reserve	<u>(193,131)</u>	<u>(192,478)</u>
Financial Assets Available for General Expenditures within one year	<u>\$546,787</u>	<u>\$484,632</u>

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(continued)

NOTE FOUR - LEASES

As of January 1, 2022, the ASC 842 standard for GAAP lease accounting requires all leases longer than twelve months to be recorded as assets and liabilities on the balance sheet. Recognition of this asset and liability have a material impact on the statement of financial position. The organization has an operating lease for office facilities which terminates May 31, 2024, and for a copier which ends August 31, 2025. A discount rate of 5.5% was used in calculating the present value of future lease payments.

Total right of use assets and lease liabilities at December 31, 2022 are as follows:

	<u>Office</u>	<u>Copier</u>	<u>Total</u>
Operating Lease Right of Use Assets	\$50,131	\$4,448	\$54,579
Operating Lease Liabilities	\$49,454	\$4,407	\$53,861
Operating Lease Liabilities – Current Portion	(35,181)	(1,729)	(36,910)
Operating Lease Liabilities – Long Term	\$14,273	\$2,678	\$16,951

Future minimum lease payments are as follows:

	<u>Office</u>	<u>Copier</u>	<u>Total</u>
December 31, 2023	\$38,117	\$1,805	\$39,922
December 31, 2024	16,079	1,805	17,884
December 31, 2025	-	1,204	1,204
Total Lease Payments	54,196	4,814	59,010
Less Imputed Interest	(4,742)	(407)	(5,149)
Present Value of Liability	\$49,454	\$4,407	\$53,861

NOTE FIVE - PROPERTY AND EQUIPMENT

At December 31, 2022 property and equipment were comprised of the following:

	Original	Accumulated	<u>2022</u>	<u>2021</u>
	<u>Cost</u>	<u>Depreciation</u>	Net Book	Net Book
			Value	Value
Office Equipment	1,633	1,633	-	142
Website	25,699	25,699	-	-
Total	\$27,332	\$27,332	\$ -	\$142

Depreciation expense for the year was \$142 (2021 - \$511).

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(continued)

NOTE SIX - 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 SEVEN - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net Assets without Donor Restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Board Designated Operating Reserve	\$193,131	\$192,478
Undesignated	<u>449,240</u>	<u>409,433</u>
Total Net Assets without Donor Restrictions	<u>\$642,371</u>	<u>\$601,911</u>

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

NOTE EIGHT - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Energize Klamath	-	50,000
Rural Clean Energy	50,000	4,120
Restricted for 2023	<u>50,000</u>	-
Total Net Assets with Donor Restrictions	<u>\$100,000</u>	<u>\$54,120</u>

NOTE NINE - IN-KIND CONTRIBUTIONS

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

	<u>2022</u>	<u>2021</u>
Donated Services	14,030	-
Donated Goods	-	-
	<u>\$14,030</u>	<u>\$ -</u>

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(continued)

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, 2022 \$7,622 (2021 - \$8,217) 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.

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, 2022 the organization had uninsured cash balances totaling \$72,467 (2021 - \$87,126).

NOTE THIRTEEN - SUBSEQUENT EVENTS

Management of Spark Northwest has evaluated events and transactions subsequent to December 31, 2022 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, May 30, 2023.