

SPARK NORTHWEST
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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, 2024

SPARK NORTHWEST
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

	<u>Total</u> <u>2023</u>	<u>Total</u> <u>2022</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$772,441	\$673,961
Accounts Receivable	<u>448,414</u>	<u>165,957</u>
Total Current Assets	1,220,855	839,918
<u>Property and Equipment</u> (Note Five)		
Furniture and Equipment (net of accumulated depreciation of \$12,536 (2022 - \$37,524))	_____	_____
<u>Other Assets</u>		
Operating Lease Right of Use Assets (Note Four)	\$17,525	\$54,579
Security Deposit	<u>3,216</u>	<u>3,216</u>
Total Other Assets	20,741	57,795
 TOTAL ASSETS	 <u>\$1,241,596</u>	 <u>\$897,713</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Payroll Liabilities	\$75,945	\$60,773
Vacation Payable	28,767	17,129
Accounts Payable	15,324	23,579
Operating Lease Liabilities – Current Portion	<u>15,910</u>	<u>36,910</u>
Total Current Liabilities	<u>135,946</u>	<u>138,391</u>
<u>Long Term Liabilities</u>		
Operating Lease Liabilities, net of Current Portion (Note Four)	<u>1,042</u>	<u>16,951</u>
TOTAL LIABILITIES	<u>136,988</u>	<u>155,342</u>
<u>Net Assets</u>		
Net Assets without Donor Restrictions (Note Six)	551,883	642,371
Net Assets with Donor Restrictions (Note Seven)	<u>552,725</u>	<u>100,000</u>
TOTAL NET ASSETS	<u>1,104,608</u>	<u>742,371</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$1,241,596</u>	 <u>\$897,713</u>

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

SPARK NORTHWEST
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
DECEMBER 31, 2023

	Net Assets Without Donor <u>Restrictions</u>	Net Assets With Donor <u>Restrictions</u>	Total <u>2023</u>	Total <u>2022</u>
<u>Operating Support and Revenue</u>				
Contributions	\$88,472	400,000	\$488,472	\$105,026
Grants	226,100	190,000	416,100	526,350
Program Service Revenue	693,957	-	693,957	397,160
In-Kind Contributions (Note Eight)	-	-	-	14,030
Other Revenue	1,650	-	1,650	1,840
Interest Income	<u>1,437</u>	<u>-</u>	<u>1,437</u>	<u>950</u>
 Total Support and Revenue	 1,011,616	 590,000	 1,601,616	 1,045,356
 Net Assets Released from Restrictions	 <u>137,275</u>	 <u>(137,275)</u>	 <u>-</u>	 <u>-</u>
	1,148,891	452,725	1,601,616	1,045,356
 <u>Operating Expenses</u>				
Program Services	905,317	-	905,317	674,392
 Supporting Services				
Administration	243,956	-	243,956	205,009
Fundraising	<u>90,106</u>	<u>-</u>	<u>90,106</u>	<u>79,615</u>
Total Supporting Services	<u>334,062</u>	<u>-</u>	<u>334,062</u>	<u>284,624</u>
 Total Program and Supporting Services	 <u>1,239,379</u>	 <u>-</u>	 <u>1,239,379</u>	 <u>959,016</u>
 CHANGE IN NET ASSETS	 (90,488)	 452,725	 362,237	 86,340
 NET ASSETS, Beginning of Year	 <u>642,371</u>	 <u>100,000</u>	 <u>742,371</u>	 <u>656,031</u>
 NET ASSETS, End of Year	 <u>\$551,883</u>	 <u>\$552,725</u>	 <u>\$1,104,608</u>	 <u>\$742,371</u>

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

SPARK NORTHWEST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
DECEMBER 31, 2023

	<u>Total</u> <u>2023</u>	<u>Total</u> <u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Receipts from Contributions and Grants	\$866,626	\$476,797
Receipts from Program Service Revenue	486,500	419,968
Other Revenue	1,650	1,840
Interest Received	1,437	950
Payments to Employees and Suppliers	<u>(1,257,733)</u>	<u>(868,059)</u>
Net Cash Flows from Operating Activities	98,480	31,496
 CHANGE IN CASH AND CASH EQUIVALENTS	 98,480	 31,496
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>673,961</u>	 <u>642,465</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$772,441</u>	 <u>\$673,961</u>
 Reconciliation of Change in Net Assets to Net Cash Flows from Operating Activities		
 Change in Net Assets	 \$362,237	 \$86,340
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	-	142
Changes in:		
Accounts Receivable	(282,457)	(77,192)
Prepaid Expenses and Deposit	-	10,019
Operating Lease Right of Use Assets	37,054	(54,579)
Accrued Payroll	15,172	13,628
Vacation Payable	11,638	(893)
Accounts Payable	(8,255)	7,436
Operating Lease Liabilities	(36,909)	53,861
Deferred Rent	<u>-</u>	<u>(7,266)</u>
Total Adjustments	<u>(263,757)</u>	<u>(54,844)</u>
 Net Cash Flows from Operating Activities	 <u>\$98,480</u>	 <u>\$31,496</u>

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

SPARK NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program			Fundraising		Summarized	
	Administration			2023		2022	
				Totals		Totals	
<u>PERSONNEL EXPENSES</u>							
Salaries	\$580,176	\$162,233	\$37,472	\$779,881		\$578,471	
Payroll Taxes	42,976	18,716	7,625	69,317		50,371	
Employee Benefits	70,639	16,498	1,813	88,950		65,587	
Total Personnel Expenses	693,791	197,447	46,910	938,148		694,429	
<u>OTHER EXPENSES</u>							
Professional Services	118,591	23,451	28,031	170,073		169,765	
Occupancy	31,955	11,148	4,784	47,887		34,899	
Travel and Expenses	24,662	934	401	25,997		7,920	
Communications	11,079	3,635	1,560	16,274		9,856	
Licenses and Fees	7,629	3,670	2,398	13,697		9,462	
Insurance	5,235	1,028	441	6,704		6,254	
Computers & Software	3,637	1,379	754	5,770		13,280	
Event Food and Supplies	-	-	3,806	3,806		3,634	
Conferences and Workshops	3,028	-	190	3,218		2,013	
Professional Development	1,715	241	104	2,060		500	
Equipment Rental	1,281	511	219	2,011		2,477	
Memberships & Subscriptions	1,344	116	145	1,605		1,436	
Printing & Publications	770	20	302	1,092		372	
Supplies	331	305	46	682		1,195	
Media & Advertising	200	-	-	200		1,288	
Postage	69	71	15	155		94	
Depreciation	-	-	-	-		142	
Total Other Expenses	211,526	46,509	43,196	301,231		264,587	
TOTAL FUNCTIONAL EXPENSES	\$905,317	\$243,956	\$90,106	\$1,239,379		\$959,016	

The accompanying notes are an integral part
of these financial statements

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023

(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, 2023

(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, 2022, from which the summarized information was derived.

NOTE THREE - LIQUIDITY AND AVAILABILITY

Financial Assets available for general expenditures within one year of December 31, 2023, are determined as follows:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$772,441	\$673,961
Accounts Receivable	<u>448,414</u>	<u>165,957</u>
Total Financial Assets	1,220,855	839,918
Net Assets with Donor Restrictions	(552,725)	(100,000)
Board Designated Operating Reserve	<u>(235,642)</u>	<u>(193,131)</u>
Financial Assets Available for General Expenditures within one year	\$432,488	\$546,787

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(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 has 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, 2023 are as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Right of Use Assets	\$17,525	\$54,579
	<u>2023</u>	<u>2022</u>
Operating Lease Liabilities	\$16,952	\$53,861
Operating Lease Liabilities – Current Portion	(15,910)	(36,910)
Operating Lease Liabilities – Net of Current Portion	<u>\$1,042</u>	<u>\$16,951</u>

Future minimum lease payments are as follows:

	<u>Office</u>	<u>Copier</u>	<u>Total</u>
December 31, 2024	16,079	1,805	17,884
December 31, 2025	-	<u>1,204</u>	<u>1,204</u>
Total Lease Payments	16,079	3,009	19,088
Less Imputed Interest	<u>(136)</u>	<u>(127)</u>	<u>(263)</u>
Present Value of Liability	<u>\$15,943</u>	<u>\$2,882</u>	<u>\$18,825</u>

NOTE FIVE - PROPERTY AND EQUIPMENT

At December 31, 2023 property and equipment were comprised of the following:

	Original	Accumulated	<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book</u>	<u>Net Book</u>
			<u>Value</u>	<u>Value</u>
Office Equipment	1,086	1,086	-	-
Website	<u>11,450</u>	<u>11,450</u>	-	-
Total	<u>\$12,536</u>	<u>\$12,536</u>	<u>\$-</u>	<u>\$-</u>

Depreciation expense for the year was \$0 (2022 - \$142).

Scrapped Assets and associated Accumulated Depreciation totaled \$14,796 for 2023.

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(continued)

NOTE SIX - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net Assets without Donor Restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Board Designated Operating Reserve	\$235,642	\$193,131
Undesignated	<u>316,241</u>	<u>449,240</u>
Total Net Assets without Donor Restrictions	<u>\$551,883</u>	<u>\$642,371</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>2023</u>	<u>2022</u>
Residential Decarbonization Solutions	\$393,020	-
Tribal Energy Sovereignty	84,705	-
Rural Clean Energy	25,000	50,000
Restricted for 2024	<u>50,000</u>	<u>50,000</u>
Total Net Assets with Donor Restrictions	<u>\$552,725</u>	<u>\$100,000</u>

NOTE EIGHT - IN-KIND CONTRIBUTIONS

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

	<u>2023</u>	<u>2022</u>
Donated Services	-	14,030
Donated Goods	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$14,030</u>

NOTE NINE - RETIREMENT PLAN

Spark Northwest offers 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, 2023 \$9,683 (2022 - \$7,622) was contributed by Spark Northwest.

SPARK NORTHWEST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(continued)

NOTE TEN - 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 ELEVEN - CONCENTRATION OF RISK

The organization maintains cash balances in three financial institutions which are insured up to \$250,000 per institution. At December 31, 2023 the organization had uninsured cash balances totaling \$100,107 (2022 - \$72,467).

NOTE TWELVE - SUBSEQUENT EVENTS

Management of Spark Northwest has evaluated events and transactions subsequent to December 31, 2023 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, 2024.