



Financial Statements

For the Year Ended December 31, 2023

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Independent Auditor's Report

**To the Board of Directors
Washington STEM
Seattle, Washington**

Opinion

We have audited the financial statements of Washington STEM (WA STEM), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WA STEM as of December 31, 2023, and the changes in its net assets and its 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 WA STEM 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.

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 WA STEM's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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 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 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 WA STEM'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 WA STEM'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.

Clark Nuber P.S.

Certified Public Accountants
March 18, 2024

WASHINGTON STEM

Statement of Financial Position December 31, 2023

Assets

Current Assets:

Cash and cash equivalents	\$ 6,094,319
Accounts receivable	127,396
Current portion of pledges receivable, net	803,263
Prepaid expenses	68,558
	<hr/>

Total Current Assets **7,093,536**

Long-term portion of pledges receivable, net	2,415,369
Furniture, fixtures and equipment, net	17,029
Right-of-use asset - operating	305,059
	<hr/>

Total Assets **\$ 9,830,993**

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 58,414
Accrued liabilities and other	221,989
Current portion of lease liability - operating	116,112
	<hr/>

Total Current Liabilities **396,515**

Long-term portion of lease liability - operating, net	189,820
	<hr/>

Total Liabilities **586,335**

Net Assets:

Net assets without donor restrictions	4,476,651
Net assets with donor restrictions	4,768,007
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Total Net Assets **9,244,658**

Total Liabilities and Net Assets **\$ 9,830,993**

See accompanying notes.

WASHINGTON STEM**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Revenue:			
Contributions	\$ 300,429	\$ 6,559,894	\$ 6,860,323
Contract revenue	1,304,880		1,304,880
Interest income	168,152		168,152
Other income	163		163
Release from time restrictions	1,637,358	(1,637,358)	
Release from purpose restrictions	3,004,222	(3,004,222)	
Total Support and Revenue	6,415,204	1,918,314	8,333,518
Expenses:			
Program services	5,051,732		5,051,732
Management and general	871,499		871,499
Fundraising	414,848		414,848
Total Expenses	6,338,079		6,338,079
Change in Net Assets	77,125	1,918,314	1,995,439
Net assets, beginning of year	4,399,526	2,849,693	7,249,219
Net Assets, End of Year	\$ 4,476,651	\$ 4,768,007	\$ 9,244,658

See accompanying notes.

WASHINGTON STEM**Statement of Functional Expenses
For the Year Ended December 31, 2023**

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Grants and investments	\$ 1,938,533	\$ -	\$ -	\$ -	\$ 1,938,533
Salaries, taxes and benefits	2,336,374	601,838	357,105	958,943	3,295,317
Consultants and professional services	375,973	118,932	19,877	138,809	514,782
Convenings, conferences and travel	107,822	25,500	330	25,830	133,652
Operating costs	293,030	125,229	37,536	162,765	455,795
Total Expenses	<u>\$ 5,051,732</u>	<u>\$ 871,499</u>	<u>\$ 414,848</u>	<u>\$ 1,286,347</u>	<u>\$ 6,338,079</u>

See accompanying notes.

WASHINGTON STEM

Statement of Cash Flows For the Year Ended December 31, 2023

Cash Flows From Operating Activities:

Change in net assets	\$ 1,995,439
Adjustments to reconcile change in net assets to net cash provided by operating activities-	
Depreciation and amortization	8,577
Accretion of present value discount	4,050
Change in assets and liabilities:	
Accounts receivable	397,027
Conditional prepaid grants	124,000
Pledges receivable	(1,721,416)
Prepaid expenses	7,534
Accounts payable	18,768
Grants payable	(65,177)
Accrued liabilities and other	(31,494)
Lease liabilities, net of right-of-use assets	(5,752)

Net Cash Provided by Operating Activities **731,556**

Cash Flows From Investing Activities:

Purchases of furniture, fixtures and equipment	(9,362)
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Net Cash Used in Investing Activities **(9,362)**

Net Change in Cash and Cash Equivalents **722,194**

Cash and cash equivalents, beginning of year	5,372,125
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Cash and Cash Equivalents, End of Year **\$ 6,094,319**

See accompanying notes.

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 1 - Significant Accounting Policies

Organization - Washington STEM (WA STEM) is a statewide, education nonprofit leveraging STEM for social change, removing barriers to credential attainment, and creating pathways to long-term economic security for systemically underserved students. Founded on the principles of equity, partnership, and sustainability, Washington STEM seeks smart, scalable solutions that lead to removing barriers and creating equitable access for historically excluded students-students who will become the leaders, critical thinkers, and creators that will tackle the biggest challenges facing our state, nation, and the world. We envision a state where skin color, zip code, income, and gender do not predict educational and career outcomes.

WA STEM's work revolves around three main strategies: partnership, direct support, and advocacy.

Partnership - Washington STEM collaborates with 10 STEM Networks across the state to identify, scale, and spread effective local solutions and convene cross sector partners in business, education, and the community to solve big problems.

Direct Support - Washington STEM provides direct support through targeted community investments, open-source access to data and measurement tools, and technical assistance.

Advocacy - Washington STEM champions transformative solutions through educating decision makers, storytelling, and collaboration to create the foundation for lasting, equitable change in Washington.

Basis of Presentation - The financial statements of WA STEM 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 WA STEM 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 WA STEM 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.

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

Revenue Recognition -

Grants and Contributions - Grants, cost-reimbursement grants, and contributions from public and private funders, foundations, and others are recognized as revenue when the donor-imposed conditions, if any, have been met. Unconditional cash contributions are recorded as revenue in the period received, in accordance with donor restrictions. Unconditional promises to give (pledges) are recorded at fair value in the period the promise is received, in accordance with donor-imposed restrictions. In-kind contributions, including donated goods and certain services, are recognized at their fair values on the date received or pledged. Program grants are recorded as purpose-restricted revenue with release of restrictions upon incurring related expenses. Conditional contributions are recognized as revenue in the period in which the conditions have been satisfied.

Contract Revenue - WA STEM provides professional services to educational institutions, state agencies, and other organizations, including providing technical assistance and support, leading data and evaluation activities, and developing processes. Revenue from contracts with customers is recognized over time as the service is provided. For cost-reimbursement contracts, the output method is used, whereby revenue is recognized as expenses are incurred under the contract. For flat-fee contracts, revenue is recognized ratably over the term of the contract. For contracts with milestone performance obligations, revenue is recognized when each performance obligation is met.

Contracts accounts receivable are included in accounts receivable on the statements of financial position as follows:

	2023	
	January 1	December 31
Contract accounts receivable	\$ 380,087	\$ 108,073

Other Revenue - Program or seminar registration fees that are recognized at a point in time when the event occurs.

Cash and Cash Equivalents - WA STEM considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Pledges Receivable - Pledges receivable, including unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in revenue and support in the statements of activities and changes in net assets. Conditional promises to give are recognized when the conditions on which they depend are met. See Note 2.

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

Management provides for probable uncollectible amounts through a charge to revenues and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable.

Furniture, Fixtures and Equipment - WA STEM capitalizes furniture, fixtures and equipment with a value greater than \$1,000, at cost, or at fair value on the date received if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from four to seven years. Leasehold improvements are depreciated over the shorter of their useful life or the lease term.

Right-of-Use Asset and Lease Liability - WA STEM determines if an arrangement contains a lease at inception. Operating 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 WA STEM'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. WA STEM's leases do not provide an implicit rate of return; thus, WA STEM 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. Lease terms may include options to extend or terminate the lease when it is reasonably certain that WA STEM 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 is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$5,000.

Grant and Investment Expense - WA STEM awards cash and in-kind grants and contributions in the form of professional services and expertise to tax-exempt organizations to accelerate and support STEM education throughout Washington State. Grant and investment expense is recognized on the statements of activities and changes in net assets as program expense at the time an unconditional commitment is made by WA STEM. Grants payable over more than one year are recorded at their discounted present value using a risk-adjusted rate of return. Changes in discounts are recognized over the period of the promise as adjustments to grant expense.

WA STEM also makes grants and investments that are conditional upon the recipient organization achieving certain milestones. Conditional grants and investments are recognized as expense in the period the conditions have been satisfied. No conditional grants and investments were outstanding at December 31, 2023.

Vulnerability From Certain Concentrations - Financial instruments that potentially subject WA STEM to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents and investments held at financial institutions exceeded federally insured limits at times during the year ended December 31, 2023. The uninsured balance of cash and cash equivalents for WA STEM was \$5,594,319 for the year ended December 31, 2023.

For the year ended December 31, 2023, 75% of contribution revenue was from one donor, and 98% of pledges receivable were from one donor.

Federal Income Tax Status - The Internal Revenue Service has determined WA STEM to be a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 1 - Continued

Methods Used for Allocation of Expenses Among Program and Support Functions - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of WA STEM. Those expenses include personnel, rent, travel and conferences, information technology costs, insurance, and depreciation. Personnel costs are allocated based on a time and cost study of where efforts are made. Rent is allocated based off this personnel cost time study. All other costs are based on the benefit received through expenses directly attributable to each program or support function.

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 amounts reported in the financial statements. Actual results may differ from such estimates.

Subsequent Events - WA STEM has evaluated subsequent events through March 18, 2024, the date on which the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any events occurred, the nature of which would require disclosure.

Note 2 - Pledges Receivable

Pledges receivable were as follows at December 31, 2023:

Pledges receivable expected in-	
Less than one year	\$ 803,263
One to five years	<u>2,673,369</u>
	3,476,632
Present value discount	<u>(258,000)</u>
Pledges Receivable	<u><u>\$ 3,218,632</u></u>

Pledges receivable with due dates extending beyond one year were discounted using discount rates based on a risk adjusted rate of return of 5.08%. An allowance for uncollectible pledges was not considered necessary at December 31, 2023. As of the year ended December 31, 2023, no conditional pledges were outstanding.

From time to time, WA STEM receives contributions from its board members or their related organizations. Contributions from WA STEM board members totaled approximately \$15,000 for the year ended December 31, 2023. Pledges outstanding from WA STEM board members totaled approximately \$4,000.

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 3 - Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consisted of the following at December 31, 2023:

Office equipment	\$	53,729
Furniture and fixtures		16,967
Leasehold improvements		<u>4,768</u>
		75,464
Less accumulated depreciation		<u>(58,435)</u>
Furniture, Fixtures and Equipment, Net	\$	<u>17,029</u>

Depreciation was \$8,577 and for the year ended December 31, 2023.

Note 4 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2023:

Purpose and time restricted	\$	257,881
Purpose restricted		4,768,126
Present value discount		<u>(258,000)</u>
Total Net Assets With Donor Restrictions	\$	<u>4,768,007</u>

Note 5 - Office Space Agreement

WA STEM leases office space from a related party under a long-term lease agreement with a 180-day cancellation notice which was extended through September 30, 2026 during the year ended December 31, 2023. WA STEM is reasonably certain they will not use the cancellation option prior to the expiration of the lease. Additionally, the lease includes payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability.

Future minimum payments required under lease as of December 31, 2023, are as follows:

For the Year Ending December 31,		<u>Operating</u>
2024	\$	116,112
2025		119,596
2026		<u>91,700</u>
Total undiscounted cash flows		327,408
Less present value discount		<u>(21,476)</u>
Total Lease Liabilities	\$	<u>305,932</u>

WASHINGTON STEM

Notes to Financial Statements For the Year Ended December 31, 2023

Note 5 - Continued

The components of lease expense for the year ended December 31, 2023 are as follows:

Operating lease cost	\$ 116,417
Variable least cost	<u>57,534</u>
Total Leasing Expenses	<u><u>\$ 173,951</u></u>

Supplemental cash flow related to leases as of December 31, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 118,119
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 330,897
Weighted-average remaining lease term - operating lease	2.8 years
Weighted-average discount rate - operating lease	4.90%

Note 6 - Retirement Plan

WA STEM sponsors a 401(k) employee benefit retirement plan (the Plan) covering all full-time employees beginning at the start of their first full month of employment. Participating employees may make voluntary contributions, and WA STEM makes matching contributions equal to 100% of the first 3% of an employee's elective salary deferral, and then 50% of the elective salary deferral in excess of 3% to a maximum of 5%, for a total possible match of 4%. These matching contributions vest immediately. WA STEM may also elect to make discretionary contributions to participants pending board approval; however, no such contributions were made for the year ended December 31, 2023. Total matching contributions for the year ended December 31, 2023 were \$104,415.

Note 7 - Liquidity and Availability of Financial Assets

WA STEM regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds in a money market account. WA STEM has various sources of liquidity at its disposal, including cash and cash equivalents, contracts receivable and pledges receivable. WA STEM is supported by both time and purpose restricted contributions from donors.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, WA STEM considers all expenditures related to its ongoing activities of advancing innovation, policy and advocacy efforts, convening education, business and civic leaders as well as grants and investments undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, WA STEM anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

WASHINGTON STEM

**Notes to Financial Statements
For the Year Ended December 31, 2023**

Note 7 - Continued

Including all financial assets, as of December 31, 2023, WA STEM has a working capital surplus of approximately \$6,628,000 and average cash on hand of just under 10 and a half months, based on budgeted expenditures for the year ended December 31, 2024.

Financial assets available for general expenditure within one year of December 31, 2023 consists of the following:

Cash and cash equivalents	\$ 6,094,319
Accounts receivable	127,396
Current portion of pledge receivables, net	<u>803,263</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 7,024,978</u></u>