REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

NORTHWEST CENTER

December 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
Northwest Center

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northwest Center, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Center as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Seattle, Washington
May 1, 2020

ASSETS

	December 31, 2019	December 31, 2018
CURRENT ASSETS		
Cash and cash equivalents	$ 1,729,525	$ 3,640,720
Accounts receivable, net	9,675,838	7,685,920
Pledges receivable	-	7,060
Inventory, net	-	44,616
Other current assets	723,867	666,363
Current assets - discontinued operations	-	895,665
Total current assets	12,129,230	12,940,344
INVESTMENTS	12,347,409	10,513,093
PROPERTY AND EQUIPMENT, net		
Property and equipment	2,329,454	2,398,074
Property and equipment, net (discontinued operations)	-	222,783
Total property and equipment, net	2,329,454	2,620,857
Total assets	$ 26,806,093	$ 26,074,294

LIABILITIES AND NET ASSETS

	December 31, 2019	December 31, 2018
CURRENT LIABILITIES		
Accounts payable	$ 1,031,963	$ 841,638
Accrued expenses	2,445,499	2,199,747
Deferred revenue	47,050	43,738
Line of credit	1,000,000	-
Current portion of deferred gain on disposal of property	174,473	174,473
Current liabilities of long-term debt	177,159	417,384
Current liabilities - discontinued operations	-	155,610
Total current liabilities	4,876,144	3,832,590
LONG-TERM LIABILITIES		
Long-term debt, less current portion	-	141,902
Deferred gain on disposal of property, less current portion	843,287	1,017,760
Total long-term liabilities	843,287	1,159,662
Total liabilities	5,719,431	4,992,252
NET ASSETS		
Without donor restrictions	17,765,662	18,062,042
Board-designated reserve fund	3,321,000	3,000,000
Total without donor restrictions	21,086,662	21,062,042
Total with donor restrictions	-	20,000
Total net assets	21,086,662	21,082,042
Total liabilities and net assets	$ 26,806,093	$ 26,074,294

Northwest Center
Consolidated Statements of Activities

	Years Ended December 31, 2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues		
Contract revenue	$ 35,494,658	$ 33,621,162
Sale of donated merchandise	6,305,897	6,488,874
Government fees for services	7,671,247	6,872,461
Tuition	2,267,449	2,021,586
Contributions	907,990	680,370
Recycling and other	209,893	294,539
Net assets released from donor restrictions	20,000	147,180
Total revenues	52,877,134	50,126,172
Expenses		
Program services		
Social enterprises	29,545,676	27,226,358
Donated merchandise program	5,308,532	5,043,216
Community employment services	4,900,334	5,166,870
Child and family services	7,254,637	6,264,162
Total program services	47,009,179	43,700,606
Supporting services	7,066,913	5,890,496
Total expenses	54,076,092	49,591,102
(Decrease) Increase in net assets from operations	(1,198,958)	535,070
Net loss from discontinued operations	(1,005,395)	(268,107)
Amortization of deferred gain	174,473	174,473
Investment income (loss), net	1,810,683	(269,712)
Other income (expense)	243,817	32,198
Increase in net assets without donor restrictions	24,620	203,922
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	-	20,000
Net assets released from donor restrictions	(20,000)	(147,180)
Change in net assets with donor restrictions	(20,000)	(127,180)
Increase in net assets	4,620	76,742
NET ASSETS, beginning of year	21,082,042	21,005,300
NET ASSETS, end of year	$ 21,086,662	$ 21,082,042

See accompanying notes.

	Years Ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 4,620	$ 76,742
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	806,473	889,672
Loss (gain) on disposal of property and equipment	97,388	
Investment (income)/loss	(1,834,316)	253,323
Changes in operating assets and liabilities		
Accounts and pledges receivable, net	(1,442,721)	(256,082)
Inventory, net	400,144	59,371
Other assets	(57,504)	12,139
Accounts payable	162,568	(161,621)
Accrued expenses and liabilities	117,899	(75,415)
Deferred revenue	3,312	(51,331)
Deferred gain on sale of building	(174,472)	(174,473)
Net cash provided by (used in) operating activities	(1,916,609)	572,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(612,459)	(263,016)
Net cash used in investing activities	(612,459)	(263,016)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from line of credit	1,000,000	-
Payments on long-term debt obligations	(382,127)	(405,184)
Net cash used in financing activities	617,873	(405,184)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,911,195)	(95,875)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,640,720	3,736,595
End of year	$ 1,729,525	$ 3,640,720
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 8,228	$ 25,380

Northwest Center
Consolidated Statements of Functional Expenses

Year Ended December 31, 2019	Total Program Services	Supporting Services: Administration	Supporting Services: Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 36,887,270	$ 3,706,019	$ 465,933	$ 4,171,952	$ 41,059,223
			-		
Supplies	1,937,849	105,028	67,173	172,201	2,110,050
Facility expenses	3,907,198	404,987	870	405,857	4,313,055
Professional fees and contract services	2,205,877	1,207,735	85,970	1,293,706	3,499,583
Sales expense	1,161,546	327,619	193,102	520,721	1,682,268
Licenses, fees, and taxes	65,395	259,370	9,083	268,453	333,848
Computer software and equipment rental	117,773	159,938	164	160,102	277,875
Other	10,718	18,425	695	19,120	29,838
Total nonpersonnel expenses	9,406,357	2,483,101	357,058	2,840,159	12,246,516
Total expenses before interest expense and depreciation and amortization	46,293,627	6,189,120	822,991	7,012,112	53,305,739
Interest expense	8,264	(35)	-	(35)	8,229
Depreciation and amortization	707,289	53,934	902	54,836	762,125
Total functional expenses	$ 47,009,180	$ 6,243,020	$ 823,893	$ 7,066,913	$ 54,076,093

Year Ended December 31, 2018	Total Program Services	Supporting Services: Administration	Supporting Services: Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	$ 33,904,984	$ 3,366,541	$ 329,358	$ 3,695,899	$ 37,600,883
Supplies	1,684,398	118,641	83,458	202,099	1,886,497
Facility expenses	3,786,991	249,790	3,610	253,400	4,040,391
Professional fees and contract services	2,111,254	822,057	80,376	902,433	3,013,687
Sales expense	1,223,628	177,457	188,667	366,124	1,589,752
Licenses, fees, and taxes	92,140	169,631	16,288	185,919	278,059
Computer software and equipment rental	165,962	183,884	219	184,103	350,065
Other	6,968	2,669	-	2,669	9,637
Total nonpersonnel expenses	9,071,341	1,724,129	372,618	2,096,747	11,168,088
Total expenses before interest expense and depreciation and amortization	42,976,325	5,090,670	701,976	5,792,646	48,768,971
Interest expense	25,972	-	-	-	25,972
Depreciation and amortization	698,309	97,850	-	97,850	796,159
Total functional expenses	$ 43,700,606	$ 5,188,520	$ 701,976	$ 5,890,496	$ 49,591,102

See accompanying notes.

Note 1 – Organization and Summary of Significant Accounting Policies

Principles of consolidation – Effective January 1, 2018, Northwest Center Services, LLC along with the Employment Services division of Northwest Center, were combined into a separate 501(c)(3) company called Northwest Center Services. Both Northwest Center (NWC) and Northwest Center Services (NWCS) are managed by the same Board of Directors and are collectively referred to as the Organization. All significant intercompany transactions and accounts have been eliminated in consolidation.

Organization – Since 1965, Northwest Center has been a leader in advancing equal opportunities for children and adults with disabilities. NWC's mission is to promote the growth, development, and independence of persons with disabilities through programs of therapy, education, and work opportunity.

NWC seeks to create and support an inclusive community where people of all abilities can fully participate by learning and working together. NWC's programs pioneer early intervention therapy for babies at home, innovate inclusive early learning for kids of all abilities, find new ways to support young people transitioning from school to the working world, and tirelessly support individuals seeking to gain employment as meaningful to them as it is valuable to their employer.

NWC's social enterprise business model is uniquely powerful. A portfolio of commercial businesses provides best-in-class services, employ an inclusive workforce, and generate sustainable funding. This frees the Organization to test new ideas, make bold decisions, and invest philanthropy dollars directly into our mission of inclusion.

Basis of presentation – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Included in this balance are board-designated reserve funds that have been reserved for future use as determined by the Board of Directors. Board-designated funds included in net assets without donor restrictions totaled $3,321,000 and $3,000,000 at December 31, 2019 and 2018 respectively.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. These amounts principally consist of funds designated for specific mission programs.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or 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.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Contributions – Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Donor-restricted contributions for which restrictions are met in the same reporting period are reported as support without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) result in the reclassification of net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from donor restrictions. Restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service. Contributions of noncash assets are recognized at their estimated fair market value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

A number of volunteers donate time in the furtherance of the Organization's objectives. However, in accordance with United States Generally Accepted Accounting Principles (GAAP), the value of these services is not recognized in these consolidated financial statements because they do not meet certain specific criteria.

Cash – The Organization maintains its cash with financial institutions and, at times, balances may exceed federally insured limits.

Accounts receivable – Accounts receivable are primarily due from performing services under contracts with corporations and governmental agencies. The Organization considers accounts over 30 days old to be past due. The Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Uncollectible amounts are written off when management has exhausted collection efforts. The Organization typically does not require collateral for its accounts receivable. The allowance for doubtful accounts was $297,000 and $63,106 at December 31, 2019 and 2018.

Inventory – Inventory is stated at the lower of average cost or market.

Property and equipment, depreciation – Property and equipment are stated at cost, if purchased, or at fair market value at the date of receipt, if donated, unless the estimated future undiscounted cash flows expected to result from either the use of the asset or its eventual disposition is less than its carrying amount (in which case an impairment loss is recognized based on the fair value of the asset). The Organization's policy is to capitalize assets with a cost or donated value greater than $3,500 and a useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are depreciated either over the anticipated term of the lease or the estimated life of the improvement, whichever is shorter.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Revenue recognition – Revenues for products, including applicable shipping and handling charged to customers, are recognized net of sales taxes upon shipment or delivery of products, depending on the related customer agreement. Services revenues are recognized in the period that services are performed.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606 with a date of the initial application of January 1, 2019.

The Organization applied ASC 606 using the cumulative effect method. However, the adoption of the new standard had no effect on the change in net assets or on the timing of the Organization's transactions and therefore there was no cumulative effect of initially applying the new guidance. Therefore, there was no adjustment to the opening consolidated balance sheet at January 1, 2019.

Advertising costs – The Organization expenses advertising costs as incurred. Advertising expense for 2019 and 2018 was $245,177 and $199,275, respectively.

Income taxes – The Internal Revenue Service has determined that Northwest Center is exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code because NWC qualifies as an organization included within Section 501(c)(3) of the Internal Revenue Code. In 2018, NWCS requested the IRS provide confirmation that the structure of the Organization sufficiently complies with all IRS guidelines for 501(c)(3) status. Management believes, on advice of counsel, that it will receive a positive confirmation from the IRS. NWC did incur net unrelated business income tax for the year ended December 31, 2019 and 2018, but it is not material to the financial statements. NWC has net operating losses of approximately $3,000,000 to offset future net unrelated business income. The carryforwards expire in approximately 10 to 20 years. The tax asset representing the value of the net operating loss carryforwards has been offset by a full valuation allowance as of December 31, 2019, because it is uncertain whether NWC's deferred tax assets will become available to offset future tax liabilities.

NWC follows authoritative guidance relating to accounting for uncertain tax positions, which has no consolidated financial statement impact to NWC. NWC recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. NWC recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2019 and 2018, NWC had no uncertain tax positions requiring accrual. NWC files an exempt organization and unrelated business income tax return with the Internal Revenue Service.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Use of estimates – The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contingencies – At any time, NWC may be involved in legal proceedings or other claims and assessments arising in the normal course of business. The Organization's policy is to routinely assess the likelihood of any adverse judgments or outcomes related to these matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is based on historical experience and/or after analysis of each known issue. Reserves related to these matters are recorded where it is probable that a loss has been incurred and the range of such loss can be estimated. With respect to other matters, management has concluded that a loss is only reasonably possible or remote and, therefore, no liability is recorded. Management discloses the facts regarding material matters assessed as reasonably possible and potential exposure, if determinable. Costs incurred defending claims are expensed as incurred.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The United States federal government as well as state governments have taken measures to restrict travel, business operations, and other activities in response. Given the dynamic nature of these circumstances and business disruption, the Organization anticipates a significant short-term impact. The Organization will continue to monitor the situation closely, but given the uncertainty surrounding the situation, the estimated impact to the Organization's consolidated financial statements on a go-forward basis cannot be determined.

The Organization has evaluated subsequent events through May 1, 2020, which is the date the consolidated financial statements were issued.

Note 2 – Investments and Fair Value Measurements

Investments are stated at fair value determined by quoted market prices. They consist primarily of corporate bonds, government bonds, mutual funds, and equities. These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated statement of financial position.

The Organization applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The ASC describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of December 31, 2019:

	Total	Level 1	Level 2	Level 3
Taxable bonds	$ 6,132,407	$ 6,132,407	$ -	$ -
Equity securities	5,425,769	5,425,769	-	-
Money market funds	789,233	789,233	-	-
	$ 12,347,409	$ 12,347,409	$ -	$ -

The following table presents assets that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
Taxable bonds	$ 5,754,157	$ 5,754,157	$ -	$ -
Equity securities	4,284,050	4,284,050	-	-
Money market funds	474,886	474,886	-	-
	$ 10,513,093	$ 10,513,093	$ -	$ -

Note 2 – Investments and Fair Value Measurements (continued)

Investment returns (losses) for the years ended December 31 consist of:

	2019	2018
Interest and dividends	$ 392,517	$ 323,703
Unrealized gains/(losses) on investments	1,447,049	(577,026)
	1,839,566	(253,323)
Less management fees	(28,883)	(16,389)
Total investment income (loss)	$ 1,810,683	$ (269,712)

Note 3 – Inventory

Inventory consisted of the following at December 31:

	2019	2018
Finished goods	$ -	$ 869
Work-in-process	-	8
Inventory	-	43,739
Total continuing operations	-	44,616
Raw materials (discontinued operations)	-	443,200
Reserve for slow-moving inventory	-	(87,672)
Total discontinued operations (net)	-	355,528
	$ -	$ 400,144

During 2019, operations of divisions carrying inventory were terminated and all assets were disposed of as of December 31, 2019. See Note 13 for additional disclosures regarding discontinued operations.

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Continuing operations		
Buildings and improvements	$ 399,146	$ 381,508
Furniture and equipment	8,218,463	7,728,476
Leasehold improvements	3,544,168	3,488,260
Vehicles	575,902	544,896
Total property and equipment	12,737,679	12,143,140
Less accumulated depreciation	(10,408,225)	(9,745,066)
Property and equipment, net (continuing operations)	2,329,454	2,398,074
Discontinued operations		
Furniture and fixtures (discontinued operations)	-	884,817
Leasehold improvements (discontinued operations)	-	217,952
	-	1,102,769
Less accumulated depreciation	-	(879,986)
Property and equipment, net (discontinued operations)	-	222,783
Total property and equipment	12,737,679	13,245,909
Less accumulated depreciation	(10,408,225)	(10,625,052)
Property and equipment, net	$ 2,329,454	$ 2,620,857

Note 5 – Deferred Gain on Sale Leaseback Transaction

In October 2015, Northwest Center sold its land and building located at 7272 West Marginal Way S., Seattle, Washington, for $11,500,000.

Following the sale of its building in October 2015, NWC entered into an agreement with the building purchaser to lease back that portion of the building currently housing administrative offices. The lease has a 10-year term and requires monthly payments of $17,171 that increases annually. The transaction has been accounted for as a sale lease-back in accordance with the provisions of ASC 840. As part of the transaction, NWC recorded a deferred gain of $1,744,731 which is amortized using the straight-line method over the term of the lease agreement. For the years ended December 31, 2019 and 2018, NWC recognized $174,473 and $174,473, respectively, of the deferred gain in the consolidated statements of activities.

Note 6 – Long-Term Debt

Long-term debt consisted of the following at December 31:

	2019	2018
Fixed-rate 5-year $1,988,001 term loan, matures in April 2020, payable monthly in equal installments, based on a 60-month amortization at a 2.97% annual interest rate.	$ 177,159	$ 559,286
Less current portion	(177,159)	(417,384)
	$ -	$ 141,902

In April 2015, NWC entered into a bridge funding agreement with Wells Fargo Bank for washing and ironing equipment at NWC's commercial laundry operation, Puget Sound Laundry Services (PSLS). The loan is collateralized by the washing and ironing equipment shown under property and equipment on the consolidated statements of financial position.

Interest expense was $8,228 and $25,380 for the years ended December 31, 2019 and 2018, respectively.

In April 2020, the final payment was made on the long-term debt.

Note 7 – Commitments and Contingencies

Lease commitments – The Organization leases real estate and equipment under operating lease agreements through 2029. Future minimum rental payments required under these operating leases are as follows for the years ending December 31:

2020	$ 1,748,724
2021	1,587,508
2022	1,724,893
2023	1,173,550
Thereafter	1,594,979
	$ 7,829,654

Rent expense related to the operating lease agreements, including leases on a month-to-month term and variable charges related to these operating lease agreements, was $2,531,633 and $2,611,499 during 2019 and 2018, respectively.

Legal matters – From time to time, NWC is involved in unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to contracts or employment issues. The aggregate range of reasonably possible losses in excess of accrued liabilities, if any, associated with these unresolved legal actions is not material. In some cases, the Organization cannot reasonably estimate a range of loss because there is insufficient information regarding the matter.

Note 7 – Commitments and Contingencies (continued)

Management further believes there is no more than a remote chance that any liability arising from these matters would be material. Although it is not possible to predict with certainty the outcome of these unresolved legal actions, management believes that these actions will not individually or in the aggregate have a material adverse effect on its consolidated statement of activities, financial position, or liquidity.

Note 8 – Net Assets

Net assets with donor restrictions consist of contributions restricted for programs and capital additions as follows:

	2019	2018
Various foundations or donors	$ -	$ 20,000

Note 9 – Benefit Plans

NWC has a 401(k) benefit plan for employees who meet eligibility requirements set forth in the plan. NWC's matching contributions totaled $365,396 and $298,702 for the years ended December 31, 2019 and 2018, respectively.

NWC has a 403(b) benefit plan for employees who meet eligibility requirements set forth in the plan. Participants are eligible to contribute up the statutory limit and receive discretionary 403(b) matching contributions.

Note 10 – Concentrations

One customer represented 26% and 25% of total revenues for the years ended December 31, 2019 and 2018, respectively, and 40% and 44% of corresponding accounts receivable as of December 31, 2019 and 2018, respectively. A second customer represented 10% and 12% of total revenues for the years ended December 31, 2019 and 2018, respectively, and 6% and 2% of corresponding accounts receivable as of December 31, 2019 and 2018, respectively

Note 11 – Liquidity Disclosure

As part of the Organization's liquidity management, it manages its operating cash balance on hand and financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has $12,349,409 in investments of varying maturity. To help manage unanticipated liquidity needs, the Organization also has a line of credit in the amount of $2 million. Although the Organization does not intend to withdraw funds from its investment account, investment funds could be made available if necessary. See Note 2 for disclosures about investments.

Additionally, the Organization monitors liquidity via daily or weekly cash reporting and monthly budget review processes.

Note 12 – Line of Credit

In December 2018, the Organization executed a two-year line of credit agreement with Key Bank in the amount of $2 million. The line carries a variable interest rate based on prime and expires in December 2020. On December 31, 2019, the Organization had $1,000,000 of remaining availability on the line of credit. The prime interest rate on December 31, 2019, was 4.75%.

Note 13 – Discontinued Operations

During 2019, the Organization decided to sell any marketable assets and cease the operations of two of its divisions: Electronetics and Assembly and Packaging. Substantially all of the divisions' assets were sold to unrelated third parties during 2019. Management has concluded that this decision represents a strategic shift that will have a material effect on the Organization's operations and financial results and has therefore presented the results of the two closed divisions under discontinued operations.

The Assembly and Packaging division was reliant on a single customer and operating at a deficit. During 2019, management sold substantially all assets, transferred all staff, and subleased the building utilized by the division to the customer. The sublease contract term was aligned with the Organization's lease that expires at the end of 2020.

The Electronetics division had significant customer concentration and diminished operating performance. An acquisition of the division's largest customer during 2019 was expected to reduce or eliminate that customer's procurement of products from the division on a permanent basis. As a result, Electronetics generated a significant operating loss in 2019 and, with the vote and full support of the Finance Committee of the Organization's Board of Directors, was fully dissolved by December 31, 2019.

The balance sheet for discontinued operations is as follows:

	2019	2018
Current assets		
Accounts receivable, net	$ -	$ 540,137
Inventory, net	-	355,528
Total current assets	-	895,665
Property and equipment, net	-	222,783
Total assets	$ -	$ 1,118,448
Current liabilities		
Accounts payable	$ -	$ 27,757
Accrued expenses	-	127,853
Total current liabilities	$ -	$ 155,610

Note 13 – Discontinued Operations (continued)

The operating results of discontinued operations are as follows:

	2019	2018
Revenues		
Contract revenue	$ 2,084,010	$ 5,212,278
Recycling and other	1,495	6,625
Total revenues	2,085,505	5,218,903
Expenses	2,679,086	5,487,010
Add loss on disposal of assets	(411,814)	-
Loss from discontinued operations	$ (1,005,395)	$ (268,107)