

Vashon Youth and Family Services

Audit of the Financial Statements
for the Years Ended December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Directors
Vashon Youth and Family Services
Vashon, Washington

I have audited the accompanying financial statements of Vashon Youth and Family Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vashon Youth and Family Services as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Vashon Youth and Family Services taken as a whole. The accompanying Schedule of Grants and Fees is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jo Ann Kelly, CPA

Seattle, Washington
June 20, 2012

Vashon Youth and Family Services
Statement of Financial Position
December 31, 2012 and 2011

Assets

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$ 158,342	\$ 195,323
Investments	519	—
Accounts Receivable		
Grants and contracts	74,135	63,009
Client fees	13,852	5,974
Other	4,924	—
Prepaid Expense	1,087	743
Unconditional Promises to Give	52,150	71,600
Cash Restricted for Property Acquisition	8,014	47,570
Property and Equipment - net	<u>669,406</u>	<u>690,281</u>
Total Assets	<u>\$ 982,429</u>	<u>\$1,074,500</u>

Liabilities and Net Assets

Accounts Payable	\$ 25,096	\$ 28,634
Accrued Vacation	30,787	29,035
Due To Other Organizations	12,262	36,124
Deposits	<u>—</u>	<u>4,907</u>
Total Liabilities	<u>68,145</u>	<u>98,700</u>
Long-term Debt	<u>210,000</u>	<u>250,000</u>
Commitments and Contingencies	<u>—</u>	<u>—</u>
Net Assets		
Unrestricted	591,970	603,537
Temporarily restricted	<u>112,314</u>	<u>122,263</u>
Total Net Assets	<u>704,284</u>	<u>725,800</u>
Total Liabilities and Net Assets	<u>\$ 982,429</u>	<u>\$1,074,500</u>

See notes to financial statements.

Vashon Youth and Family Services
Statement of Activities
Years Ended December 31, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>
Revenue and Other Support						
Contributions	\$117,641	\$ 64,428	\$182,069	\$130,380	\$11,750	\$142,130
Donated goods and services	92,677	—	92,677	58,476	—	58,476
Grants and fees	767,108	—	767,108	638,088	—	638,088
Interest income	406	—	406	1,319	—	1,319
Program service fees	225,890	—	225,890	199,230	—	199,230
Other Income	2,649	—	2,649	—	—	—
Rent	11,296	—	11,296	13,835	—	13,835
Net assets released from restrictions	66,377	(66,377)	—	73,552	(73,552)	—
Satisfaction of usage restrictions	—	—	—	4,851	—	4,851
Special Event Revenue	<u>1,284,044</u>	<u>(1,949)</u>	<u>1,282,095</u>	<u>1,119,731</u>	<u>(61,802)</u>	<u>1,057,929</u>
Total Revenue and Other Support						
Expenses						
Program Services						
Counseling	511,267	—	511,267	401,027	—	401,027
Family Support	191,091	—	191,091	146,187	—	146,187
Basic Needs	103,085	—	103,085	94,446	—	94,446
Child Care	166,944	—	166,944	144,984	—	144,984
Drug Coalition	<u>141,190</u>	<u>—</u>	<u>141,190</u>	<u>159,730</u>	<u>—</u>	<u>159,730</u>
Total Program Services	1,113,577	—	1,113,577	946,374	—	946,374
Support Services						
Management and general	147,228	—	147,228	155,995	—	155,995
Fund-raising	<u>34,806</u>	<u>—</u>	<u>34,806</u>	<u>46,682</u>	<u>—</u>	<u>46,682</u>
Total Expenses	<u>1,295,611</u>	<u>—</u>	<u>1,295,611</u>	<u>1,149,051</u>	<u>—</u>	<u>1,149,051</u>
Change in Net Assets From Operations	(11,567)	(1,949)	(13,516)	(29,320)	(61,802)	(91,122)
Other Changes						
Net asset released from restriction-noncollectible	8,000	(8,000)	—	—	—	—
Write off- noncollectible	(8,000)	—	(8,000)	—	—	—
Contributions- Capital Transaction	—	—	—	250,000	—	250,000
Total Change In Net Assets	(11,567)	(9,949)	(21,516)	220,680	(61,802)	158,878
Net Assets, Beginning of Year	<u>603,537</u>	<u>122,263</u>	<u>725,800</u>	<u>382,857</u>	<u>184,065</u>	<u>566,922</u>
Net Assets, End of Year	<u>\$591,970</u>	<u>\$112,314</u>	<u>\$704,284</u>	<u>\$603,537</u>	<u>\$122,263</u>	<u>\$725,800</u>

See notes to financial statements.

Vashon Youth and Family Services
Statement of Functional Expenses
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	PROGRAM SERVICES					SUPPORTING SERVICES					
	Counseling	Family Support	Basic Needs	Child Care	Drug Coalition	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	TOTAL	
Salaries	\$313,202	\$1116,732	\$52,502	\$112,141	\$72,915	\$667,492	\$93,447	\$14,394	\$107,841	\$775,333	\$689,284
Salaries in-kind	81,895	0	0	9,282	0	\$91,177	0	0	0	91,177	56,554
Payroll taxes/benefits	30,166	11,182	4,949	10,861	7,083	\$64,241	9,145	1,466	10,611	74,852	70,014
	425,263	127,914	57,451	132,284	79,998	822,910	102,592	15,860	118,452	941,362	815,852
Advertising and publicity	2,449	1,302	0	1,225	2,263	7,239	2,753	1,165	3,918	11,157	902
Conferences and training	1,829	7,209	75	2,500	4,406	16,019	75	0	75	16,094	17,314
Direct support -clients	6,526	0	39,011	108	0	45,645	0	309	309	45,954	36,831
Equipment maintenance and small purchases	1,572	1,981	366	1,209	1,203	6,331	1,490	100	1,590	7,921	12,696
Insurance	3,277	1,963	1,011	816	1,156	8,223	3,018	50	3,068	11,291	12,718
Licenses and fees	2,663	258	0	1,363	758	5,042	5,828	755	6,583	11,625	7,217
Mileage and ferry	9,724	320	394	684	563	11,685	683	112	795	12,480	10,172
Miscellaneous expense	987	266	78	275	11	1,617	950	0	950	2,567	3,562
Office supplies and expense	4,387	2,167	520	1,805	1,417	10,296	1,147	4,043	5,190	15,486	11,997
Technology	34	24	0	0	372	430	796	0	796	1,226	2,576
Occupancy	12,754	13,977	1,867	71	2,321	30,990	12,476	463	12,939	43,929	45,454
Professional services	19,858	8,971	0	756	41,084	70,669	10,853	7,694	18,547	89,216	79,089
Program support	6,102	12,899	213	22,159	2,850	44,223	967	2,422	3,389	47,612	57,456
Taxes	0	1,096	0	0	0	1,096	-480	0	-480	616	3,390
Telephone	3,887	3,858	634	1,554	965	10,898	1,431	1,470	2,901	13,799	10,749
	501,312	184,205	101,620	166,809	139,367	1,093,313	144,579	34,443	179,022	1,272,335	1,127,975
Depreciation	9,955	6,886	1,465	135	1,823	20,264	2,649	363	3,012	23,276	21,076
Total Expenses	\$511,267	\$191,091	\$103,085	\$166,944	\$141,190	\$1,113,577	\$147,228	\$34,806	\$182,034	\$1,295,611	\$1,149,051

See notes to financial statements

Vashon Youth and Family Services
Statement of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals for 2010)

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL	
	Counseling	Family Support	Basic Needs	Child Care	Drug Coalition	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2011	2010
Salaries	\$251,187	\$85,152	\$50,997	\$106,530	\$75,975	\$569,841	\$101,056	\$18,387	\$119,443	\$689,284	\$594,937
Salaries in-kind	56,554	0	0	0	0	\$56,554	0	0	0	56,554	40,045
Payroll taxes/benefits	25,619	8,628	5,305	10,783	7,607	\$57,942	10,238	1,834	12,072	70,014	49,888
	333,360	93,780	56,302	117,313	83,582	684,337	111,294	20,221	131,515	815,852	684,870
Advertising and publicity	218	221	0	0	253	692	0	210	210	902	1,321
Conferences and training	1,775	67	0	565	14,642	17,049	265	0	265	17,314	17,866
Direct support -clients	5,029	14	31,788	0	0	36,831	0	0	0	36,831	37,998
Equipment maintenance and small purchases	2,143	2,766	309	657	4,825	10,700	1,632	364	1,996	12,696	7,275
Insurance	3,092	3,634	1,827	1,654	167	10,374	2,344	0	2,344	12,718	8,924
Licenses and fees	1,254	88	0	228	339	1,909	4,972	336	5,308	7,217	6,241
Mileage and ferry	7,581	216	496	479	356	9,128	1,044	0	1,044	10,172	8,826
Miscellaneous expense	761	115	5	230	5	1,116	2,446	0	2,446	3,562	1,085
Office supplies and expense	3,252	889	396	1,542	593	6,672	1,243	4,082	5,325	11,997	12,686
Technology	822	36	23	716	432	2,029	543	4	547	2,576	1,663
Occupancy	9,513	23,552	1,344	0	1,344	35,753	9,701	0	9,701	45,454	43,267
Professional services	12,614	3,773	100	0	39,616	56,103	10,800	12,186	22,986	79,089	52,186
Program support	6,450	10,535	0	20,156	11,667	48,808	636	8,012	8,648	57,456	57,150
Taxes	0	100	0	0	0	100	3,290	0	3,290	3,390	2,753
Telephone	3,097	2,409	456	1,444	484	7,890	1,592	1,267	2,859	10,749	7,816
	390,961	142,195	93,046	144,984	158,305	929,491	151,802	46,682	198,484	1,127,975	951,927
Depreciation	10,066	3,992	1,400	0	1,425	16,883	4,193	0	4,193	21,076	29,536
Total Expenses	\$401,027	\$146,187	\$94,446	\$144,984	\$159,730	\$946,374	\$155,995	\$46,682	\$202,677	\$1,149,051	\$981,463

See notes to financial statements

Vashon Youth and Family Services
Statement of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (21,516)	\$ 158,878
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	23,276	21,076
 Cash Provided (Used) By Changes in Operating Assets and Liabilities		
Accounts receivable	23,928	(10,018)
Prepaid expense & refundable deposit	(344)	755
Accounts payable	(3,538)	2,626
Accrued liabilities	1,752	12,645
Deposits and due others	(28,769)	37,345
Contribution of investment assets	(519)	—
Contributions restricted for long-term investment	<u>(500)</u>	<u>(281,257)</u>
 Net Cash Provided (Used) by Operating Activities	<u>(6,230)</u>	<u>(57,950)</u>
 Cash Flows from Investing Activities		
Purchase of Equipment	<u>(2,403)</u>	<u>(4,770)</u>
 Cash Flows from Financing Activities		
Repayment of long-term borrowing	(40,000)	—
Proceeds of long-term borrowing	—	50,000
Collection of contributions restricted for long-term investment	<u>11,652</u>	<u>31,900</u>
Net Cash Provided (Used) by Financing Activities	<u>(28,348)</u>	<u>81,900</u>
 Net Change in Cash and Cash Equivalents	(36,981)	19,180
 Cash and Cash Equivalents, Beginning of Year	<u>195,323</u>	<u>176,143</u>
 Cash and Cash Equivalents, End of Year	<u>\$158,342</u>	<u>\$195,323</u>

Supplemental Disclosure Of Noncash Investing and Financing Activities

In 2011, the Organization received a building from a donor valued at \$250,000

Donated services, valued at \$1,922 were capitalized in 2011

The Organization received 19 shares of Microsoft common stock with a fair market value of \$519 in 2012

See notes to financial statements.

Vashon Youth and Family Services
Notes to Financial Statements

Note 1 - Purpose of the Organization

Vashon Youth and Family Services was incorporated under the provisions of the Washington Nonprofit Corporation Act on July 21, 1977. The Organization strives to empower Island families to raise thriving, resilient children and youth by fostering a community of emotionally healthy, resourceful families and individuals. Vashon Youth and Family Services accomplishes this by identifying needs, developing positive opportunities for youth and families, and facilitating support services for them.

Further, the organization is to carry out any other educational or charitable purpose within the meaning of Section 501c(3) of the Internal Revenue Code.

The Organization receives primary funding through a variety of sources (see Schedule of Grants and Fees). King County, through the Departments of Community and Human Services funds counseling, community projects, life skills, and substance abuse prevention. United Way funding helps to support general and specific Organization purposes. The US Department of Health and Human Services provides funding for the Drug Free Communities Support Program. Additionally, Vashon Youth and Family Services works with other nonprofits and public and private organizations to support specific programs.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting which recognizes income in the period earned and expenses when incurred which is consistent with U.S. generally accepted accounting principles.

Basis of Presentation - Net assets and 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:

Unrestricted net assets - Include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Vashon Youth and Family Services
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued)

Expirations of temporary restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class activity.

Functional Allocation of Expenses - The Organization allocates its expenses on a functional basis among its various programs, including fund-raising activities and support services. Costs that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated to a program by predetermined percentages. These percentages are primarily calculated based on staff time spent in the various programs.

Accounts and Grants Receivable - Accounts receivable are stated at an amount management expects to collect from outstanding balances for fees and grant amounts earned but not yet received as of the financial statement date. The Organization writes off individual accounts receivable when they are determined to be uncollectible. Management has evaluated outstanding balances and considers there to be no material uncollectible accounts at December 31, 2012 or 2011.

Accrued Vacation Liability - Full-time employees working more than 1,040 hours annually are eligible for compensated vacation time. Eligible employees accrue vacation leave on a monthly basis, beginning on their hire date. The annual accrual amount, which varies based on hours worked and length of service, is established at 12 to 20 days. Carryover of a maximum accrual of 240 hours is allowed, with any amount over the maximum forfeited.

Property and Equipment - Fixed assets are capitalized at cost, with depreciation provided for on the straight-line method over the estimated useful lives of three to eight years. Buildings and improvements are generally depreciated over useful lives of 30 to 40 years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes all expenditures for equipment in excess of \$1,000. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is charged to the activity benefitting from the use of the property or equipment.

Federal Income Tax - The Organization has obtained tax exempt status under Section 501c(3) of the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

Uncertainty In Income Taxes- Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization are more-likely-than not to be sustained upon examination.

Vashon Youth and Family Services
Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies (continued)

The Organization files information returns in the federal U.S. jurisdiction. Federal returns for the previous 3 years remain subject to possible examination by the Internal Revenue Service.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional.

Donated Assets and Services - Noncash donations are recorded as contributions at their estimated fair value at the date of the donation. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

In-kind contributions are recorded as revenue and expenses at fair market value as of December 31, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Salaries	\$92,677	\$56,554
Professional services	<u>—</u>	<u>1,922</u>
Total	<u>\$92,677</u>	<u>\$58,476</u>

In-kind salary expense is recorded based on direct service hours from interns utilized in counseling programs. Additionally, many individuals volunteer their time and perform a variety of tasks to assist in the Organization's program services. These contributed services do not meet recognition criteria under current accounting standards and, accordingly, are not reflected in the accompanying financial statements.

Donated Property - Donations of property are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. A property donation was recorded as a contribution in the amount of \$250,000 in 2011.

Estimates - Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid purchased debt instruments with a maturity of three months or less to be cash equivalents.

Vashon Youth and Family Services
Notes to Financial Statements

Note 3 - Restricted Net Assets

Restrictions on net assets relate to contributions restricted as to program use by the donor. The Organization had no permanently restricted net assets.

Temporarily restricted net assets at December 31 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Prevention Programs	\$ —	\$ 3,093
Property Acquisition and Maintenance	59,914	119,170
Vashon Health Center	13,220	—
Basic Needs	3,395	—
Early Learning and Parenting Programs	<u>35,785</u>	<u>—</u>
	<u>\$112,314</u>	<u>\$ 122,263</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors:

	<u>2012</u>	<u>2011</u>
Prevention Program	\$ 3,093	\$ —
Counseling Program	—	2,897
Vashon Health Center	9,922	—
Basic Needs	1,606	—
Property Acquisition and Maintenance	<u>51,756</u>	<u>70,655</u>
	<u>\$66,377</u>	<u>\$73,552</u>

Note 4 - Promises to Give

The Organization has an on-going fund-raising campaign related to the purchase of a building which was completed May 11, 2011 and provides space for programs related to early childhood development. The promises to give are restricted to the payment of costs for the purchase and maintenance of the building.

Unconditional promises to give at December 31 are as follows:

	<u>2012</u>	<u>2011</u>
Capital Campaign	<u>\$ 52,150</u>	<u>\$ 71,600</u>
Receivable in less than one year	\$ 26,000	\$ 41,200
Receivable in one to five years	<u>26,150</u>	<u>30,400</u>
Total unconditional promises to give	<u>\$ 52,150</u>	<u>\$ 71,600</u>

Note 5 - Property and Equipment

The major classes of depreciable assets as of December 31 consist of:

	<u>2012</u>	<u>2011</u>
Furniture and equipment	\$ 90,435	\$ 89,264
Building and improvements	500,896	499,663
Land	<u>346,500</u>	<u>346,500</u>
	937,831	935,427
Less accumulated depreciation	<u>268,425</u>	<u>245,146</u>
	<u>\$669,406</u>	<u>\$690,281</u>

Note 6 - Security Agreement

On August 31, 2001, a Security Agreement was entered into with the King County Department of Community and Human Services with respect to funding received under a Housing and Community Development contract which provides for facility expansion. The modular building, located at 20110 Vashon Highway Southwest, is held as collateral. The Security Agreement is in effect for a period of ten years from the date of approval of the final reimbursement request under the contract. The final reimbursement request was submitted on January 25, 2002.

In the event of default, as detailed in the Security Agreement, the Organization agrees to pay King County the fair market value of the collateral, less the proportionate share of the value attributable to expenditures of non-CDBG funds. The amount payable under the agreement, \$127,723, is interest free unless there is a default, at which time the obligation shall bear interest at the maximum rate allowable by law. The Organization believes that they have not been in default under any of the terms of the agreement.

Note 7 - Leased Property

Under terms of an agreement with the Vashon Island School District, Vashon Youth and Family Services is authorized to use and occupy certain real property described as Vashon Island High School. The lease requires the Organization to use the facilities as a family and youth services program center for Vashon Youth and Family Services programming, a meeting and office facility, and a facility available for public use as allowed by King County.

The term of the agreement is approximately 21 years, expiring in December 2021, with an option to extend for 15 years. During the initial lease term, in lieu of rent, Vashon Youth and Family Services shall annually provide 500 hours of prevention/intervention services. Upon extension of the lease, Vashon Youth and Family Services shall pay rent at a negotiated fair market rate.

Vashon Youth and Family Services has erected two distinct buildings on the real property. Upon lease termination, Facility A shall be quit-claimed to Vashon Island School District; ownership of Facility B remains with Vashon Youth and Family Services. The lease agreement contains other terms and conditions in the event of recapture by the School District in accordance with RCW 28A.335.040 regarding the use of surplus school property.

The Organization entered into a noncancellable lease for a Ricoh copier, which is classified as an operating lease. The commencement of the lease was January 1, 2010 with an initial term of 62 months through February 28, 2015. Rent expense for the year ended December 31, 2012 and 2011 was approximately \$4,922 and \$4,380 respectively. The approximate remaining minimum annual lease payments are as follows:

2013	\$4,032
2014	4,032
2015	<u>672</u>
	<u>\$ 8,736</u>

Vashon Youth and Family Services
Notes to Financial Statements

Note 8 - Long-Term Debt

Long-term debt consists of a promissory note in the amount of \$210,000 at 2012 and \$250,000 at 2011. The note, dated May 9, 2011, bears an interest rate of 4%, for a period of 5 years. Required monthly payments are interest only until maturity. The note is collateralized by the capital campaign pledges and proceeds thereof.

Proceeds of the note were used to acquire and remodel property located at the corner of Vashon Hwy. SW and Gorsuch Rd. in Vashon, Washington.

Note 9 - Compliance and Contingencies

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Approximately 34% for 2012 and 35 % for 2011 of its annual budget is from two sources. A significant reduction in the level of this support, if it were to occur, might have an effect on its programs and activities. Additionally, certain grants have various program requirements, as set forth in the funding agreement. Failure to fulfill these conditions could result in the return of funds to the grantors. Although this is a possibility, management considers the contingency remote.

Note 10 - Subsequent Event

Management has evaluated subsequent events through June 20, 2013, the date the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements as of that date.

Note 11 - Prior Year Summarized Information

The financial statements included certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Supplementary Schedule

Vashon Youth and Family Services
Schedule of Grants and Fees
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
King County		
Department of Community and Human Services		
Youth & Family Services	\$ 36,821	\$36,820
Mental Health Chemical Abuse Services	93,535	69,529
Alcohol & Drug Prevention Coalition	77,300	—
Vashon Housing Project	76,003	76,671
Community Development Block Grant		
Housing Stability Project	1,914	1,892
U.S. Department of Health and Human Services		
SAMHSA	113,953	138,025
Washington State Department of Social and Health Services	—	17,485
United Way		
Community Funding	30,000	44,825
Navos		
Title XIX-Medicaid	282,630	248,643
Provider 1 -Title XIX	37,931	—
Other Contract Fees	<u>17,021</u>	<u>4,198</u>
Total Grants and Fees	<u>\$767,108</u>	<u>\$638,088</u>