

VASHON YOUTH AND FAMILY SERVICES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Vashon Youth and Family Services
Vashon, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Vashon Youth and Family Services, a not-for-profit corporation (the Organization), which comprise the statements of financial position as of December 31, 2018, and 2017, the related statements of activities, functional expenses, 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

Our responsibility is to express an opinion on these 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 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 Organization'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 Organization'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 financial statements.

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Opinion

In our 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 2 to the financial statements, the Organization adopted the new accounting guidance required by generally accepted accounting principles from Accounting Standard Update 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The accounting principle has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information shown on page 17 is presented for the purpose 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 audits 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Loveridge Hunt & Co., PLLC

Bellevue, Washington

August 2, 2019

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 97,807	\$ 68,117
Grants and contracts receivable	125,173	84,912
Unconditional promises to give - current (See Note 3)	<u>5,000</u>	<u>-</u>
Total current assets	227,980	153,029
Other assets:		
Unconditional promises to give, net (See Note 3)	13,831	-
Cash restricted	24,611	26,844
Property and equipment, net	<u>103,745</u>	<u>114,251</u>
	<u>142,187</u>	<u>141,095</u>
Total Assets	\$ <u>370,167</u>	\$ <u>294,124</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 17,268	\$ 14,609
Accrued payroll	54,052	41,455
Accrued vacation	29,570	22,782
Due to other organizations	10,804	10,182
Deferred revenue	45,962	-
Current portion - repayment obligation (See Note 6)	<u>17,419</u>	<u>17,419</u>
Total current liabilities	175,075	106,447
Net assets:		
Net assets without donor restrictions	195,092	177,627
Net assets with donor restrictions	<u>-</u>	<u>10,050</u>
Total Net assets	<u>195,092</u>	<u>187,677</u>
Total Liabilities and Net Assets	\$ <u>370,167</u>	\$ <u>294,124</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2018 and 2017

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2018 Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2017 Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 158,540	\$ 132,936	\$ 291,476	\$ 148,515	\$ 102,984	\$ 251,499
Donation goods & services	1,300	-	1,300	11,719	-	11,719
Grants & fees	978,578	-	978,578	625,122	-	625,122
Interest income	42	-	42	25	-	25
Program services fees	277,525	-	277,525	229,902	-	229,902
Special events, net	21,259	-	21,259	4,813	-	4,813
Rent	90	-	90	4,815	-	4,815
Other income	2,206	-	2,206	4,849	-	4,849
Contracted Services	6,000	-	6,000	-	-	-
Net assets released from restrictions	<u>142,986</u>	<u>(142,986)</u>	<u>-</u>	<u>122,672</u>	<u>(122,672)</u>	<u>-</u>
TOTAL REVENUE, GAIN, AND OTHER SUPPORT	<u>1,588,526</u>	<u>(10,050)</u>	<u>1,578,476</u>	<u>1,152,432</u>	<u>(19,688)</u>	<u>1,132,744</u>
EXPENSES						
Program Services	1,348,411	-	1,348,411	1,078,983	-	1,078,983
Management & general	151,143	-	151,143	253,261	-	253,261
Fundraising	<u>71,507</u>	<u>-</u>	<u>71,507</u>	<u>74,642</u>	<u>-</u>	<u>74,642</u>
TOTAL EXPENSES	<u>1,571,061</u>	<u>-</u>	<u>1,571,061</u>	<u>1,406,886</u>	<u>-</u>	<u>1,406,886</u>
Change in net assets from operations	17,465	(10,050)	7,415	(254,454)	(19,688)	(274,142)
Gain on asset sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,357</u>	<u>-</u>	<u>5,357</u>
Total change in net assets	17,465	(10,050)	7,415	(249,097)	(19,688)	(268,785)
NET ASSETS, Beginning	<u>177,627</u>	<u>10,050</u>	<u>187,677</u>	<u>426,724</u>	<u>29,738</u>	<u>456,462</u>
NET ASSETS, Ending	<u><u>\$ 195,092</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 195,092</u></u>	<u><u>\$ 177,627</u></u>	<u><u>\$ 10,050</u></u>	<u><u>\$ 187,677</u></u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services	Management & General	Fundraising	Total 2018	Total 2017
Salaries	\$ 889,519	\$ 90,952	\$ 49,465	\$ 1,029,936	\$ 948,528
Salaries in-kind	-	-	-	-	10,948
Payroll taxes/benefits	<u>120,874</u>	<u>12,901</u>	<u>5,427</u>	<u>139,202</u>	<u>92,157</u>
	1,010,393	103,853	54,892	1,169,138	1,051,633
Communications	14,996	2,745	4,924	22,665	16,338
Travel & training	27,956	55	671	28,682	8,854
Direct support - clients	53,435	-	-	53,435	69,469
Physical plant & equipment	56,798	10,740	2,541	70,079	59,199
Insurance	3,084	6,065	113	9,262	13,828
Licenses & fees	16,095	4,938	2,770	23,803	18,383
Office supplies & printing	8,898	1,351	3,767	14,016	12,981
Professional services	83,812	10,941	23	94,776	86,385
Program support	39,550	1,734	972	42,256	27,032
Taxes	-	4,509	-	4,509	3,943
Interest	-	-	-	-	4,156
Bad debt	5,930	29	-	5,959	9,392
Building lease	18,282	-	-	18,282	8,400
Miscellaneous expense	<u>2,236</u>	<u>1,129</u>	<u>328</u>	<u>3,693</u>	<u>2,898</u>
	1,341,465	148,089	71,001	1,560,555	1,392,891
Depreciation	<u>6,946</u>	<u>3,054</u>	<u>506</u>	<u>10,506</u>	<u>13,995</u>
Total Expenses	<u>\$ 1,348,411</u>	<u>\$ 151,143</u>	<u>\$ 71,507</u>	<u>\$ 1,571,061</u>	<u>\$ 1,406,886</u>

Continued on Page 6.

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total 2017
Salaries	\$ 745,432	\$ 155,896	\$ 47,200	\$ 948,528
Salaries in-kind	10,948	-	-	10,948
Payroll taxes/benefits	<u>73,765</u>	<u>14,173</u>	<u>4,219</u>	<u>92,157</u>
	830,145	170,069	51,419	1,051,633
Communications	11,236	2,471	2,631	16,338
Travel & training	7,248	606	1,000	8,854
Direct support - clients	69,469	-	-	69,469
Physical plant & equipment	30,688	26,900	1,611	59,199
Insurance	6,202	7,171	455	13,828
Licenses & fees	7,932	7,249	3,202	18,383
Office supplies & printing	5,380	1,728	5,873	12,981
Professional services	56,557	23,745	6,083	86,385
Program support	24,319	1,275	1,438	27,032
Taxes	-	3,943	-	3,943
Interest	-	4,156	-	4,156
Bad debt	9,392	-	-	9,392
Building lease	8,400	-	-	8,400
Miscellaneous expense	<u>1,486</u>	<u>988</u>	<u>424</u>	<u>2,898</u>
	1,068,454	250,301	74,136	1,392,891
Depreciation	<u>10,529</u>	<u>2,960</u>	<u>506</u>	<u>13,995</u>
Total Expenses	<u>\$ 1,078,983</u>	<u>\$ 253,261</u>	<u>\$ 74,642</u>	<u>\$ 1,406,886</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,415	\$ (268,785)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	10,506	13,995
(Gain) loss on asset sale	-	(5,357)
Changes in certain assets and liabilities:		
Accounts receivable	(40,261)	(25,658)
Prepaid expenses	-	7
Unconditional promises to give - current	(5,000)	-
Accounts payable	2,659	(15,585)
Accrued payroll and vacation	19,385	(22,688)
Due to other organizations	622	6,086
Deferred revenue	<u>45,962</u>	<u>-</u>
Net cash provided (used) by operating activities	41,288	(317,985)
Cash flows from investing activities:		
Net proceeds from sale of depreciable assets	<u>-</u>	<u>498,496</u>
Cash flows from financing activities:		
Principal payments on note payable	-	(179,695)
Unconditional promises to give	<u>(13,831)</u>	<u>-</u>
Net cash used by financing activities	<u>(13,831)</u>	<u>(179,695)</u>
Net increase in cash, cash equivalents, and restricted cash	27,457	816
Cash, cash equivalents, and restricted cash - beginning of year	<u>94,961</u>	<u>94,145</u>
Cash, cash equivalents, and restricted cash - end of year	\$ <u><u>122,418</u></u>	\$ <u><u>94,961</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ 4,156

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

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF BUSINESS

Vashon Youth and Family Services (the Organization) is a Washington Nonprofit Corporation which was formed 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 501 (c)(3) of the Internal Revenue Code.

The Organization receives primary funding through a variety of sources (see supplementary information). King County, through the Department of Community and Human Services, funds counseling, community projects, life skills, and substance abuse prevention. 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 accrual method of accounting is used for financial statement purposes.

Depreciation

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Revenue

The Organization receives grant funding from federal agencies and private foundations. Revenue is recognized only to the extent of expenditures under the terms of the grants. Payments received in advance of related expenditures are reflected in the statements of financial position as deferred revenue.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of Presentation

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Activity relating to the net assets with donor restrictions during the years ended December 31, 2018 and 2017 are as follows:

	January 1, 2018	Contributions Received	Released	December 31, 2018
Health & Safe Program	\$ 10,050	\$ -	\$ (10,050)	\$ -
Latino Outreach/Scholarships	-	19,902	(19,902)	-
Case Management	-	60,707	(60,707)	-
Substance Use Disorder	-	1,701	(1,701)	-
Substance Use Disorder	-	5,780	(5,780)	-
Vkids (non-Latino) Programs	-	44,846	(44,846)	-
	<u>\$ 10,050</u>	<u>\$ 132,936</u>	<u>\$ (142,986)</u>	<u>\$ -</u>

	January 1, 2017	Contributions Received	Released	December 31, 2017
Health & Safe Program	\$ -	\$ 10,050	\$ -	\$ 10,050
Capital Campaign - PlaySpace	7,972	-	(7,972)	-
Individual donations	7,174	410	(7,584)	-
FESS	12,500	7,484	(19,984)	-
Community Wellness	2,092	57,000	(59,092)	-
Multicare	-	5,000	(5,000)	-
Vashon Kids	-	23,040	(23,040)	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,050</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Income Taxes

The Organization is not subject to income taxes. Management believes that the Organization has adequately addressed all relevant tax positions and there are no unrecorded tax liabilities. Generally, the Organization's tax returns remain open for three years for federal and state income tax examination.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash represents operating cash held in bank accounts, and restricted cash represents monies held pursuant to certain restricted purposes specified by donors.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>December 31,</u> 2018	<u>December 31,</u> 2017
Cash and cash equivalents	\$ 97,807	\$ 68,117
Cash restricted	<u>24,611</u>	<u>26,844</u>
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 122,418</u>	<u>\$ 94,961</u>

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. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2018 and 2017, there was no allowance balance.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

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. Upon termination of employment a maximum of 120 hours will be paid out.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at their 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 are computed using the U.S. Treasury Bill rate applicable to the years in which the promises are received, which is considered a risk-free rate of return. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are met.

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, as follows:

	<u>2018</u>	<u>2017</u>
Salaries	\$ -	\$ 10,948
Supplies	<u>1,300</u>	<u>771</u>
	<u>\$ 1,300</u>	<u>\$ 11,719</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.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Donated Property

Donations of property are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Restricted Cash

The Organization reports gifts of cash and grants that have been both externally restricted and internally restricted for certain purposes. As of December 31, 2018 and 2017, restricted cash consists of amounts restricted for the other grants and donations.

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2018 through August 2, 2019, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements, except as disclosed in Notes 5 and 9.

Reclassification

Certain amounts as previously presented have been reclassified to conform with the current year presentation.

Adoption of Accounting Standards Update

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. The additional disclosures with qualitative and quantitative information are presented in Note 10 regarding how the Organization manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date. The Organization has adopted this new pronouncement effective January 1, 2018 and the prior year presentation is conformed.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Adoption of Accounting Standards Update - Continued

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this ASU require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU requires retrospective application, and is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. The Organization has elected to early adopt ASU 2016-18 retrospectively for the year ended December 31, 2017. The adoption resulted in a net increase of \$26,844 in cash, cash equivalents, and restricted cash for the year ended December 31, 2017 on the statements of cash flows.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 5,000	\$ -
Receivable in one to five years	<u>15,000</u>	<u>-</u>
	20,000	-
Less unamortized discount at 2.75%	<u>(1,169)</u>	<u>-</u>
	<u>\$ 18,831</u>	<u>\$ -</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Fixed assets are capitalized at cost, with depreciation provided for on the straight-line method over the estimated useful lives of 3 to 8 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 benefiting from the use of the property or equipment. The major classes of depreciable assets as of December 31 consist of:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 91,296	\$ 91,296
Building and improvements	<u>348,304</u>	<u>348,304</u>
	439,600	439,600
Less: Accumulated depreciation	<u>335,855</u>	<u>325,349</u>
	<u>\$ 103,745</u>	<u>\$ 114,251</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASED PROPERTY AND SUBSEQUENT EVENTS

Land Lease

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 programs, a meeting and office facility (Facility A), and a facility available for public use as allowed by King County (Facility B).

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. Vashon Youth and Family Services will be obligated to continue to operate youth and family counseling services at Facility B through approximately November 30, 2021.

Copier Lease

In 2013, the Organization entered into a noncancellable lease for a Ricoh copier, which is classified as an operating lease. The commencement of the lease was October 1, 2013 with an initial term of 60 months through October 31, 2018. The lease was renewed in March 2019 with an initial term of 60 months through February 2024, and minimum monthly payments of \$169. Lease payments and copier cost expense for the years ended December 31, 2018 and 2017 was approximately \$5,805 and \$5,285, respectively.

Commercial Space Lease

In July 2017, the Organization entered into a commercial lease agreement with Island Jungle L.L.C for a portion of the PlaySpace building. The term of the lease is one year, commencing July 16, 2017 with the annual rent of \$14,400. The Organization paid one half of the costs of gas and electricity and the landlord covered full costs of garbage collection, water, and sewer. Effective July 15, 2018, the Organization entered into a triple net lease agreement with Vetpetconnect LLC for a period of one year, with monthly rent of \$2,233. For years end December 31, 2018 and 2017, the commercial lease rent totaled \$18,282 and \$8,400, respectively. On July 16, 2019, the lease was renewed for one year with monthly rent of \$2,400.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASED PROPERTY AND SUBSEQUENT EVENTS - (CONTINUED)

The approximate future minimum annual lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 29,488
2020	30,828
2020	2,028
2022	2,028
2023	2,028

NOTE 6 - REPAYMENT OBLIGATION

Chemical Dependency (CD) Program Repayment Debt

CD program repayments reflected in these financial statements refer to a repayment obligation stemming from improperly documented billings submitted to King County and Title XIX for chemical dependency services delivered between March 1, 2012 and June 24, 2013. The repayment obligation was structured to occur during fiscal years 2014 and 2015, which consists of the following:

Program repayment obligation with King County Mental Health, Chemical Abuse and Dependency Services Division County Community Services, was unsecured with 0% interest in the original amount of \$11,000. As of December 31, 2014, the repayment obligation to King County in the amount of \$11,000 has been paid in full.

Program repayment obligation with Provider One, Title XIX, is unsecured with 0% interest in the amount of \$17,992. As of December 31, 2018 and 2017, the outstanding balance totaled \$17,419, each year. As of December 31, 2018, management has been unable to identify the repayment procedures with Provider One.

NOTE 7 - NOTE PAYABLE

Note Payable - PlaySpace

The note, dated May 9, 2011, had an interest rate of 4%, for a period of 5 years. Required monthly payments were interest only until maturity. Proceeds of the note were used to acquire and remodel the PlaySpace property. Effective January 1, 2015, the unpaid principal balance in the amount of \$210,000 was extended to January 1, 2020. The note was secured by a first deed of trust on the PlaySpace building. In addition, pledges made to capital campaign of the Organization were collateral for the note and placed in a restricted account. The note was paid in full during 2017 from proceeds of the sale of PlaySpace, which was sold for \$530,000.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMPLIANCE AND CONTINGENCIES

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Annual revenues for 2018 and 2017 are \$1,578,476 and \$1,132,744, respectively. Approximately 39% for 2018 and 47% for 2017 of its annual revenue is from Navos Title XIX-Medicaid. A significant increase or decrease 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 agreements. Failure to fulfill these conditions could result in the return of funds to the grantors.

NOTE 9 - RELATED PARTY TRANSACTION AND SUBSEQUENT EVENT

Loan payable - Board President

In April 2019, the Organization entered into a loan agreement with the Board President in the amount of \$25,000 with no interest, the loan is unsecured and due on December 31, 2019.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by \$45,962 not available for general use, being restricted by the King County Healthier Here program for use in creating and maintaining electronic health records. The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's financial assets available within one year of the statement of financial position for general expenditure are as follows:

Current financial assets at year-end	<u>December 31, 2018</u>
Cash and cash equivalents	\$ 97,807
Grants and contract receivable	125,173
Unconditional promises to give	<u>5,000</u>
Total current financial assets	227,980
Less amounts not available for general expenditures within one year:	
Funds restricted by the King County	<u>(45,962)</u>
Total current financial assets available	<u>\$ 182,018</u>

VASHON YOUTH AND FAMILY SERVICES

SCHEDULES OF GRANTS AND FEES

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
King County:		
Public Health - BSK program	\$ 84,813	\$ 14,932
Public Health - Parents as Teachers program	176,927	-
Public Health - Kaleidoscope program	9,500	-
Youth & Family Services	<u>40,136</u>	<u>37,936</u>
	226,563	37,936
Community Development Block Grant:		
Housing Stability Project	1,600	1,798
U.S. Department of Health and Human Services		
Substance abuse and mental health services	1,500	-
Washington State Department of Social and Health Services	42,006	35,304
Superintendent of Public Instruction Child and Adult Care Food Program	1,629	1,550
Navos Title XIX-Medicaid	<u>620,467</u>	<u>533,602</u>
Total Grants and Fees	<u>\$ 978,578</u>	<u>\$ 625,122</u>