

VASHON YOUTH AND FAMILY SERVICES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Loveridge Hunt & Co., PLLC
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, 2020 and 2019, 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, 2020 and 2019, 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.

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 19 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
June 2, 2021

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 95,556	\$ 10,306
Board-designated reserve	220,081	-
Grants and contracts receivable	150,655	93,290
Unconditional promises to give - current (See Note 3)	<u>5,000</u>	<u>5,000</u>
Total current assets	471,292	108,596
Other assets:		
Unconditional promises to give, net (See Note 3)	3,831	8,831
Cash restricted	28,300	17,547
Property and equipment, net	<u>98,795</u>	<u>95,950</u>
	<u>130,926</u>	<u>122,328</u>
 Total Assets	 \$ <u>602,218</u>	 \$ <u>230,924</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 15,440	\$ 14,353
Accrued payroll	37,753	49,517
Accrued vacation	37,779	34,603
Due to other organizations	3,500	50
Deferred revenue	25,488	-
Repayment obligation (See Note 6)	-	17,419
Note payable to related party (See Note 8)	-	25,000
PPP loan payable (See Note 10)	<u>229,800</u>	<u>-</u>
Total current liabilities	349,760	140,942
Net assets:		
Net assets without donor restrictions		
Undesignated	21,703	89,982
Board-designated funds	<u>220,081</u>	<u>-</u>
Total net assets without donor restrictions	241,784	89,982
Net assets with donor restrictions	<u>10,674</u>	<u>-</u>
Total Net assets	<u>252,458</u>	<u>89,982</u>
 Total Liabilities and Net Assets	 \$ <u>602,218</u>	 \$ <u>230,924</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 200,920	\$ 169,111	\$ 370,031	\$ 156,880	\$ 110,413	\$ 267,293
Donation goods & services	60	-	60	319	-	319
Contract and grant revenue	1,096,749	-	1,096,749	1,026,742	-	1,026,742
Interest income	80	-	80	21	-	21
Program services income	221,720	-	221,720	208,715	-	208,715
Special events, net	12,280	-	12,280	15,848	-	15,848
Rent	80	-	80	386	-	386
Other income	5,061	-	5,061	5,109	-	5,109
Contracted Services	28,438	-	28,438	17,000	-	17,000
Debt forgiveness (See Note 6)	17,419	-	17,419	-	-	-
Net assets released from restrictions	<u>158,437</u>	<u>(158,437)</u>	<u>-</u>	<u>110,413</u>	<u>(110,413)</u>	<u>-</u>
TOTAL REVENUE, GAIN, AND OTHER SUPPORT	<u>1,741,244</u>	<u>10,674</u>	<u>1,751,918</u>	<u>1,541,433</u>	<u>-</u>	<u>1,541,433</u>
EXPENSES						
Program Services	1,397,292	-	1,397,292	1,514,900	-	1,514,900
Management & general	80,748	-	80,748	50,442	-	50,442
Fundraising	<u>111,402</u>	<u>-</u>	<u>111,402</u>	<u>81,201</u>	<u>-</u>	<u>81,201</u>
TOTAL EXPENSES	<u>1,589,442</u>	<u>-</u>	<u>1,589,442</u>	<u>1,646,543</u>	<u>-</u>	<u>1,646,543</u>
Change in net assets from operations	151,802	10,674	162,476	(105,110)	-	(105,110)
NET ASSETS, Beginning	<u>89,982</u>	<u>-</u>	<u>89,982</u>	<u>195,092</u>	<u>-</u>	<u>195,092</u>
NET ASSETS, Ending	<u>\$ 241,784</u>	<u>\$ 10,674</u>	<u>\$ 252,458</u>	<u>\$ 89,982</u>	<u>\$ -</u>	<u>\$ 89,982</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, 2020

	Program Services	Management & General	Fundraising	Total 2020
Salaries	\$ 997,556	\$ 7,777	\$ 82,677	\$ 1,088,010
Payroll taxes/benefits	<u>141,558</u>	<u>3,246</u>	<u>9,006</u>	<u>153,810</u>
	1,139,114	11,023	91,683	1,241,820
Communications	21,290	660	2,870	24,820
Travel & training	7,221	-	-	7,221
Direct support - clients	35,338	-	-	35,338
Physical plant & equipment	101,850	38,477	3,433	143,760
Insurance	6,415	9,966	573	16,954
Licenses & fees	15,098	2,465	3,984	21,547
Office supplies & printing	6,223	599	9,028	15,850
Professional services	17,315	10,226	-	27,541
Program support	19,080	1,527	-	20,607
Taxes	-	1,973	-	1,973
Bad debt	1,553	-	-	1,553
Building lease	28,800	-	-	28,800
Miscellaneous expense	<u>434</u>	<u>4,035</u>	<u>34</u>	<u>4,503</u>
	1,399,731	80,951	111,605	1,592,287
Depreciation	<u>(2,439)</u>	<u>(203)</u>	<u>(203)</u>	<u>(2,845)</u>
Total Expenses	<u>\$ 1,397,292</u>	<u>\$ 80,748</u>	<u>\$ 111,402</u>	<u>\$ 1,589,442</u>

Continued on Page 6.

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2019

	Program Services	Management & General	Fundraising	Total 2019
Salaries	\$ 1,018,321	\$ 15,190	\$ 64,836	\$ 1,098,347
Payroll taxes/benefits	<u>125,190</u>	<u>3,969</u>	<u>5,652</u>	<u>134,811</u>
	1,143,511	19,159	70,488	1,233,158
Communications	20,084	888	2,229	23,201
Travel & training	10,732	-	127	10,859
Direct support - clients	50,406	-	-	50,406
Physical plant & equipment	97,659	3,127	2,281	103,067
Insurance	4,728	7,095	434	12,257
Licenses & fees	16,540	16	3,201	19,757
Office supplies & printing	4,457	209	1,395	6,061
Professional services	76,187	10,933	-	87,120
Program support	26,690	319	700	27,709
Taxes	-	2,092	-	2,092
Bad debt	29,233	-	-	29,233
Building lease	27,798	-	-	27,798
Miscellaneous expense	<u>1,901</u>	<u>4,023</u>	<u>106</u>	<u>6,030</u>
	1,509,926	47,861	80,961	1,638,748
Depreciation	<u>4,974</u>	<u>2,581</u>	<u>240</u>	<u>7,795</u>
Total Expenses	<u>\$ 1,514,900</u>	<u>\$ 50,442</u>	<u>\$ 81,201</u>	<u>\$ 1,646,543</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>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 162,476	\$ (105,110)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	(2,845)	7,795
Debt forgiveness (See Note 6)	(17,419)	-
Changes in certain assets and liabilities:		
Grants and contracts receivable	(57,365)	31,883
Unconditional promises to give	5,000	5,000
Accounts payable	1,087	(2,915)
Accrued payroll and vacation	(8,588)	498
Due to other organizations	3,450	(10,754)
Deferred revenue	<u>25,488</u>	<u>(45,962)</u>
Net cash provided (used) by operating activities	111,284	(119,565)
Cash flows from financing activities:		
Proceeds from PPP loan payable	229,800	-
Proceeds from notes payable to related party	-	37,000
Principal payments on notes payable to related party	<u>(25,000)</u>	<u>(12,000)</u>
Net cash provided by financing activities	<u>204,800</u>	<u>25,000</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	316,084	(94,565)
Cash, cash equivalents, and restricted cash - beginning of year	<u>27,853</u>	<u>122,418</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 343,937</u>	<u>\$ 27,853</u>

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.

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.

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, even though their use may be limited in other respects, such as by board designation. As of December 31, 2020, board-designated net assets totaled \$220,081. There were no board-designated net assets at December 31, 2019.

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.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Activity relating to the net assets with donor-imposed restrictions during the years ended December 31, 2020 and 2019 are as follows, which are subject to use restrictions:

	January 1, 2020	Contributions Received	Released	December 31, 2020
Latino Outreach/Scholarships	\$ -	\$ 8,900	\$ (8,900)	\$ -
HealthierHere Multilingual COVID-19 Response	-	11,857	(11,857)	-
Case Management	-	52,912	(52,912)	-
Substance Use Disorder	-	2,897	(2,223)	674
Dept Children Youth & Families- COVID-19	-	15,500	(15,500)	-
ChildCare Resources COVID-19 Relief	-	15,000	(15,000)	-
Vashon Kids Programs/Scholarships	-	52,045	(52,045)	-
Multicare Youth UCC Grant	-	5,000	-	5,000
Beardsley Scholarship Grant	-	5,000	-	5,000
	<u>\$ -</u>	<u>\$ 169,111</u>	<u>\$ (158,437)</u>	<u>\$ 10,674</u>

	January 1, 2019	Contributions Received	Released	December 31, 2019
Latino Outreach/Scholarships	-	\$ 9,260	\$ (9,260)	-
Case Management	-	70,566	(70,566)	-
Uncompensated Care	-	5,000	(5,000)	-
Vashon Kids Programs/Scholarships	-	25,587	(25,587)	-
	<u>\$ -</u>	<u>\$ 110,413</u>	<u>\$ (110,413)</u>	<u>\$ -</u>

Income Taxes

The Organization is exempt from federal income tax as an entity described in Section 501(c)(3) of the Internal Revenue Code. As a result, there is no provision for federal income taxes in these financial statements and no federal income taxes were paid. 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 income tax examination.

Restricted Cash

As of December 31, 2020 and 2019, restricted cash consists of amounts restricted for grants and donations.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Cash, Cash Equivalents, and Restricted Cash

For purposes of the statement of cash flows, the Organization considers all money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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> 2020	<u>December 31,</u> 2019
Cash and cash equivalents	\$ 95,556	\$ 10,306
Board-designated reserve	220,081	-
Cash restricted	<u>28,300</u>	<u>17,547</u>
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 343,937</u>	<u>\$ 27,853</u>

Depreciation

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets. See Note 4 for details.

Deferred Revenue

Revenue received in advance of the period in which it is earned is deferred. Deferred revenue includes advance payments on grants and contracts, which will be recognized as costs incurred under the terms of the agreements. It also includes payments on conditional contributions received where the donor's conditions have not been met.

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, 2020 and 2019, 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.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. Conditional contributions received are accounted as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome. Unconditional contributions with no purpose or time restricted are recognized as revenue without donor restrictions.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

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>2020</u>	<u>2019</u>
Supplies	\$ 60	\$ 319

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 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.

Contract and Grant Revenue

A substantial portion of the public support and revenue of the Organization is derived from grants and contracts administered by various agencies. Contract and grant revenue is reported at the estimated net realizable amount. Grants and contracts are subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2020 and 2019, no such adjustments were made.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Contract and Grant Revenue - (Continued)

The Organization provides care to patients under Medicaid through a contract with Navos for the period January 1, 2019 through September 2019, and a contract with King County Department of Community and Human Services for the period from October 1, 2019 through December 31, 2020. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Rate adjustments from Medicaid are recorded and subsequent adjustments to these amounts are recorded in revenues when known. Billings are subject to audit and possible retroactive adjustment, and related revenue is recorded at the amount the Organization ultimately expects to receive. As of December 31, 2020 and 2019, receivable under the contract totaled \$133,771 and \$53,164, respectively.

In accordance with ASC 606-10-50-13, the Organization is required to include disclosure on its remaining performance obligations as of the end of the current reporting period. Due to the nature of the contracts of the Organization, these reporting requirements are not applicable. The majority of the Organization's remaining contracts meet certain exemptions as defined in ASC 606-10-50-14 through 606-10-50-14A, including performance obligation is part of a contract that has an original expected duration of one year or less (606-10-50-14A), and the right to invoice practical expedient (ASC 606-10-55-18), which allows the Organization to recognize revenue from contracts over time to recognize revenue in an amount that corresponds directly with the value to the customer of the Organization's performance completed to date.

Program Services Income

Program services income consists of program service fees revenue, which is related to fee for service contracts with customers to provide training, consultation services and educational programs. Program service fees are set by contracts established with customers. Program services income is recognized as performance obligations are satisfied. The Organization reviews individual contracts, at the time of performance, in order to determine estimated uncollectible amounts due from customers and records these implicit price concessions as a direct reduction to revenue. Based on this, the Organization determined there are no implicit price concessions. Management fees are recognized ratably over the period that the services are performed.

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2020 through June 2, 2021, 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 Note 10.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 5,000	\$ 5,000
Receivable in one to five years	<u>5,000</u>	<u>10,000</u>
	10,000	15,000
Less unamortized discount at 2.75%	<u>(1,169)</u>	<u>(1,169)</u>
	<u>\$ 8,831</u>	<u>\$ 13,831</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 net assets without donor restrictions 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. During 2020, management discovered that some assets were over-depreciated in earlier years resulting in higher depreciation expense and lower net asset value. An adjustment was made to the 2020 expense to correct the accumulated depreciation balance at December 31, 2020. The major classes of depreciable assets as of December 31 consist of:

	<u>2020</u>	<u>2019</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>340,805</u>	<u>343,650</u>
	<u>\$ 98,795</u>	<u>\$ 95,950</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASE AGREEMENTS

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, 2020 and 2019 was approximately \$3,440 and \$4,318, respectively.

Commercial Space Lease

Effective July 15, 2018, the Organization entered into a triple net lease agreement with Vetpetconnect LLC (Lessor) for a period of one year, with monthly rent of \$2,230. On July 16, 2019, the lease was renewed for one year with monthly rent of \$2,400 and the lease was renewed on July 16, 2020 for a period of one year. For the years end December 31, 2020 and 2019, the commercial lease rent totaled \$28,800 and \$27,798, respectively.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASED AGREEMENTS - (CONTINUED)

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

<u>Year</u>	<u>Amount</u>
2021	\$ 18,828
2022	2,028
2023	2,028
2024	338
2025	-

NOTE 6 - REPAYMENT OBLIGATION

Program repayment obligation with Provider One, Title XIX, was unsecured with 0% interest in the amount of \$17,992. As of December 31, 2019, the outstanding balance totaled \$17,419. Per confirmation with Provider One, the outstanding balance was no longer owed by the Organization, as a result, the outstanding balance of \$17,419 was written off as debt forgiveness as of December 31, 2020.

NOTE 7 - COMPLIANCE AND CONTINGENCIES

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Annual revenues for 2020 and 2019 are \$1,751,918 and \$1,541,433, respectively. Approximately 39% for 2020 and 41% for 2019 of its annual revenue is from Navos and King County 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 8 - RELATED PARTY TRANSACTIONS

Loans payable to Board Members

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 was unsecured and due on December 31, 2019. The loan was paid off in May 2020 and 3% interest was charged on the loan for January through May 2020 totaling \$281.

During 2019, the Organization also received four other short-terms loans in the amounts of \$1,000, \$2,000, \$7,000, \$2,000 from the Board members as a condition for a donation from a donor, which were all paid in full during 2019.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2020 and 2019. 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:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current financial assets at year-end		
Cash and cash equivalents	\$ 95,556	\$ 10,306
Board-designated reserve	220,081	-
Grants and contract receivable	150,655	93,290
Unconditional promises to give	<u>5,000</u>	<u>5,000</u>
Total current financial assets	471,292	108,596
Less amounts not available for general expenditures within one year:		
Funds restricted	<u>(25,488)</u>	<u>-</u>
Total current financial assets available	<u>\$ 445,804</u>	<u>\$ 108,596</u>

NOTE 10 - PPP LOAN PAYABLE AND SUBSEQUENT EVENT

Effective May 2, 2020, the Organization entered into a Loan Agreement with HomeStreet Bank for the principal amount of \$229,800. The note provides for the fixed interest rate of 1% . Principal and interest payments on the loan, totaling \$12,868 per month, are due on the first calendar day beginning 7 months from the month this note is dated. All remaining principal and accrued interest is due and payable 2 years from date of this note. In accordance with the Loan Agreement, all individual and entities signing this note are jointly and severally liable, the agreement was signed by the Board President of the Organization. The purpose of the loan is to provide the SBA (U.S. Small Business Administration) backed Paycheck Protection Program (PPP) loan so that a business is able to continue to pay their employees under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PPP allows loan forgiveness for eligible expenditures. Subsequent to year-end, on June 2, 2021, the Organization was informed by HomeStreet Bank that its loan forgiveness application has been approved.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 11 - COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Organization's operations. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

NOTE 12 - CORONAVIRUS RELIEF FUND

During 2020, the Organization received \$46,108 in federal funds for Coronavirus Relief Fund through King County and were fully used for eligible expenses.

VASHON YOUTH AND FAMILY SERVICES

SCHEDULES OF GRANTS AND FEES

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Public Health - Seattle & King County:		
Public Health - BSK program	\$ 50,000	\$ 100,000
Public Health - Parents as Teachers program	118,352	156,657
Public Health - Kaleidoscope program	12,688	15,225
Youth & Family Services	<u>42,661</u>	<u>41,465</u>
	223,701	213,347
King County:		
Housing Stability Project	1,562	1,675
Mental Illness and Drug Dependency (MIDD)	83,638	-
Grants for COVID-19 related expenses	85,791	-
U.S. Department of Health and Human Services		
Substance abuse and mental health services	-	1,000
Washington State Department of Social and Health Services	-	31,358
Washington State Department of Health Care Authority	23,418	-
Superintendent of Public Instruction Child and Adult Care Food Program	201	1,488
Navos and King County Title XIX-Medicaid	678,438	631,912
HealthierHere grant for electronic record software	<u>-</u>	<u>45,962</u>
Total Grants and Fees	<u>\$ 1,096,749</u>	<u>\$ 1,026,742</u>