

VASHON YOUTH AND FAMILY SERVICES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014



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 (the Organization), which comprise the statements of financial position as of December 31, 2015, and 2014, 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Lovridge Hunt & Co., PLLC

Bellevue, Washington
June 27, 2016

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 18,961	\$ 74,541
Cash - payroll	53,363	58,084
Grants and contracts receivable	74,465	77,459
Prepaid Expenses	<u>7</u>	<u>5,609</u>
Total current assets	146,796	215,693
Other assets:		
Unconditional promises to give (See Note 3)	3,950	34,950
Cash restricted	13,581	18,446
Property and equipment, net	<u>642,645</u>	<u>635,737</u>
	<u>660,176</u>	<u>689,133</u>
 Total Assets	 \$ <u>806,972</u>	 \$ <u>904,826</u>

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VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 24,373	\$ 30,210
Accrued payroll	74,147	59,676
Accrued vacation	37,899	24,717
Due to other organizations	4,126	2,377
Rental deposit	1,875	1,000
Current portion - repayment obligation (See Note 6)	17,419	17,419
Current portion - note payable - PlaySpace (See Note 7)	<u>7,259</u>	<u>4,078</u>
Total current liabilities	167,098	139,477
Other liabilities:		
Note payable - PlaySpace (See Note 7)	<u>180,347</u>	<u>205,922</u>
Total liabilities	347,445	345,399
Net assets:		
Unrestricted net assets	421,162	501,413
Temporarily restricted net assets (See Note 2)	<u>38,365</u>	<u>58,014</u>
Total Net assets	<u>459,527</u>	<u>559,427</u>
Total Liabilities and Net Assets	<u>\$ 806,972</u>	<u>\$ 904,826</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	2015 Total	Unrestricted	Temporarily Restricted	2014 Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 140,784	\$ 60,000	\$ 200,784	\$ 130,856	\$ 14,500	\$ 145,356
Donation goods & services	61,712	-	61,712	112,615	-	112,615
Grants & fees	605,978	-	605,978	691,173	-	691,173
Contract services	27,067	-	27,067	30,408	-	30,408
Interest income	56	-	56	32	-	32
Program services fees	274,097	-	274,097	236,558	-	236,558
Special events, net	3,469	-	3,469	7,934	-	7,934
Rent	14,993	-	14,993	8,100	-	8,100
Other income	660	-	660	176	-	176
Net assets released from restrictions	<u>79,649</u>	<u>(79,649)</u>	<u>-</u>	<u>22,420</u>	<u>(22,420)</u>	<u>-</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>1,208,465</u>	<u>(19,649)</u>	<u>1,188,816</u>	<u>1,240,272</u>	<u>(7,920)</u>	<u>1,232,352</u>
EXPENSES						
Program Services	1,017,625	-	1,017,625	986,474	-	986,474
Management & general	210,643	-	210,643	159,317	-	159,317
Fundraising	<u>60,448</u>	<u>-</u>	<u>60,448</u>	<u>60,451</u>	<u>-</u>	<u>60,451</u>
TOTAL EXPENSES	<u>1,288,716</u>	<u>-</u>	<u>1,288,716</u>	<u>1,206,242</u>	<u>-</u>	<u>1,206,242</u>
Change in net assets from operations	<u>(80,251)</u>	<u>(19,649)</u>	<u>(99,900)</u>	<u>34,030</u>	<u>(7,920)</u>	<u>26,110</u>
Total change in net assets	\$ (80,251)	\$ (19,649)	\$ (99,900)	\$ 34,030	\$ (7,920)	\$ 26,110
NET ASSETS, Beginning	<u>501,413</u>	<u>58,014</u>	<u>559,427</u>	<u>467,383</u>	<u>65,934</u>	<u>533,317</u>
NET ASSETS, Ending	<u>\$ 421,162</u>	<u>\$ 38,365</u>	<u>\$ 459,527</u>	<u>\$ 501,413</u>	<u>\$ 58,014</u>	<u>\$ 559,427</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, 2015
(With Comparative Totals for 2014)

	Program Services	Management & General	Fundraising	Total 2015	Total 2014
Salaries	\$ 547,026	\$ 128,396	\$ 39,254	\$ 714,676	\$ 710,565
Salaries in-kind	61,234	-	-	61,234	112,421
Payroll taxes/benefits	<u>98,723</u>	<u>11,766</u>	<u>3,313</u>	<u>113,802</u>	<u>73,140</u>
	706,983	140,162	42,567	889,712	896,126
Communications	16,695	1,925	10,515	29,135	20,031
Travel & training	14,228	2,385	27	16,640	17,109
Direct support - clients	75,666	-	-	75,666	84,868
Physical plant & equipment	38,772	15,958	1,384	56,114	47,399
Insurance	6,007	4,088	96	10,191	11,439
Licenses & fees	5,683	3,794	69	9,546	8,911
Office supplies & printing	6,003	3,831	869	10,703	11,838
Professional services	99,378	11,399	4,251	115,028	55,699
Program support	23,840	-	-	23,840	23,493
Taxes	-	1,003	-	1,003	1,718
Interest	-	7,877	-	7,877	8,400
Bad debt	8,873	11,000	-	19,873	-
Miscellaneous expense	<u>1,086</u>	<u>1,152</u>	<u>229</u>	<u>2,467</u>	<u>1,099</u>
	1,003,214	204,574	60,007	1,267,795	1,188,130
Depreciation	<u>14,411</u>	<u>6,069</u>	<u>441</u>	<u>20,921</u>	<u>18,112</u>
Total Expenses	\$ <u>1,017,625</u>	\$ <u>210,643</u>	\$ <u>60,448</u>	\$ <u>1,288,716</u>	\$ <u>1,206,242</u>

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VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2014

	Program Services	Management & General	Fundraising	Total 2014
Salaries	\$ 563,946	\$ 106,854	\$ 39,765	\$ 710,565
Salaries in-kind	112,421	-	-	112,421
Payroll taxes/benefits	<u>57,860</u>	<u>11,334</u>	<u>3,946</u>	<u>73,140</u>
	734,227	118,188	43,711	896,126
Communications	14,932	1,879	3,220	20,031
Travel & training	16,877	205	27	17,109
Direct support - clients	84,868	-	-	84,868
Physical plant & equipment	37,567	6,400	3,432	47,399
Insurance	7,093	4,277	69	11,439
Licenses & fees	3,881	3,576	1,454	8,911
Office supplies & printing	7,439	1,817	2,582	11,838
Professional services	31,622	18,464	5,613	55,699
Program support	22,383	1,083	27	23,493
Taxes	1,718	-	-	1,718
Interest	8,400	-	-	8,400
Miscellaneous expense	<u>1,099</u>	<u>-</u>	<u>-</u>	<u>1,099</u>
	972,106	155,889	60,135	1,188,130
Depreciation	<u>14,368</u>	<u>3,428</u>	<u>316</u>	<u>18,112</u>
Total Expenses	<u>\$ 986,474</u>	<u>\$ 159,317</u>	<u>\$ 60,451</u>	<u>\$ 1,206,242</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash

	<u>Years Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (99,900)	\$ 26,110
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	20,921	18,112
Changes in certain assets and liabilities:		
Accounts receivable	2,994	(632)
Prepaid expenses	5,602	(1,894)
Unconditional promises to give	31,000	4,000
Accounts payable	(5,837)	697
Accrued payroll and vacation	32,374	(7,791)
Deposits and due to other organizations	2,624	(3,875)
Repayment obligation	-	(11,573)
Net cash provided (used) by operating activities	<u>(10,222)</u>	<u>23,154</u>
Cash flows from investing activities:		
Purchase of depreciable assets	(27,829)	-
Net proceeds from restricted cash account	<u>4,865</u>	<u>6,068</u>
Net cash provided (used) by investing activities	(22,964)	6,068
Cash flows from financing activities:		
Principal payments on note payable	<u>(22,394)</u>	<u>-</u>
Net increase (decrease) in cash	(55,580)	29,222
Cash and cash equivalents - beginning of year	<u>74,541</u>	<u>45,319</u>
Cash and cash equivalents - end of year	<u>\$ 18,961</u>	<u>\$ 74,541</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,877	\$ 8,400

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. United Way funding helps to support general and specific Organization purposes. 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.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Basis of Presentation

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

Unrestricted net assets – Net assets not subject to donor restrictions.

Temporarily restricted net assets – Net assets subject to donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor restrictions are maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2015 and 2014.

Activity relating to the temporarily restricted net assets during the year ended December 31, 2015 and 2014 is as follows:

	January 1, 2015	Contributions Received	Released	December 31, 2015
Capital Campaign - PlaySpace	\$ 43,514	\$ -	\$ (20,271)	\$ 23,243
Community Wellness	<u>14,500</u>	<u>60,000</u>	<u>(59,378)</u>	<u>15,122</u>
	<u>\$ 58,014</u>	<u>\$ 60,000</u>	<u>\$ (79,649)</u>	<u>\$ 38,365</u>
	January 1, 2014	Contributions Received	Released	December 31, 2014
Counseling Programs	\$ 8,000	\$ -	\$ (8,000)	\$ -
Capital Campaign - PlaySpace	51,914	-	(8,400)	43,514
Vashon Health Center	1,020	-	(1,020)	-
Basic Needs	5,000	-	(5,000)	-
Community Wellness	<u>-</u>	<u>14,500</u>	<u>-</u>	<u>14,500</u>
	<u>\$ 65,934</u>	<u>\$ 14,500</u>	<u>\$ (22,420)</u>	<u>\$ 58,014</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 debt covenants and restricted purposes specified by donors. At December 31, 2015 and 2014, there were no cash equivalents.

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, 2015, the allowance for doubtful accounts totaled \$8,873. There was no allowance balance as of December 31, 2014.

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.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization 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, as follows:

	<u>2015</u>	<u>2014</u>
Salaries	\$ 61,234	\$ 112,421
Supplies	<u>478</u>	<u>194</u>
	<u>\$ 61,712</u>	<u>\$ 112,615</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.

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, 2015 and 2014, restricted cash consists of amounts restricted for the Note Payable - PlaySpace (see Note 7) and other grants and donations.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2015 through June 27, 2016, 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.

NOTE 3 - PROMISES TO GIVE

The Organization had conducted a fund-raising campaign related to the purchase of a building (PlaySpace), which was completed on May 11, 2011, primarily providing space for programs related to early childhood development. The promises to give are restricted to the payment of costs associated with the purchase and maintenance of the building. Promises to give are written off when deemed uncollectible. Pledges receivable in the amount of \$11,000 was written off during the year ended December 31, 2015. Unconditional promises to give at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ -	\$ -
Receivable in one to five years	<u>3,950</u>	<u>34,950</u>
	<u>\$ 3,950</u>	<u>\$ 34,950</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>2015</u>	<u>2014</u>
Furniture and equipment	\$ 118,270	\$ 90,441
Building and improvements	500,896	500,896
Land	<u>346,500</u>	<u>346,500</u>
	965,666	937,837
Less: Accumulated depreciation	<u>323,021</u>	<u>302,100</u>
	<u>\$ 642,645</u>	<u>\$ 635,737</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - 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 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.

In January 2010, 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. In 2013, the Organization entered into a noncancellable lease for another Ricoh copier, which is also 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. Lease payments and copier cost expense for the years ended December 31, 2015 and 2014 was approximately \$5,828 and \$6,933, respectively. The approximate future minimum annual lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 3,212
2017	3,212
2018	2,677
2019	-
2020	-
	<u>\$ 9,101</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014, the outstanding balance totaled \$17,419, each year. During 2015, management received repayment procedures from Provider One. The remaining balance is expected to be paid in full in 2016.

NOTE 7 - NOTE PAYABLE

Note Payable - PlaySpace

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. Proceeds of the note were used to acquire and remodel the PlaySpace property. Per the loan modification dated October 17, 2014, interest on the unpaid principal balance of the note will remain at four percent (4%) per annum for the term of the loan modification. Effective January 1, 2015, the unpaid principal balance in the amount of \$210,000 will be amortized on a twenty year amortization schedule.

The Organization will make monthly payments in the amount of \$1,272.56 with the first monthly payment due on February 1, 2015. The unpaid principal and any accrued and unpaid interest shall be due in full on January 1, 2020. The note is secured by a first deed of trust on the PlaySpace building. In addition, any current and future pledges made to any capital campaign of the Organization should be collateral for the note. All pledges when collected should be placed in a restricted account. As of December 31, 2015 and 2014, the restricted account balance totaled \$7,248 and \$12,416, respectively.

As of December 31, 2015 and 2014, it is not practicable to make a reasonable estimate of fair value for the note payable.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NOTE PAYABLE - (CONTINUED)

Principal Payments

Principal payments on the note for the next 5 years are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 7,259
2017	7,555
2018	7,863
2019	8,183
2020	156,746
2021	-
	<u>\$ 187,606</u>

NOTE 8 - COMPLIANCE AND CONTINGENCIES

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Annual revenue for 2015 and 2014 are \$1,188,816 and \$1,232,352, respectively. Approximately 41% for 2015 and 45% for 2014 of its annual revenue is from Alcohol & Drug Prevention Coalition and 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.

VASHON YOUTH AND FAMILY SERVICES

SCHEDULES OF GRANTS AND FEES

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
King County:		
Permanent housing	\$ -	\$ 10,000
Youth & Family Services	36,419	36,821
Mental Health Chemical Abuse Services	-	10,036
Alcohol & Drug Prevention Coalition	<u>-</u>	<u>70,611</u>
	36,419	127,468
Community Development Block Grant:		
Housing Stability Project	1,308	1,201
Washington State Department of Social and Health Services	21,705	27,447
Superintendent of Public Instruction Child and Adult Care Food Program	2,255	2,707
United Way Community Funding	60,000	45,000
Navos Title XIX-Medicaid	484,291	478,738
Provider I -Title XIX	<u>-</u>	<u>8,612</u>
Total Grants and Fees	<u>\$ 605,978</u>	<u>\$ 691,173</u>