VASHON YOUTH AND FAMILY SERVICES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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 adopted Accounting Standard Updated ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. 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 18 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
July 8, 2020

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,306	$ 97,807
Grants and contracts receivable	93,290	125,173
Unconditional promises to give - current (See Note 3)	5,000	5,000
Total current assets	108,596	227,980
Other assets:		
Unconditional promises to give, net (See Note 3)	8,831	13,831
Cash restricted	17,547	24,611
Property and equipment, net	95,950	103,745
	122,328	142,187
Total Assets	$ 230,924	$ 370,167
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 14,353	$ 17,268
Accrued payroll	49,517	54,052
Accrued vacation	34,603	29,570
Due to other organizations	50	10,804
Deferred revenue	-	45,962
Repayment obligation (See Note 6)	17,419	17,419
Note payable to related party (See Note 8)	25,000	-
Total current liabilities	140,942	175,075
Net assets:		
Net assets without donor restrictions	89,982	195,092
Total Net assets	89,982	195,092
Total Liabilities and Net Assets	$ 230,924	$ 370,167

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2019 and 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2018 Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	$ 156,880	$ 110,413	$ 267,293	$ 158,540	$ 132,936	$ 291,476
Donation goods & services	319	-	319	1,300	-	1,300
Contract and grant revenue	1,026,742	-	1,026,742	978,578	-	978,578
Interest income	21	-	21	42	-	42
Program services income	208,715	-	208,715	277,525	-	277,525
Special events, net	15,848	-	15,848	21,259	-	21,259
Rent	386	-	386	90	-	90
Other income	5,109	-	5,109	2,206	-	2,206
Contracted Services	17,000	-	17,000	6,000	-	6,000
Net assets released from restrictions	110,413	(110,413)	-	142,986	(142,986)	-
TOTAL REVENUE, GAIN, AND OTHER SUPPORT	1,541,433	-	1,541,433	1,588,526	(10,050)	1,578,476
EXPENSES						
Program Services	1,514,900	-	1,514,900	1,348,411	-	1,348,411
Management & general	50,442	-	50,442	151,143	-	151,143
Fundraising	81,201	-	81,201	71,507	-	71,507
TOTAL EXPENSES	1,646,543	-	1,646,543	1,571,061	-	1,571,061
Change in net assets from operations	(105,110)	-	(105,110)	17,465	(10,050)	7,415
NET ASSETS, Beginning	195,092	-	195,092	177,627	10,050	187,677
NET ASSETS, Ending	$ 89,982	$ -	$ 89,982	$ 195,092	$ -	$ 195,092

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

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	125,190	3,969	5,652	134,811
	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	1,901	4,023	106	6,030
	1,509,926	47,861	80,961	1,638,748
Depreciation	4,974	2,581	240	7,795
Total Expenses	$ 1,514,900	$ 50,442	$ 81,201	$ 1,646,543

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VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2018

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

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (105,110)	$ 7,415
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	7,795	10,506
Changes in certain assets and liabilities:		
Grants and contracts receivable	31,883	(40,261)
Unconditional promises to give	5,000	(18,831)
Accounts payable	(2,915)	2,659
Accrued payroll and vacation	498	19,385
Due to other organizations	(10,754)	622
Deferred revenue	(45,962)	45,962
Net cash provided (used) by operating activities	(119,565)	27,457
Cash flows from financing activities:		
Proceeds from notes payable to related party	37,000	-
Principal payments on notes payable to related party	(12,000)	-
Net cash used (provided) by financing activities	25,000	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	(94,565)	27,457
Cash, cash equivalents, and restricted cash - beginning of year	122,418	94,961
Cash, cash equivalents, and restricted cash - end of year	$ 27,853	$ 122,418

The accompanying notes are an integral part of these 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.

Revenue recognition
A substantial portion of the public support and revenue of the Organization is derived from grants and contracts administered by various agencies. Revenue from these grants and contracts is subject to audits that could result in adjustments to revenue. The adjustments are recorded at the time such amounts can first reasonably be determined, normally upon notification by the agencies. Accordingly, revenue is reported at the estimated net realizable amounts to be received from the agencies, contractors, and grantors.

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.

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-imposed restrictions during the years ended December 31, 2019 and 2018 are as follows:

	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)	-
	$ -	$ 110,413	$ (110,413)	$ -

	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)	-
Uncompensated Care	-	5,780	(5,780)	-
Vashon Kids Programs/Scholarships	-	44,846	(44,846)	-
	$ 10,050	$ 132,936	$ (142,986)	$ -

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

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
The Organization reports gifts of cash and grants that have been both externally restricted and internally restricted for certain purposes. As of December 31, 2019 and 2018, restricted cash consists of amounts restricted for the other grants and donations.

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:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 10,306	$ 97,807
Cash restricted	17,547	24,611
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 27,853	$ 122,418

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.

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

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

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, 2019 and 2018, there was no allowance balance.

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.

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:

	2019	2018
Supplies	$ 319	$ 1,300

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
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, 2019 and 2018, no such adjustments were made.

The Organization provides care to patients under Medicaid through a contract with Navos for the period January 1, 2019 through September 2019, and year ended December 31, 2018, and a contract with King County Department of Community and Human Services for the period from October 1, 2019 through December 31, 2020. 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, 2019 and 2018, receivable under the contract totaled $53,164 and $48,711, respectively.

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

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.

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2019 through July 8, 2020, 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, 8 and 10.

Adoption of Accounting Standards Update

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Effective January 1, 2019, the Organization adopted the requirements of the new revenue recognition guidance using a modified retrospective method of application. The adoption of ASU 2014-09 did not result in a change to the accounting for any of the in-scope revenue streams; therefore, no cumulative effect adjustment was recorded. Revenues subject to ASU 2014-09 consist of Medicaid through Navos and King County Department of Community and Human Services, and program services income. Program services income is recognized as performance obligation is satisfied and management fees are recognized ratably over the period that the services are performed.

The Organization receives payments under agreements with the County. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606, Revenue from Contracts with Customers, section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the statement of financial position date.

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

Adoption of Accounting Standards Update - Continued

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. The Organization adopted ASU 2018-08 effective January 1, 2019 and has applied the amendments of this standard on a modified prospective basis only to agreements that were not completed as of that date. The adoption did not have a material effect on the Organization's financial positions or change in net assets.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31 are as follows:

	2019	2018
Receivable in less than one year	$ 5,000	$ 5,000
Receivable in one to five years	10,000	15,000
	15,000	20,000
Less unamortized discount at 2.75%	(1,169)	(1,169)
	$ 13,831	$ 18,831

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

	2019	2018
Furniture and equipment	$ 91,296	$ 91,296
Building and improvements	348,304	348,304
	439,600	439,600
Less: Accumulated depreciation	343,650	335,855
	$ 95,950	$ 103,745

NOTE 5 - LEASED AGREEMENTS AND SUBSEQUENT EVENT

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, 2019 and 2018 was approximately $4,318 and $5,805, respectively.

Commercial Space Lease and Subsequent Event

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 $2,233. For years end December 31, 2019 and 2018, the commercial lease rent totaled $27,798 and $18,282, respectively. On July 16, 2019, the lease was renewed for one year with monthly rent of $2,400. Subsequent to year-end, the lessor has agreed to renew the lease effective July 1, 2020 and not raise the rent for one year.

NOTE 5 - LEASED AGREEMENTS AND SUBSEQUENT EVENT - (CONTINUED)

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

Year	Amount
2020	$ 30,828
2021	16,428
2021	2,028
2023	2,028
2024	2,028

NOTE 6 - REPAYMENT OBLIGATION

Program repayment obligation with Provider One, Title XIX, is unsecured with 0% interest in the amount of $17,992. As of December 31, 2019 and 2018, the outstanding balance totaled $17,419. As of December 31, 2019, management has been unable to identify the repayment procedures with Provider One.

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 2019 and 2018 are $1,541,433 and $1,578,476, respectively. Approximately 41% for 2019 and 39% for 2018 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 TRANSACTION AND SUBSEQUENT EVENT

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 is unsecured and due on December 31, 2019. The loan was paid off in May 2020 and a 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 repaid as of December 31, 2019.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019 and 2018. 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	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 10,306	$ 97,807
Grants and contract receivable	93,290	125,173
Unconditional promises to give	5,000	5,000
Total current financial assets	108,596	227,980
Less amounts not available for general expenditures within one year:		
Funds restricted by the King County	-	(45,962)
Total current financial assets available	$ 108,596	$ 182,018

NOTE 10 - 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 payroll costs.

VASHON YOUTH AND FAMILY SERVICES

SCHEDULES OF GRANTS AND FEES

Years Ended December 31, 2019 and 2018

	2019	2018
King County:		
Public Health - BSK program	$ 100,000	$ 84,813
Public Health - Parents as Teachers program	156,657	176,927
Public Health - Kaleidoscope program	15,225	9,500
Youth & Family Services	41,465	40,136
	213,347	226,563
King County:		
Housing Stability Project	1,675	1,600
U.S. Department of Health and Human Services		
Substance abuse and mental health services	1,000	1,500
Washington State Department of Social and Health Services	31,358	42,006
Superintendent of Public Instruction Child and Adult Care Food Program	1,488	1,629
Navos and King County Title XIX-Medicaid	631,912	620,467
HealthierHere grant for electronic record software	45,962	-
Total Grants and Fees	$ 1,026,742	$ 978,578