

FAMILYWORKS

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2013 AND 2012



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
FamilyWorks
Seattle, Washington

We have audited the accompanying financial statements of FamilyWorks (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FamilyWorks as of December 31, 2013 and 2012, 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.

Jones & Associates LLC, CPAs

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March 24, 2014

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FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 370,235	\$ 305,908
Investments	240,872	239,926
Grant receivables	28,924	32,957
Pledge receivables	32,467	29,257
Total current assets	672,498	608,048
Property and equipment, net	2,155	3,233
	\$ 674,653	\$ 611,281
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 13,037	\$ 19,257
Accrued expenses	29,306	21,653
Total current liabilities	42,343	40,910
 NET ASSETS		
Unrestricted	599,843	541,114
Temporarily restricted	32,467	29,257
	632,310	570,371
	\$ 674,653	\$ 611,281

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 1,003,815	\$ -	\$ 1,003,815
Contributions	197,285	27,467	224,752
Special events, net	59,628	-	59,628
Governmental grants and contracts	295,697	-	295,697
Other grants	129,000	-	129,000
Interest income	946	-	946
Other income	268	-	268
	1,686,639	27,467	1,714,106
Net assets released from restrictions			
Satisfaction of time restriction	24,257	(24,257)	-
	1,710,896	3,210	1,714,106
EXPENSES			
Program services	1,469,086	-	1,469,086
Management and general	98,755	-	98,755
Fundraising	84,326	-	84,326
Total expenses	1,652,167	-	1,652,167
 CHANGE IN NET ASSETS	 58,729	 3,210	 61,939
NET ASSETS			
Beginning of the year	541,114	29,257	570,371
End of the year	\$ 599,843	\$ 32,467	\$ 632,310

**FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 929,628	\$ -	\$ 929,628
Contributions	145,314	29,257	174,571
Special events	35,110	-	35,110
Governmental grants and contracts	287,964	-	287,964
Other grants	100,000	-	100,000
Interest income	764	-	764
Other income	13,313	-	13,313
	1,512,093	29,257	1,541,350
Net assets released from restrictions			
Satisfaction of time restriction	19,582	(19,582)	-
	1,531,675	9,675	1,541,350
EXPENSES			
Program services	1,394,934	-	1,394,934
Management and general	77,652	-	77,652
Fundraising	44,940	-	44,940
Total expenses	1,517,526	-	1,517,526
 CHANGE IN NET ASSETS	 14,149	 9,675	 23,824
NET ASSETS			
Beginning of the year	526,965	19,582	546,547
End of the year	\$ 541,114	\$ 29,257	\$ 570,371

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 136,400	\$ 133,633	\$ 270,033	\$ 15,695	\$ 48,242	\$ 333,970
Taxes and benefits	40,262	15,821	56,083	6,645	20,060	82,788
Total salaries and related	176,662	149,454	326,116	22,340	68,302	416,758
Food assistance to clients	977,475	-	977,475	-	-	977,475
Other supplies assistance to clients	24,784	21,477	46,261	-	-	46,261
Administrative charges	-	-	-	59,371	-	59,371
Rent	18,902	30,841	49,743	2,618	-	52,361
Supplies	-	11,225	11,225	2,943	14,188	28,356
Contracted services	3,826	8,538	12,364	8,980	-	21,344
Utilities	5,070	8,547	13,617	891	-	14,508
Miscellaneous	1,691	5,480	7,171	-	1,836	9,007
Insurance	3,189	2,045	5,234	1,612	-	6,846
Mailing and printing	2,682	2,928	5,610	-	-	5,610
Repair and maintenance	3,892	185	4,077	-	-	4,077
Communications	1,178	2,481	3,659	-	-	3,659
Training	693	2,204	2,897	-	-	2,897
Travel and transportation	796	380	1,176	-	-	1,176
Dues and subscriptions	600	536	1,136	-	-	1,136
Depreciation	1,078	-	1,078	-	-	1,078
Taxes and licenses	200	47	247	-	-	247
	<u>\$ 1,222,718</u>	<u>\$ 246,368</u>	<u>\$ 1,469,086</u>	<u>\$ 98,755</u>	<u>\$ 84,326</u>	<u>\$ 1,652,167</u>

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 107,094	\$ 156,676	\$ 263,770	\$ 6,714	\$ 23,578	\$ 294,062
Taxes and benefits	31,660	34,344	66,004	1,414	2,013	69,431
Total salaries and related	138,754	191,020	329,774	8,128	25,591	363,493
Food assistance to clients	911,960	-	911,960	-	-	911,960
Other supplies assistance to clients	-	16,831	16,831	-	-	16,831
Administrative charges	-	-	-	53,394	-	53,394
Rent	17,934	29,260	47,194	2,484	-	49,678
Supplies	18,804	6,712	25,516	2,229	3,216	30,961
Contracted services	2,331	11,461	13,792	8,981	16,133	38,906
Utilities	6,461	11,275	17,736	933	-	18,669
Miscellaneous	2,541	3,418	5,959	-	-	5,959
Insurance	3,086	2,101	5,187	1,503	-	6,690
Mailing and printing	3,092	3,058	6,150	-	-	6,150
Repair and maintenance	1,693	-	1,693	-	-	1,693
Communications	1,756	3,488	5,244	-	-	5,244
Training	361	616	977	-	-	977
Travel and transportation	3,804	44	3,848	-	-	3,848
Dues and subscriptions	909	783	1,692	-	-	1,692
Depreciation	1,078	-	1,078	-	-	1,078
Taxes and licenses	258	45	303	-	-	303
	<u>\$ 1,114,822</u>	<u>\$ 280,112</u>	<u>\$ 1,394,934</u>	<u>\$ 77,652</u>	<u>\$ 44,940</u>	<u>\$ 1,517,526</u>

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and contracts	\$ 709,900	\$ 577,900
Cash received from interest income and other	1,214	14,077
Cash paid to employees and suppliers	(645,841)	(591,945)
	65,273	32
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(946)	(762)
	(946)	(762)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	64,327	(730)
 CASH AND CASH EQUIVALENTS		
Beginning of the year	305,908	306,638
End of the year	\$ 370,235	\$ 305,908

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – FamilyWorks (the Center) is a food bank and family center that nourishes and strengthens individuals and families by connecting people with support, resources and community. The Center is a not-for-profit established in 1995 in Seattle, Washington. The Center works to strengthen families as the foundation of a vibrant and healthy community.

Basis of Accounting and Presentation – The financial statements of the Center have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted – Net assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets consist of receivables.

Permanently restricted – Net assets whose use by the Center is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Center. There were no permanently restricted net assets at December 31, 2013 and 2012.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Center considers all checking and money market accounts and unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At times, cash and cash equivalents may exceed federally insured limits.

Investments – The Center’s investments consist of certificates of deposit with various banks and are carried at their fair values in the statements of financial position.

Receivables – Receivables are unsecured and consist primarily of grants receivable from government agencies and contribution receivables. Contribution receivables are unconditional promises to give that are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. All amounts are due within one year. No allowance for uncollectible balances has been established by management based upon the Center’s historical experience in the collection of balances due.

Property and Equipment – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of five to seven years. The Center follows a policy whereby it capitalizes purchases of property and equipment over \$3,000 that provide future benefits over a period longer than one year.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition – Contributions and grants are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of donor or grantor restrictions. When a restriction expires, that is when a 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.

Accounting principles allow the Center to treat as unrestricted any restricted revenue where the restrictions are met in the same year. The Center has elected to follow that reporting method. As a result, all activities in which the restrictions have been fully met in the same year as the contribution are recorded in the unrestricted net asset class. Activities in which all restrictions have not been met by the end of the year are included in the temporarily restricted net asset class.

Government Contracts – Revenues from government grants and contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustment made by the funding agencies.

Donated Goods and Services – The Center receives donations of supplies, other than food donations, for program services. Such goods are recognized as support at their estimated fair value on the date of receipt.

The Center calculates food donations based on the number pounds of food received and distributed. For non-federal food donations, the dollar value per pound of food is established by the State of Washington, Emergency Food Assistance Program (EFAP). This valuation was \$1.50 per pound for the year ended December 31, 2012 through June 30, 2013 and increased to \$1.66 per pound effective July 1, 2013. This method was applied consistently and the estimated fair value is not expected to be materially different from that determined using a more detailed measurement of the donated food's fair value. Federal food donations are valued based on pricing lists published by the U.S. Department of Agriculture.

The Center recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provide by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant time to the Center's activities. The Center relies on a strong network of dedicated volunteers. During the years ended December 31, 2013 and 2012, volunteers contributed over 8,000 and 6,500 hours, respectively, to the resource center and food bank. The value of these volunteer services is not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Tax Status – The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Center files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Center is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. These reclassifications did not affect the change in net assets for the current or prior year.

Subsequent Events – Subsequent events were evaluated through the independent auditors’ report date, which is the date the financial statements were available to be issued.

Note 2 – Cash Flow Information

The following reconciles the change in net assets to net cash provided (used) by operating activities for the years ended December 31:

	2013	2012
Change in net assets	\$ 61,939	\$ 23,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,078	1,078
Change in:		
Grant receivables	4,033	(10,070)
Pledge receivables	(3,210)	(9,675)
Accounts payable	(6,220)	(5,575)
Accrued expenses	7,653	450
	\$ 65,273	\$ 32

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 3 – Property and Equipment

Property and equipment consists of the following for the years ended December 31:

	2013	2012
Furniture and equipment	\$ 30,827	\$ 30,827
Vehicles	25,000	25,000
Leasehold improvements	6,639	6,639
	62,466	62,466
Less accumulated depreciation	(60,311)	(59,233)
	\$ 2,155	\$ 3,233

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of time restricted amounts of \$32,467 and \$29,257 at December 31, 2013 and 2012, respectively.

Note 5 – Special Events

Special events support and revenue is shown in the statement of activities net of consumable costs that directly benefit the participants of the event. Net revenue is as follows for the years ended December 31:

	2013	2012
Contributions (including auction item sales)	\$ 52,775	\$ 30,850
Receipts from ticket sales	15,038	13,313
Less costs of meal	(8,185)	(9,053)
	\$ 59,628	\$ 35,110

Note 6 – Concentration of Risk

In-kind food contributions from two suppliers comprised 41% and 35% of total support and revenue in the years ended December 31, 2013 and 2012, respectively.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

Note 7 – Relationship with Solid Ground

The Center leases office space and operating facilities from Solid Ground under an operating lease that was renewed in 2012 and expires in December 2015. Total rent expense paid to Solid Ground was \$52,361 and \$47,088 for the years ended December 31, 2013 and 2012, respectively. Future minimum rentals under the lease are the following for the years ending December 31:

2014	\$	51,444
2015		<u>51,444</u>
	<u>\$</u>	<u>102,888</u>

In addition, Solid Ground provides financial and technical assistance to the Center, including financial and payroll accounting, certain human relations functions, information technology, trainings, referrals, office support in the form of telephones, photocopying, fax services, courier, mailings, and building and equipment management in return for a management fee. Charges for these services are included in the accompanying financial statements. The Center paid Solid Ground management fees of \$59,371 and \$53,394 for the years ended December 31, 2013 and 2012, respectively.