

FAMILYWORKS
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2014 AND 2013



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, 2014 and 2013, 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 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 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, 2014 and 2013, 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

Jones & Associates, LLC CPAs
March 25, 2015

TEL 206.525.5170
1701 NE 104th Street
Seattle, WA 98125-7646
www.judyjonescpa.com

FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|---------------------------------------|------------|------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 358,256 | \$ 370,235 |
| Certificates of deposit | 241,503 | 240,872 |
| Grants receivable | 44,254 | 28,924 |
| Pledges receivable | 40,547 | 32,467 |
| Total current assets | 684,560 | 672,498 |
| Property and equipment, net | 34,262 | 2,155 |
| | \$ 718,822 | \$ 674,653 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 31,488 | \$ 13,037 |
| Accrued expenses | 36,036 | 29,306 |
| Total current liabilities | 67,524 | 42,343 |
| NET ASSETS | | |
| Unrestricted | 610,751 | 599,843 |
| Temporarily restricted | 40,547 | 32,467 |
| | 651,298 | 632,310 |
| | \$ 718,822 | \$ 674,653 |

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

| | Unrestricted | Temporarily Restricted | Total |
|---------------------------------------|-------------------|---------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| In-kind contributions | \$ 976,923 | \$ - | \$ 976,923 |
| Contributions | 205,825 | 40,547 | 246,372 |
| Special events, net | 74,696 | - | 74,696 |
| Governmental grants and contracts | 299,167 | - | 299,167 |
| Other grants | 121,650 | - | 121,650 |
| Interest income | 633 | - | 633 |
| Other income | 1,550 | - | 1,550 |
| | <u>1,680,444</u> | <u>40,547</u> | <u>1,720,991</u> |
| Net assets released from restrictions | | | |
| Satisfaction of time restriction | 32,467 | (32,467) | - |
| | <u>1,712,911</u> | <u>8,080</u> | <u>1,720,991</u> |
| EXPENSES | | | |
| Program services | 1,521,608 | - | 1,521,608 |
| Management and general | 103,981 | - | 103,981 |
| Fundraising | 76,414 | - | 76,414 |
| Total expenses | <u>1,702,003</u> | <u>-</u> | <u>1,702,003</u> |
| CHANGE IN NET ASSETS | 10,908 | 8,080 | 18,988 |
| NET ASSETS | | | |
| Beginning of the year | <u>599,843</u> | <u>32,467</u> | <u>632,310</u> |
| End of the year | <u>\$ 610,751</u> | <u>\$ 40,547</u> | <u>\$ 651,298</u> |

**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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

| | Program Services | | | Support Services | | |
|--------------------------------------|---------------------|-------------------|---------------------|------------------------|------------------|---------------------|
| | Food Bank | Resource Center | Total | Management and General | Fundraising | Total |
| Salaries and wages | \$ 160,847 | \$ 157,929 | \$ 318,776 | \$ 17,917 | \$ 53,980 | \$ 390,673 |
| Taxes and benefits | 47,146 | 35,516 | 82,662 | 4,624 | 11,706 | 98,992 |
| Total salaries and related | 207,993 | 193,445 | 401,438 | 22,541 | 65,686 | 489,665 |
| Food assistance to clients | 942,308 | - | 942,308 | - | - | 942,308 |
| Other supplies assistance to clients | 20,145 | 35,439 | 55,584 | - | - | 55,584 |
| Administrative charges | - | - | - | 65,652 | - | 65,652 |
| Rent | 17,020 | 31,608 | 48,628 | 2,559 | - | 51,187 |
| Contracted services | 2,065 | 11,932 | 13,997 | 9,117 | 6,552 | 29,666 |
| Utilities | 5,217 | 9,689 | 14,906 | 785 | - | 15,691 |
| Supplies | 8,304 | 3,412 | 11,716 | 1,664 | 1,988 | 15,368 |
| Mailing and printing | 4,080 | 4,332 | 8,412 | - | 444 | 8,856 |
| Insurance | 2,908 | 3,029 | 5,937 | 1,663 | - | 7,600 |
| Miscellaneous | 1,426 | 4,279 | 5,705 | - | 1,744 | 7,449 |
| Communications | 1,439 | 2,727 | 4,166 | - | - | 4,166 |
| Depreciation | 2,737 | - | 2,737 | - | - | 2,737 |
| Training | 134 | 2,105 | 2,239 | - | - | 2,239 |
| Travel and transportation | 1,336 | 329 | 1,665 | - | - | 1,665 |
| Dues and subscriptions | 848 | 757 | 1,605 | - | - | 1,605 |
| Repair and maintenance | 415 | - | 415 | - | - | 415 |
| Taxes and licenses | 150 | - | 150 | - | - | 150 |
| | <u>\$ 1,218,525</u> | <u>\$ 303,083</u> | <u>\$ 1,521,608</u> | <u>\$ 103,981</u> | <u>\$ 76,414</u> | <u>\$ 1,702,003</u> |

See accompanying notes to financial statements.

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 |
| Contracted services | 3,826 | 8,538 | 12,364 | 8,980 | - | 21,344 |
| Utilities | 5,070 | 8,547 | 13,617 | 891 | - | 14,508 |
| Supplies | - | 11,225 | 11,225 | 2,943 | 14,188 | 28,356 |
| Mailing and printing | 2,682 | 2,928 | 5,610 | - | - | 5,610 |
| Insurance | 3,189 | 2,045 | 5,234 | 1,612 | - | 6,846 |
| Miscellaneous | 1,691 | 5,480 | 7,171 | - | 1,836 | 9,007 |
| Communications | 1,178 | 2,481 | 3,659 | - | - | 3,659 |
| Depreciation | 1,078 | - | 1,078 | - | - | 1,078 |
| 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 |
| Repair and maintenance | 3,892 | 185 | 4,077 | - | - | 4,077 |
| 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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

| | 2014 | 2013 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributions, grants and contracts | \$ 718,475 | \$ 709,900 |
| Cash received from interest income and other | 2,183 | 1,214 |
| Cash paid to employees and suppliers | (697,162) | (645,841) |
| | 23,496 | 65,273 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of certificates deposit | (631) | (946) |
| Purchase of property and equipment | (34,844) | - |
| | (35,475) | (946) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (11,979) | 64,327 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of the year | 370,235 | 305,908 |
| End of the year | \$ 358,256 | \$ 370,235 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 18,988 | \$ 61,939 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 2,737 | 1,078 |
| Change in: | | |
| Grants receivable | (15,330) | 4,033 |
| Pledges receivable | (8,080) | (3,210) |
| Accounts payable | 18,451 | (6,220) |
| Accrued expenses | 6,730 | 7,653 |
| | \$ 23,496 | \$ 65,273 |

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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. At December 31, 2014 and 2013, temporarily restricted net assets consist of pledges to be received in future years.

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, 2014 or 2013.

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. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificates of Deposit – The Center’s certificates of deposit are held with various banks and are carried at cost plus accrued interest in the statements of financial position.

Grants and Pledges Receivable – Receivables are unsecured and consist of grants receivable from government agencies and pledges from donors. Contributions receivable 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 if purchased, or at fair value if donated. 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, 2014 AND 2013

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

Revenue Recognition – Contributions and other 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. It is the Organization’s policy to recognize restricted contributions and other grants in the unrestricted net asset class if the restrictions have been met in the same year.

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. There were no adjustments resulting from government audits during the years ended December 31, 2014 and 2013.

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 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. During the years ended December 31, 2014 and 2013, volunteers contributed over 8,500 and 8,000 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, 2014 AND 2013

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.

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 – Property and Equipment

Property and equipment consists of the following at December 31:

| | 2014 | 2013 |
|-------------------------------|------------------|-----------------|
| Furniture and equipment | \$ 30,827 | \$ 30,827 |
| Vehicles | 34,844 | 25,000 |
| Leasehold improvements | 6,639 | 6,639 |
| | <u>72,310</u> | <u>62,466</u> |
| Less accumulated depreciation | (38,048) | (60,311) |
| | <u>\$ 34,262</u> | <u>\$ 2,155</u> |

Note 3 – 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 support and revenue is as follows for the years ended December 31:

| | 2014 | 2013 |
|--|------------------|------------------|
| Contributions (including auction item sales) | \$ 78,863 | \$ 52,775 |
| Receipts from ticket sales | 6,000 | 15,038 |
| Less cost of direct donor benefit | (10,167) | (8,185) |
| | <u>\$ 74,696</u> | <u>\$ 59,628</u> |

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 4 – Concentrations of Risk

In-kind food contributions from one supplier comprised 19% and 25% of total support and revenue during the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014, 43% of pledges receivable were due from one donor. There were no significant concentrations of pledges receivable at December 31, 2013.

Government grants from one agency comprised 17% of total support and revenue during each of the years ended December 31, 2014 and 2013. Additionally, 87% and 84% of grants receivable were due from this same agency at December 31, 2014 and 2013, respectively.

Note 5 – Relationship with Solid Ground

The Center leases office space and operating facilities from Solid Ground under an operating lease expiring in December 2015. Total rent expense under this lease was \$51,188 and \$52,361 for the years ended December 31, 2014 and 2013, respectively. Future minimum rentals under the lease are \$51,444 for the year ending December 31, 2015.

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. Total management fees incurred to Solid Ground were \$65,649 and \$59,371 for the years ended December 31, 2014 and 2013, respectively.