

FAMILYWORKS
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016



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, 2017 and 2016, 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, 2017 and 2016, 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 PLLC, CPAs

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April 23, 2018

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FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 674,836	\$ 567,789
Certificates of deposit	246,047	244,532
Grants receivable	35,997	39,268
Pledges receivable	876	14,442
Total current assets	957,756	866,031
 Property and equipment, net	 21,110	 24,459
	\$ 978,866	\$ 890,490
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 57,004	\$ 33,619
Accrued expenses	38,818	43,644
Total current liabilities	95,822	77,263
 NET ASSETS		
Unrestricted	882,168	800,770
Temporarily restricted	876	12,457
	883,044	813,227
	\$ 978,866	\$ 890,490

**FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 925,472	\$ -	\$ 925,472
Contributions	414,780	876	415,656
Special events, net	85,591	-	85,591
Governmental grants and contracts	324,857	-	324,857
Other grants	107,750	-	107,750
Interest income	2,629	-	2,629
Other income	85	-	85
	1,861,164	876	1,862,040
Net assets released from restrictions			
Satisfaction of time restriction	12,457	(12,457)	-
	1,873,621	(11,581)	1,862,040
EXPENSES			
Program services	1,547,898	-	1,547,898
Management and general	124,798	-	124,798
Fundraising	119,527	-	119,527
Total expenses	1,792,223	-	1,792,223
 CHANGE IN NET ASSETS	 81,398	 (11,581)	 69,817
NET ASSETS			
Beginning of the year	800,770	12,457	813,227
End of the year	\$ 882,168	\$ 876	\$ 883,044

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 1,043,410	\$ -	\$ 1,043,410
Contributions	387,120	12,457	399,577
Special events, net	78,564	-	78,564
Governmental grants and contracts	307,241	-	307,241
Other grants	112,000	-	112,000
Interest	1,924	-	1,924
Other	5,802	-	5,802
	<u>1,936,061</u>	<u>12,457</u>	<u>1,948,518</u>
Net assets released from restrictions			
Satisfaction of time restriction	48,329	(48,329)	-
	<u>1,984,390</u>	<u>(35,872)</u>	<u>1,948,518</u>
EXPENSES			
Program services	1,628,253	-	1,628,253
Management and general	111,548	-	111,548
Fundraising	96,953	-	96,953
Total expenses	<u>1,836,754</u>	<u>-</u>	<u>1,836,754</u>
CHANGE IN NET ASSETS	147,636	(35,872)	111,764
NET ASSETS			
Beginning of the year	<u>653,134</u>	<u>48,329</u>	<u>701,463</u>
End of the year	<u>\$ 800,770</u>	<u>\$ 12,457</u>	<u>\$ 813,227</u>

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 172,426	\$ 201,511	\$ 373,937	\$ 18,634	\$ 77,873	\$ 470,444
Taxes and benefits	45,395	39,488	84,883	3,432	13,498	101,813
Total salaries and related	217,821	240,999	458,820	22,066	91,371	572,257
Food assistance to clients	871,218	-	871,218	-	-	871,218
Administrative charges	-	-	-	79,014	-	79,014
Other supplies assistance to clients	25,012	34,880	59,892	-	-	59,892
Rent	23,842	27,959	51,801	2,726	-	54,527
Contracted services	24,299	4,830	29,129	17,408	-	46,537
Supplies	9,774	6,844	16,618	886	12,568	30,072
Utilities	8,170	9,591	17,761	935	-	18,696
Grant writing	-	-	-	-	12,521	12,521
Miscellaneous	1,796	7,720	9,516	-	2,334	11,850
Mailing and printing	2,895	5,783	8,678	-	603	9,281
Insurance	2,734	3,777	6,511	1,763	-	8,274
Depreciation	5,849	-	5,849	-	-	5,849
Communications	1,804	2,699	4,503	-	-	4,503
Training	1,124	1,156	2,280	-	-	2,280
Dues and subscriptions	875	1,255	2,130	-	130	2,260
Repair and maintenance	1,566	-	1,566	-	-	1,566
Travel and transportation	803	173	976	-	-	976
Taxes and licenses	510	140	650	-	-	650
	<u>\$ 1,200,092</u>	<u>\$ 347,806</u>	<u>\$ 1,547,898</u>	<u>\$ 124,798</u>	<u>\$ 119,527</u>	<u>\$ 1,792,223</u>

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 171,107	\$ 167,272	\$ 338,379	\$ 18,488	\$ 60,794	\$ 417,661
Taxes and benefits	46,451	34,026	80,477	4,027	10,802	95,306
Total salaries and related	217,558	201,298	418,856	22,515	71,596	512,967
Food assistance to clients	986,671	-	986,671	-	-	986,671
Administrative charges	-	-	-	72,727	-	72,727
Other supplies assistance to clients	31,380	45,163	76,543	-	-	76,543
Rent	17,702	32,875	50,577	2,663	-	53,240
Contracted services	6,778	12,288	19,066	10,052	-	29,118
Supplies	5,172	13,599	18,771	1,028	14,488	34,287
Utilities	5,565	10,335	15,900	837	-	16,737
Grant writing	-	-	-	-	8,682	8,682
Miscellaneous	1,433	6,944	8,377	-	1,891	10,268
Mailing and printing	8,871	5,143	14,014	-	296	14,310
Insurance	2,515	2,786	5,301	1,726	-	7,027
Depreciation	4,978	-	4,978	-	-	4,978
Communications	1,273	3,228	4,501	-	-	4,501
Training	460	453	913	-	-	913
Dues and subscriptions	611	1,038	1,649	-	-	1,649
Repair and maintenance	1,068	-	1,068	-	-	1,068
Travel and transportation	829	79	908	-	-	908
Taxes and licenses	10	150	160	-	-	160
	<u>\$ 1,292,874</u>	<u>\$ 335,379</u>	<u>\$ 1,628,253</u>	<u>\$ 111,548</u>	<u>\$ 96,953</u>	<u>\$ 1,836,754</u>

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and contracts	\$ 950,776	\$ 930,560
Cash received from interest income and other	2,629	1,924
Cash paid to employees and suppliers	(842,343)	(794,277)
	111,062	138,207
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(1,515)	(2,332)
Purchase of property and equipment	(2,500)	(1,230)
	(4,015)	(3,562)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	107,047	134,645
 CASH AND CASH EQUIVALENTS		
Beginning of the year	567,789	433,144
End of the year	\$ 674,836	\$ 567,789
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 69,817	\$ 111,764
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,849	4,978
Change in:		
Grants receivable	3,271	(6,511)
Pledges receivable	13,566	33,887
Accounts payable	23,385	(9,474)
Accrued expenses	(4,826)	3,563
	\$ 111,062	\$ 138,207

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016.

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 provides future benefits over a period longer than one year.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

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 \$1.73 per pound for 2016 and became \$1.67 per pound beginning in July 2017. 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, 2017 and 2016, volunteers contributed over 9,300 and 7,900 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, 2017 AND 2016

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).

Subsequent Events – Subsequent events were evaluated through April 23, 2018, 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:

	2017	2016
Furniture and equipment	\$ 34,557	\$ 32,057
Vehicles	34,844	34,844
Leasehold improvements	6,639	6,639
	76,040	73,540
Less accumulated depreciation	(54,930)	(49,081)
	\$ 21,110	\$ 24,459

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:

	2017	2016
Contributions (including auction item sales)	\$ 84,400	\$ 81,243
Receipts from ticket sales	11,635	9,010
Less cost of direct donor benefit	(10,444)	(11,689)
	\$ 85,591	\$ 78,564

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Note 4 – In-Kind

In-kind donations consist of the following for the years ended December 31:

	2017	2016
Food inventory	\$ 871,218	\$ 986,672
Clothing and household goods	34,544	42,788
Auction items	12,356	13,950
Legal services	7,354	-
	<u>\$ 925,472</u>	<u>\$ 1,043,410</u>

Note 5 – Concentrations of Risk

In-kind food contributions from one supplier comprised 11% and 14% of total support and revenue during the years ended December 31, 2017 and 2016, respectively.

Government grants from one agency comprised 17% and 16% of total support and revenue during the years ended December 31, 2017 and 2016, respectively. Additionally, 94% and 87% of grants receivable were due from this same agency at December 31, 2017 and 2016, respectively.

Note 6 – Relationship with Solid Ground

The Center leases office space and operating facilities from Solid Ground under an operating lease that expired in December 2015 and is currently on a month to month basis. Total rent expense under this lease was \$54,527 and \$53,240 for the years ended December 31, 2017 and 2016, respectively.

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 statements of functional expenses. Total management fees incurred to Solid Ground were \$79,014 and \$72,727 for the years ended December 31, 2017 and 2016, respectively.