

FAMILYWORKS
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018 AND 2017



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, 2018 and 2017, 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, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Jones & Associates PLLC, CPAs".

Jones & Associates PLLC, CPAs
April 29, 2019

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FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 662,059	\$ 674,836
Certificates of deposit	260,890	246,047
Grants receivable	38,071	35,997
Pledges receivable	17,710	876
Other current assets	120	-
Total current assets	978,850	957,756
 Property and equipment, net	 15,995	 21,110
	\$ 994,845	\$ 978,866
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 37,957	\$ 57,004
Accrued expenses	45,785	38,818
Total current liabilities	83,742	95,822
 NET ASSETS		
Without donor restrictions	893,393	882,168
With donor restrictions	17,710	876
	911,103	883,044
	\$ 994,845	\$ 978,866

**FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 937,917	\$ -	\$ 937,917
Contributions	448,551	17,710	466,261
Special events, net	92,239	-	92,239
Governmental grants and contracts	357,365	-	357,365
Other grants	140,807	-	140,807
Interest income	3,137	-	3,137
	1,980,016	17,710	1,997,726
Net assets released from restrictions			
Satisfaction of time restriction	876	(876)	-
Total support and revenue	1,980,892	16,834	1,997,726
EXPENSES			
Program services	1,625,857	-	1,625,857
Management and general	139,228	-	139,228
Fundraising	204,582	-	204,582
Total expenses	1,969,667	-	1,969,667
 CHANGE IN NET ASSETS	 11,225	 16,834	 28,059
NET ASSETS			
Beginning of the year	882,168	876	883,044
End of the year	\$ 893,393	\$ 17,710	\$ 911,103

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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	2,629	-	2,629
Other	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 158,980	\$ 244,357	\$ 403,337	\$ 22,937	\$ 142,869	\$ 569,143
Taxes and benefits	40,832	46,586	87,418	3,921	29,339	120,678
Total salaries and related	199,812	290,943	490,755	26,858	172,208	689,821
Food assistance to clients	809,762	-	809,762	-	-	809,762
Other supplies assistance to clients	30,112	96,722	126,834	-	-	126,834
Administrative charges	-	-	-	94,014	-	94,014
Rent	44,417	26,464	70,881	2,809	4,495	78,185
Contracted services	37,570	4,627	42,197	10,410	-	52,607
Supplies	7,829	7,035	14,864	1,527	14,130	30,521
Utilities	8,641	10,200	18,841	1,083	1,732	21,656
Miscellaneous	5,541	7,750	13,291	-	1,843	15,134
Mailing and printing	10,185	3,928	14,113	-	792	14,905
Grant writing	-	-	-	-	9,232	9,232
Depreciation	5,224	951	6,175	-	-	6,175
Communications	2,513	3,422	5,935	-	150	6,085
Insurance	747	2,098	2,845	2,527	-	5,372
Training	673	2,097	2,770	-	-	2,770
Repair and maintenance	2,142	-	2,142	-	-	2,142
Dues and subscriptions	824	1,174	1,998	-	-	1,998
Travel and transportation	1,363	432	1,795	-	-	1,795
Taxes and licenses	434	225	659	-	-	659
Total expenses	1,167,789	458,068	1,625,857	139,228	204,582	1,969,667
Plus cost of direct benefits to donors	-	-	-	-	9,202	9,202
Total functional expenses	\$ 1,167,789	\$ 458,068	\$ 1,625,857	\$ 139,228	\$ 213,784	\$ 1,978,869

See accompanying notes to financial statements.

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
Other supplies assistance to clients	25,012	34,880	59,892	-	-	59,892
Administrative charges	-	-	-	79,014	-	79,014
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
Miscellaneous	1,796	7,720	9,516	-	2,334	11,850
Mailing and printing	2,895	5,783	8,678	-	603	9,281
Grant writing	-	-	-	-	12,521	12,521
Depreciation	5,849	-	5,849	-	-	5,849
Communications	1,804	2,699	4,503	-	-	4,503
Insurance	2,734	3,777	6,511	1,763	-	8,274
Training	1,124	1,156	2,280	-	-	2,280
Repair and maintenance	1,566	-	1,566	-	-	1,566
Dues and subscriptions	875	1,255	2,130	-	130	2,260
Travel and transportation	803	173	976	-	-	976
Taxes and licenses	510	140	650	-	-	650
Total expenses	1,200,092	347,806	1,547,898	124,798	119,527	1,792,223
Plus cost of direct benefits to donors	-	-	-	-	10,444	10,444
Total functional expenses	\$ 1,200,092	\$ 347,806	\$ 1,547,898	\$ 124,798	\$ 129,971	\$ 1,802,667

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and contracts	\$ 1,037,764	\$ 950,776
Cash received from interest income and other	3,137	2,629
Cash paid to employees and suppliers	(1,037,775)	(842,343)
	3,126	111,062
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of certificates of deposit	246,047	-
Purchase of certificates of deposit	(260,890)	(1,515)
Purchase of property and equipment	(1,060)	(2,500)
	(15,903)	(4,015)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,777)	107,047
 CASH AND CASH EQUIVALENTS		
Beginning of the year	674,836	567,789
End of the year	\$ 662,059	\$ 674,836

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Nature of Activities – FamilyWorks (the Center) connects neighbors and families to nourishing food, essential resources and a supportive community, so people can build resiliency to meet life’s challenges. The Center operates two food banks and a resource center and advocates with dignity, inclusion and empowerment.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) 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 resources be maintained in perpetuity. There were no perpetually restricted net assets at December 31, 2018 and 2017. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. The Center reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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 Center 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, 2018 AND 2017

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

Revenue Recognition – Revenue is recognized when earned. Contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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, 2018 and 2017.

Donated Goods, Facilities and Services – The Center receives donations of supplies, other than food donations, and the donated use of facilities. These items 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 through June 2017 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, 2018 and 2017, volunteers contributed over 9,116 and 9,300 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 statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. Those expenses include the Executive Director and other managerial functions, costs of contracted accounting, payroll, information technology and other administrative functions, and fundraising. Occupancy is based on assets used such as phone, computer and copier. Contracted administration is based on modified direct cost of the contractor, and managerial salaries are based on estimates of time and effort.

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, 2018 AND 2017

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).

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncement – On August 18, 2016, the FASB issued Accounting Standards update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances the required disclosures. Significant changes include presenting only two classes of net assets; adding disclosures around liquidity and the availability of resources; and providing additional information about expenses. The Center has adopted the ASU for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events – Subsequent events were evaluated through April 29, 2019, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31, 2018:

Financial Assets		
Cash and certificates of deposit (CD)	\$	922,949
Grants and pledges receivable		55,781
Total financial assets		<u>978,730</u>
Less those unavailable for general expenditures within one year:		
CDs that cannot be redeemed until 2020		(110,887)
Financial assets available within one year	\$	<u><u>867,843</u></u>

The Center's financial assets are relatively stable throughout the year, with small increases related to fundraising events. The Center has operating cash flow well over best practice guidelines, exceeding 300 days the entire year. Distress or a liquidity need could result from a delay in government contract receivables, but current cash is two to three times in excess of annual contract amounts, so the delay would have to be substantial to have impact. Other liquidity needs could come from a major capital outlay requirement but any such needs would not expect to exceed one third of the cash on hand. Liquidity is not an issue of the Center.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 3 – Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Furniture and equipment	\$ 35,617	\$ 34,557
Vehicles	34,844	34,844
Leasehold improvements	6,639	6,639
	77,100	76,040
Less accumulated depreciation	(61,105)	(54,930)
	\$ 15,995	\$ 21,110

Note 4 – 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:

	2018	2017
Contributions (including auction item sales)	\$ 91,085	\$ 84,400
Receipts from ticket sales	10,356	11,635
Less cost of direct donor benefit	(9,202)	(10,444)
	\$ 92,239	\$ 85,591

Note 5 – In-Kind

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

	2018	2017
Food inventory	\$ 809,762	\$ 871,218
Clothing and household goods	93,814	34,544
Facilities	22,000	-
Auction items	12,341	12,356
Legal services	-	7,354
	\$ 937,917	\$ 925,472

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Note 6 – Concentrations of Risk

Government grants from one agency comprised 17% of total support and revenue during both of the years ended December 31, 2018 and 2017. Additionally, 92% and 94% of grants receivable were due from this same agency at December 31, 2018 and 2017, respectively.

Note 7 – 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 \$56,185 and \$54,527 for the years ended December 31, 2018 and 2017, 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 \$94,015 and \$79,014 for the years ended December 31, 2018 and 2017, respectively.