

FAMILYWORKS

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015



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, 2016 and 2015, 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, 2016 and 2015, 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 LLC, CPAs".

Jones & Associates, LLC CPAs
April 25, 2017

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FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 567,789	\$ 433,144
Certificates of deposit	244,532	242,200
Grants receivable	39,268	32,757
Pledges receivable	14,442	48,329
Total current assets	866,031	756,430
 Property and equipment, net	 24,459	 28,207
	\$ 890,490	\$ 784,637
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 33,619	\$ 43,093
Accrued expenses	43,644	40,081
Total current liabilities	77,263	83,174
 NET ASSETS		
Unrestricted	800,770	653,134
Temporarily restricted	12,457	48,329
	813,227	701,463
	\$ 890,490	\$ 784,637

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 income	1,924	-	1,924
Other income	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	<u>48,329</u>	<u>(48,329)</u>	<u>-</u>
Total support and revenue	<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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
In-kind contributions	\$ 1,006,903	\$ -	\$ 1,006,903
Contributions	230,971	48,329	279,300
Special events, net	91,860	-	91,860
Governmental grants and contracts	305,144	-	305,144
Other grants	95,900	-	95,900
Interest income	698	-	698
	<u>1,731,476</u>	<u>48,329</u>	<u>1,779,805</u>
Net assets released from restrictions			
Satisfaction of time restriction	<u>40,547</u>	<u>(40,547)</u>	<u>-</u>
Total support and revenue	<u>1,772,023</u>	<u>7,782</u>	<u>1,779,805</u>
EXPENSES			
Program services	1,550,249	-	1,550,249
Management and general	103,815	-	103,815
Fundraising	75,576	-	75,576
Total expenses	<u>1,729,640</u>	<u>-</u>	<u>1,729,640</u>
CHANGE IN NET ASSETS	42,383	7,782	50,165
NET ASSETS			
Beginning of the year	<u>610,751</u>	<u>40,547</u>	<u>651,298</u>
End of the year	<u>\$ 653,134</u>	<u>\$ 48,329</u>	<u>\$ 701,463</u>

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
Other supplies assistance to clients	31,380	45,163	76,543	-	-	76,543
Administrative charges	-	-	-	72,727	-	72,727
Rent	17,702	32,875	50,577	2,663	-	53,240
Supplies	5,172	13,599	18,771	1,028	14,488	34,287
Contracted services	6,778	12,288	19,066	10,052	-	29,118
Utilities	5,565	10,335	15,900	837	-	16,737
Mailing and printing	8,871	5,143	14,014	-	296	14,310
Miscellaneous	1,433	6,944	8,377	-	1,891	10,268
Grant writing	-	-	-	-	8,682	8,682
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
Dues and subscriptions	611	1,038	1,649	-	-	1,649
Repair and maintenance	1,068	-	1,068	-	-	1,068
Training	460	453	913	-	-	913
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
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 143,709	\$ 156,579	\$ 300,288	\$ 17,387	\$ 53,742	\$ 371,417
Taxes and benefits	49,335	34,345	83,680	3,961	9,803	97,444
Total salaries and related	193,044	190,924	383,968	21,348	63,545	468,861
Food assistance to clients	961,552	-	961,552	-	-	961,552
Other supplies assistance to clients	25,594	47,491	73,085	-	-	73,085
Administrative charges	-	-	-	66,294	-	66,294
Rent	17,325	32,175	49,500	2,605	-	52,105
Supplies	3,548	8,325	11,873	1,092	82	13,047
Contracted services	983	10,812	11,795	9,995	-	21,790
Utilities	5,224	9,702	14,926	786	-	15,712
Mailing and printing	7,358	5,755	13,113	-	251	13,364
Miscellaneous	2,662	5,085	7,747	-	2,913	10,660
Grant writing	-	-	-	-	8,785	8,785
Insurance	2,930	3,110	6,040	1,695	-	7,735
Depreciation	6,056	-	6,056	-	-	6,056
Communications	1,523	3,123	4,646	-	-	4,646
Dues and subscriptions	1,030	494	1,524	-	-	1,524
Repair and maintenance	710	-	710	-	-	710
Training	862	1,509	2,371	-	-	2,371
Travel and transportation	962	18	980	-	-	980
Taxes and licenses	363	-	363	-	-	363
	<u>\$ 1,231,726</u>	<u>\$ 318,523</u>	<u>\$ 1,550,249</u>	<u>\$ 103,815</u>	<u>\$ 75,576</u>	<u>\$ 1,729,640</u>

See accompanying notes to financial statements.

FAMILYWORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and contracts	\$ 930,560	\$ 775,919
Cash received from interest income and other	1,924	698
Cash paid to employees and suppliers	(794,277)	(701,031)
	138,207	75,586
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(2,332)	(698)
Purchase of property and equipment	(1,230)	-
	(3,562)	(698)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 134,645	 74,888
CASH AND CASH EQUIVALENTS		
Beginning of the year	433,144	358,256
End of the year	\$ 567,789	\$ 433,144
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,764	\$ 50,165
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,978	6,056
Change in:		
Grants receivable	(6,511)	11,497
Pledges receivable	33,887	(7,782)
Accounts payable	(9,474)	11,605
Accrued expenses	3,563	4,045
	\$ 138,207	\$ 75,586

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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, 2016 and 2015, 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, 2016 and 2015.

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, 2016 AND 2015

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, 2016 and 2015.

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 all of 2015 and 2016. 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, 2016 and 2015, volunteers contributed over 7,933 and 8,900 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, 2016 AND 2015

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:

	2016	2015
Furniture and equipment	\$ 32,057	\$ 30,827
Vehicles	34,844	34,844
Leasehold improvements	6,639	6,639
	<u>73,540</u>	<u>72,310</u>
Less accumulated depreciation	(49,081)	(44,103)
	<u>\$ 24,459</u>	<u>\$ 28,207</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:

	2016	2015
Contributions (including auction item sales)	\$ 81,243	\$ 91,487
Receipts from ticket sales	9,010	11,234
Less cost of direct donor benefit	(11,689)	(10,861)
	<u>\$ 78,564</u>	<u>\$ 91,860</u>

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

Note 4 – Concentrations of Risk

In-kind food contributions from one supplier comprised 14% and 16% of total support and revenue during the years ended December 31, 2016 and 2015, respectively.

Government grants from one agency comprised 16% and 17% of total support and revenue during the years ended December 31, 2016 and 2015, respectively. Additionally, 87% and 91% of grants receivable were due from this same agency at December 31, 2016 and 2015, respectively.

Note 5 – 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 \$53,240 and \$52,104 for the years ended December 31, 2016 and 2015, 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 \$72,727 and \$66,294 for the years ended December 31, 2016 and 2015, respectively.