

FAMILYWORKS
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019



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, 2020 and 2019, 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, 2020 and 2019, 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.

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May 24, 2021

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FAMILYWORKS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,543,407	\$ 683,350
Certificates of deposit	271,541	265,776
Grants receivable	159,676	67,485
Inventory	28,512	43,416
Pledges receivable	40,588	10,786
Other current assets	1,577	76
Total current assets	2,045,301	1,070,889
 Property and equipment, net	 81,020	 9,585
	\$ 2,126,321	\$ 1,080,474
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 87,595	\$ 95,283
Accrued expenses	75,254	76,916
Forgivable note payable	136,000	-
Total current liabilities	298,849	172,199
 NET ASSETS		
Without donor restrictions	1,804,512	897,489
With donor restrictions	22,960	10,786
	1,827,472	908,275
	\$ 2,126,321	\$ 1,080,474

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,436,239	\$ -	\$ 1,436,239
In-kind contributions	897,247	-	897,247
Governmental grants and contracts	484,062	-	484,062
Special events, net	96,814	-	96,814
Other grants	169,071	20,000	189,071
Interest and other income	7,767	-	7,767
	3,091,200	20,000	3,111,200
Net assets released from restrictions			
Satisfaction of time restriction	7,826	(7,826)	-
	3,099,026	12,174	3,111,200
EXPENSES			
Program services	1,799,586	-	1,799,586
Management and general	189,326	-	189,326
Fundraising	203,091	-	203,091
Total expenses	2,192,003	-	2,192,003
CHANGE IN NET ASSETS	907,023	12,174	919,197
NET ASSETS			
Beginning of the year	897,489	10,786	908,275
End of the year	\$ 1,804,512	\$ 22,960	\$ 1,827,472

FAMILYWORKS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 524,460	\$ 786	\$ 525,246
In-kind contributions	1,074,875	-	1,074,875
Governmental grants and contracts	304,314	-	304,314
Special events, net	116,967	-	116,967
Other grants	76,429	-	76,429
Interest	6,649	-	6,649
	<u>2,103,694</u>	<u>786</u>	<u>2,104,480</u>
Net assets released from restrictions			
Satisfaction of time restriction	7,710	(7,710)	-
	<u>2,111,404</u>	<u>(6,924)</u>	<u>2,104,480</u>
EXPENSES			
Program services	1,795,004	-	1,795,004
Management and general	152,776	-	152,776
Fundraising	206,359	-	206,359
Total expenses	<u>2,154,139</u>	<u>-</u>	<u>2,154,139</u>
CHANGE IN NET ASSETS	(42,735)	(6,924)	(49,659)
NET ASSETS			
Beginning of the year	<u>940,224</u>	<u>17,710</u>	<u>957,934</u>
End of the year	<u>\$ 897,489</u>	<u>\$ 10,786</u>	<u>\$ 908,275</u>

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 294,218	\$ 231,558	\$ 525,776	\$ 32,560	\$ 152,347	\$ 710,683
Taxes and benefits	67,281	53,483	120,764	5,457	28,506	154,727
Total salaries and related	361,499	285,041	646,540	38,017	180,853	865,410
Food assistance to clients	836,688	-	836,688	-	-	836,688
Administrative charges	-	-	-	116,621	-	116,621
Rent	48,314	26,228	74,542	4,120	3,892	82,554
Other supplies assistance to clients	-	80,967	80,967	-	-	80,967
Contracted services	33,473	10,279	43,752	11,736	-	55,488
Supplies	16,077	16,020	32,097	424	284	32,805
Utilities	9,827	12,517	22,344	1,263	1,624	25,231
Miscellaneous	10,275	11,862	22,137	-	1,816	23,953
Insurance	-	-	-	17,145	3,040	20,185
Mailing and printing	4,752	13,004	17,756	-	-	17,756
Grant writing	-	-	-	-	11,239	11,239
Depreciation	7,323	1,206	8,529	-	-	8,529
Dues and subscriptions	2,051	3,753	5,804	-	-	5,804
Communications	3,127	1,514	4,641	-	343	4,984
Repair and maintenance	1,938	-	1,938	-	-	1,938
Travel and transportation	751	335	1,086	-	-	1,086
Training	200	235	435	-	-	435
Taxes and licenses	-	330	330	-	-	330
Total expenses	1,336,295	463,291	1,799,586	189,326	203,091	2,192,003
Plus cost of direct benefits to donors	-	-	-	-	19,488	19,488
Total functional expenses	\$ 1,336,295	\$ 463,291	\$ 1,799,586	\$ 189,326	\$ 222,579	\$ 2,211,491

See accompanying notes to financial statements and independent auditors' report.

FAMILYWORKS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Support Services		
	Food Bank	Resource Center	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 169,069	\$ 251,815	\$ 420,884	\$ 25,565	\$ 130,365	\$ 576,814
Taxes and benefits	43,531	56,350	99,881	4,847	28,118	132,846
Total salaries and related	212,600	308,165	520,765	30,412	158,483	709,660
Food assistance to clients	855,724	-	855,724	-	-	855,724
Administrative charges	-	-	-	99,755	-	99,755
Rent	47,225	24,662	71,887	2,849	4,557	79,293
Other supplies assistance to clients	34,382	179,275	213,657	-	-	213,657
Contracted services	39,365	8,900	48,265	10,813	-	59,078
Supplies	7,584	7,741	15,325	2,050	23,632	41,007
Utilities	10,972	10,872	21,844	1,255	2,009	25,108
Miscellaneous	3,725	8,891	12,616	-	3,965	16,581
Insurance	2,134	251	2,385	5,642	-	8,027
Mailing and printing	6,958	6,542	13,500	-	1,756	15,256
Grant writing	-	-	-	-	11,596	11,596
Depreciation	5,224	1,186	6,410	-	-	6,410
Dues and subscriptions	2,063	531	2,594	-	175	2,769
Communications	2,388	2,865	5,253	-	186	5,439
Repair and maintenance	2,190	-	2,190	-	-	2,190
Travel and transportation	749	30	779	-	-	779
Training	192	1,093	1,285	-	-	1,285
Taxes and licenses	475	50	525	-	-	525
Total expenses	1,233,950	561,054	1,795,004	152,776	206,359	2,154,139
Plus cost of direct benefits to donors	-	-	-	-	34,781	34,781
Total functional expenses	\$ 1,233,950	\$ 561,054	\$ 1,795,004	\$ 152,776	\$ 241,140	\$ 2,188,920

See accompanying notes to financial statements and independent auditors' report.

FAMILYWORKS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and contracts	\$ 2,084,193	\$ 1,000,466
Cash received from interest income and other	7,767	6,649
Cash paid to employees and suppliers	(1,282,174)	(980,938)
	809,786	26,177
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(5,765)	(4,886)
Purchase of property and equipment	(79,964)	-
	(85,729)	(4,886)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable note payable	136,000	-
	136,000	-
 NET CHANGE IN CASH AND CASH EQUIVALENTS	860,057	21,291
 CASH AND CASH EQUIVALENTS		
Beginning of the year	683,350	662,059
End of the year	\$ 1,543,407	\$ 683,350

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. 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. 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.

Inventory – Inventory consists primarily of in-kind donations of food and supplies and is stated at the lower of cost or market. Cost is determined using the average cost basis, which approximates the first-in, first-out method.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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.

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, 2020 and 2019. Amounts received in advance are deferred to the applicable period in which the related expenditures are incurred.

Donated Goods, Facilities and Services – The Center receives donations of supplies, food, 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 \$1.75 and \$1.67 per pound for the years ended December 31, 2020 and 2019, respectively. 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, 2020 and 2019, volunteers contributed over 8,291 and 8,813 hours, respectively, to the Family Resource Center and food banks. 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.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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.

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 – The Center evaluated subsequent events through May 24, 2021, 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 statements of financial position date are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and certificates of deposit	\$ 1,814,948	\$ 949,126
Grants and pledges receivable	<u>200,264</u>	<u>78,271</u>
Financial assets available within one year	<u><u>\$ 2,015,212</u></u>	<u><u>\$ 1,027,397</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, 2020 AND 2019

Note 3 – Conditional Grants

Prior to December 31, 2020, the Center received notice of two multi-year grant awards for \$30,258, of which \$2,393 was recognized before December 31, 2019 and \$5,261 was recognized in the year ended December 31, 2020. The remainder of the total awards of \$22,604 will be received in 2021, contingent on the Center’s completion of terms and conditions set forth in the grant agreements. As the remainder represents a conditional promise to give, this portion of the awards will not be recognized as revenue until the grantor conditions are met.

Note 4 – Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Furniture and equipment	\$ 52,947	\$ 35,617
Vehicles	92,479	34,844
Leasehold improvements	11,638	6,639
	<u>157,064</u>	<u>77,100</u>
Less accumulated depreciation	(76,044)	(67,515)
	<u><u>\$ 81,020</u></u>	<u><u>\$ 9,585</u></u>

Note 5 – Forgivable Note Payable

The Center entered into a Small Business Administration Paycheck Protection Program note payable with a bank on April 24, 2020 for \$136,000 with a maturity date of April 24, 2022, if conditions are not met. The note is unsecured with an interest rate of 1%. Payments of principal and interest are due monthly beginning on February 6, 2021 under the PPP Flexibility Act, with the outstanding principal balance due in full on the maturity date, if conditions are not met. The note can be forgiven if the Center meets certain criteria and applies for forgiveness with the Small Business Administration. The note was fully forgiven subsequent to year end and as such is presented as a current liability on the statement of financial position.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 6 – Special Events

Special events support and revenue is shown in the statements 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:

	2020	2019
Contributions (including auction item sales)	\$ 104,252	\$ 119,834
Receipts from ticket sales	12,050	31,914
Less cost of direct donor benefit	(19,488)	(34,781)
	96,814	116,967

Note 7 – In-Kind

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

	2020	2019
Food inventory	\$ 793,261	\$ 852,309
Clothing and household goods	81,006	176,145
Facilities	22,980	22,308
Auction items	-	24,113
	\$ 897,247	\$ 1,074,875

Note 8 – Retirement Plan

The Center has a Simplified Employee Pension (SEP) IRA plan (the Plan) for employees who are 21 years or older and earn more than \$600 annually. The Center contributes 2% of gross wages on a quarterly basis to each employee’s account. All new employees receive their first contribution after they have worked a full quarter retroactive to their start date. The Center contributed \$13,951 and \$11,153 to the Plan during the years ended December 31, 2020 and 2019, respectively.

Note 9 – Concentrations of Risk

At December 31, 2020 and 2019, 86% and 88% of grants receivable were due from the same agency, respectively.

At December 31, 2020, 86% of pledges receivable were due from two donors. There was no such concentration at December 31, 2019.

FAMILYWORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 10 – 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 \$59,304 and \$56,986 for the years ended December 31, 2020 and 2019, 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 \$116,621 and \$99,755 for the years ended December 31, 2020 and 2019, respectively.

Note 11 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic. Management is actively monitoring the situation but given the daily evolution of the COVID-19 outbreak, the Center is not able to estimate the effects of the COVID-19 outbreak on its operations or financial condition in the next twelve months. While significant uncertainty remains, the Center does not believe the COVID-19 outbreak will have a negative impact on its ability to raise additional funds or continue to support its clients.

The resulting economic crisis has created significant need in the local community for services offered by the Center and similar agencies. Local donors and government authorities have provided additional funding needed to help the Center address the crisis. As a result of the pandemic, the Center shifted how services were provided several times during the year ended December 31, 2020; however, the Center continued to provide services through the food bank and provided family programs and counseling through available community resources remotely. The annual May fundraising event was cancelled and held virtually later in the year. As discussed in Note 5, the Center received a \$136,000 forgivable note payable under the Small Business Administration Paycheck Protection Program, which was fully forgiven subsequent to year end.

The extent to which the pandemic will further impact the Center going forward remains unknown. Numerous evolving factors, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability, remain unknowns that may impact the Center's ability to continue to provide services.