

FAMILY EDUCATION AND SUPPORT SERVICES

COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Comparative Financial Statements	
Financial Position	3
Activities and Changes in Net Assets	4
Functional Expenses	5-6
Cash Flows	7
Notes to Financial Statements	8-10



INDEPENDENT AUDITORS' REPORT

December 3, 2018

Board of Directors
Family Education and Support Services
Olympia, Washington

We have audited the accompanying financial statements of *Family Education and Support Services* (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 audit. We conducted our audit 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 *Family Education and Support Services* as of June 30, 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.


Certified Public Accountants

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 150,326	\$ 125,530
Restricted cash	26,364	26,431
Accounts receivable	122,953	98,593
Prepaid expenses	<u>1,255</u>	<u>6,109</u>
Total current assets	300,898	256,663
Fixed assets, net of accumulated depreciation	36,434	47,019
Lease deposits	<u>2,060</u>	<u>2,060</u>
Total assets	<u>\$ 339,392</u>	<u>\$ 305,742</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 9,682	\$ 5,041
Accrued wages and taxes	907	27,765
Accrued vacation	<u>26,850</u>	<u>13,606</u>
Total current liabilities	37,439	46,412
Unrestricted net assets	275,589	232,899
Temporarily restricted net assets	<u>26,364</u>	<u>26,431</u>
Total net assets	301,953	259,330
Total liabilities and net assets	<u>\$ 339,392</u>	<u>\$ 305,742</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018 COMPARED TO JUNE 30, 2017

	2018		2017		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
Revenue and support					
Program service fees	\$ 901,019	\$ -	\$ 901,019	\$ -	\$ 630,105
Contributions	154,201	48,900	203,101	26,431	174,578
Pass-through direct services	196,721	-	196,721	-	174,598
Fundraising income	69,419	-	69,419	-	9,745
Other income	438	-	438	-	1,144
Total revenue and support	<u>1,321,798</u>	<u>48,900</u>	<u>1,370,698</u>	<u>26,431</u>	<u>990,170</u>
Expenses					
Program services	1,122,118	48,967	1,171,085	-	903,883
Management and general	130,259	-	130,259	-	98,271
Fundraising	26,731	-	26,731	-	2,811
Total expenses	<u>1,279,108</u>	<u>48,967</u>	<u>1,328,075</u>	<u>-</u>	<u>1,004,965</u>
Changes in net assets	42,690	(67)	42,623	26,431	(14,795)
Net assets, July 1	232,899	26,431	259,330	-	274,125
Net assets, June 30	<u>\$ 275,589</u>	<u>\$ 26,364</u>	<u>\$ 301,953</u>	<u>\$ 26,431</u>	<u>\$ 259,330</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018, COMPARED TO JUNE 30, 2017

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2018</u>	<u>2017</u>
Wages	\$ 630,939	\$ 44,157	\$ -	\$ 675,096	\$ 518,691
Payroll taxes	53,866	1,278	-	55,144	49,518
Contract services	117,754	3,972	-	121,726	97,350
Direct service	114,102	9,614	-	123,716	88,192
Supplies	66,216	14,898	-	81,114	36,978
Travel	62,185	5,878	-	68,063	55,669
Rent	49,580	5,500	-	55,080	52,626
Telephone and utilities	29,885	1,120	-	31,005	29,260
Fundraising expenses	-	-	26,731	26,731	2,811
Marketing	12,550	11,942	-	24,492	13,052
Depreciation	-	14,453	-	14,453	15,772
Professional services	5,821	5,790	-	11,611	9,126
Maintenance	9,544	2,015	-	11,559	13,575
Insurance	5,062	579	-	5,641	3,327
Business taxes	3,560	1,199	-	4,759	7,019
Miscellaneous	3,281	1,327	-	4,608	1,506
Printing and reproduction	4,454	91	-	4,545	6,183
Service charges	382	2,641	-	3,023	1,679
Postage	570	1,390	-	1,960	920
Small equipment	896	779	-	1,675	1,137
Bad Debt Expense	-	1,178	-	1,178	-
Dues and subscriptions	438	458	-	896	574
	<u>\$ 1,171,085</u>	<u>\$ 130,259</u>	<u>\$ 26,731</u>	<u>\$ 1,328,075</u>	<u>\$ 1,004,965</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages	\$ 497,454	\$ 21,237	\$ -	\$ 518,691
Payroll taxes	47,621	1,897	-	49,518
Contract services	87,568	9,782	-	97,350
Direct service	85,059	3,133	-	88,192
Travel	50,965	4,704	-	55,669
Rent	47,297	5,329	-	52,626
Supplies	23,275	13,703	-	36,978
Telephone and utilities	25,470	3,790	-	29,260
Depreciation	-	15,772	-	15,772
Maintenance	11,573	2,002	-	13,575
Marketing	4,468	8,584	-	13,052
Professional services	5,815	3,311	-	9,126
Business taxes	5,857	1,162	-	7,019
Printing and reproduction	5,444	739	-	6,183
Insurance	3,200	127	-	3,327
Fundraising expenses	-	-	2,811	2,811
Service charges	402	1,277	-	1,679
Small equipment	887	250	-	1,137
Postage	460	460	-	920
Dues and subscriptions	395	179	-	574
Miscellaneous	673	833	-	1,506
	<u>\$ 903,883</u>	<u>\$ 98,271</u>	<u>\$ 2,811</u>	<u>\$ 1,004,965</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows provided by (used in) operating activities		
Change in net assets	\$ 42,623	\$ (14,795)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,453	15,772
Increase in accounts receivable	(24,362)	(52,402)
Decrease (increase) in prepaid assets	4,854	(6,808)
Increase in accounts payable	4,641	406
(Decrease) increase in accrued payroll and taxes	(26,857)	8,015
Increase in accrued vacation	13,245	899
Total adjustments	<u>(14,026)</u>	<u>(34,118)</u>
Net cash provided by (used in) operating activities	<u>28,597</u>	<u>(48,913)</u>
Cash flows used in purchase of equipment/improvements	<u>(3,868)</u>	<u>(860)</u>
Net increase (decrease) in cash	24,729	(49,773)
Cash, July 1	<u>151,961</u>	<u>201,734</u>
Cash, June 30	<u>\$ 176,690</u>	<u>\$ 151,961</u>
Supplemental Disclosure		
Non-cash donations	<u>\$ 47,876</u>	<u>\$ 21,937</u>

The accompanying notes are an integral part of these financial statements.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Description of Organization

Family Education and Support Services (the Organization) is a non-faith based social service agency. It provides targeted services to those who care for children including parents, relative caregivers, foster parents, early childhood educators, community partners, and others. It provides services to the entire family unit through effective classroom training, workshops, home visitation support services, and networking with local, state, and national organizations. Services include being a supporting resource for several superior courts of Washington counties.

Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Thus, the Organization reports gifts of cash and other assets as restricted support only if they are received with donor restrictions. Restricted revenues that are released from restriction in the same year are reported as unrestricted amounts on the Statement of Activities.

Revenue Recognition

Sources of revenue are contributions, contracts, and program service fees. Contribution revenue is recognized when contributions are received. Contract revenue and program service fees are recognized when services have been performed. Service contracts may be paid by both government agencies and service individuals. Non-cash, in-kind donations are recorded at fair market value at the time of receipt. Household goods, diapers, and clothing are examples of commonly donated items.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization classifies operating expenses in the schedule of functional expenses between program service activities, management and general activities, and fundraising activities. These expense classifications are generally based on specific attributable transactions. When specific allocation is not possible, expenses are estimated based on employee time expenditure.

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Summary of Significant Accounting Policies (continued)

Income Taxes

Family Education and Support Services is an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3); therefore, no liability for federal income tax is reflected in these financial statements. All tax years not closed by statute may be subject to examination.

Cash

The Organization's cash includes operational checking account and reserve savings money market account. The Organization maintains a separate cash account related to temporarily restricted donations. The balance for the years ended June 30, 2018 and 2017 was \$26,364 and \$26,431, respectively.

Accounts Receivable

Accounts receivable represent amounts due from contracts that are carried at their original billing amount. No allowance for doubtful accounts is maintained by the Organization. Although directly charging off receivables is not in accordance with generally accepted accounting principles, its effect is considered immaterial.

Prepaid Expenses

Prepaid expenses consist of event deposits, facility lease deposits, and insurance paid in advance. Balance for the years ended June 30, 2018 and 2017 was \$1,255 and \$6,109, respectively.

Property and Equipment

Property and equipment consist of leasehold improvements, computers, and office equipment stated at historical cost. The cost of property and equipment is depreciated over the estimated useful lives between five and ten years using the straight-line method. It is the policy of the Organization to capitalize equipment with a purchase price over \$500. Donated equipment is stated at fair value at the time of the donation. Depreciation expense for the years ended June 30, 2018 and 2017 was \$14,453 and \$15,772, respectively.

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 22,444	\$ 22,444
Computers and office equipment	76,232	72,364
Accumulated depreciation	<u>(62,242)</u>	<u>(47,789)</u>
Total property and equipment	<u>\$ 36,434</u>	<u>\$ 47,019</u>

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note Payable

At June 30, 2018, the Organization did not have a balance on a line of credit with South Sound Bank. The note has a 5% interest rate. The Organization plans on renewing the line of credit. Interest expense was \$15 for the year ended June 30, 2018.

Facility Lease

The Organization entered into a facility lease agreement related to its primary location in Olympia, Washington as of March 2016. The Organization is obligated through December 30, 2018 with lease increases based on the consumer price index. Lease payments totaled \$42,348 and \$42,338 for the years ended June 30, 2018, and 2017, respectively.

The Organization entered into a facility lease agreement related to its secondary location in Shelton, Washington in October 2016. The Organization is obligated through September 30, 2020 for its secondary location. Lease payments totaled \$12,636 and \$10,998 for the years ended June 30, 2018, and 2017, respectively.

Approximate lease commitment under existing lease agreements is as follows:

<u>Year</u>	<u>Lease Expense</u>
2018	\$ 55,000
2019	12,636
2020	<u>9,477</u>
	<u>\$ 77,113</u>

Subsequent Events

Management has evaluated subsequent events through December 3, 2018, the date that the financial statements were available to be issued. No significant events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

Reclassifications

The Organization has reclassified expenses for the 2017 year for presentation purposes to be consistent with the 2018 presentation.