

FAMILY EDUCATION AND SUPPORT SERVICES

COMPARATIVE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

December 5, 2017

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, 2017 and 2016, 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, 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.

NE Smith and Associates, P.S.

Certified Public Accountants

FAMILY EDUCATION AND SUPPORT SERVICES
COMPARATIVE STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 125,530	\$ 201,734
Restricted cash	26,431	-
Accounts receivable	98,593	46,191
Prepaid expenses	<u>6,109</u>	<u>-</u>
Total current assets	256,663	247,925
Fixed assets, net of accumulated depreciation	47,019	61,931
Lease deposits	<u>2,060</u>	<u>1,360</u>
Total assets	<u>\$ 305,742</u>	<u>\$ 311,216</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 5,041	\$ 4,635
Accrued wages and taxes	27,765	19,750
Accrued vacation	<u>13,606</u>	<u>12,706</u>
Total current liabilities	46,412	37,091
Unrestricted net assets	232,899	274,125
Temporarily restricted net assets	<u>26,431</u>	<u>-</u>
Total net assets	259,330	274,125
Total liabilities and net assets	<u>\$ 305,742</u>	<u>\$ 311,216</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Program service fees	\$ 630,105	\$ -	\$ 630,105
Contributions	148,147	26,431	174,578
Pass-through direct services	174,598	-	174,598
Fundraising income	9,745	-	9,745
Other Income	<u>1,144</u>	<u>-</u>	<u>1,144</u>
			-
Total revenue and support	<u>963,739</u>	<u>26,431</u>	<u>990,170</u>
Expenses			
Program services	903,883	-	903,883
Management and general	98,271	-	98,271
Fundraising	<u>2,811</u>	<u>-</u>	<u>2,811</u>
Total expenses	<u>1,004,965</u>	<u>-</u>	<u>1,004,965</u>
Changes in net assets	(41,226)	26,431	(14,795)
Net assets, July 1	<u>274,125</u>	<u>-</u>	<u>274,125</u>
Net assets, June 30	<u>\$ 232,899</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
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Program service fees	\$ 483,152	\$ -	\$ 483,152
Contributions	131,669	-	131,669
Pass-through direct services	170,488	-	170,488
Fundraising income	41,697	-	41,697
Other Income	<u>3,831</u>	<u>-</u>	<u>3,831</u>
			-
Total revenue and support	<u>830,837</u>	<u>-</u>	<u>830,837</u>
Expenses			
Program services	544,246	-	544,246
Management and general	100,218	-	100,218
Fundraising	<u>15,936</u>	<u>-</u>	<u>15,936</u>
Total expenses	<u>660,400</u>	<u>-</u>	<u>660,400</u>
Changes in net assets	170,437	-	170,437
Net assets, July 1	<u>103,688</u>	<u>-</u>	<u>103,688</u>
Net assets, June 30	<u><u>\$ 274,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 274,125</u></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, COMPARED TO JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2017</u>	<u>2016</u>
Wages	\$ 497,454	\$ 21,237	\$ -	\$ 518,691	\$ 289,963
Payroll Taxes	47,621	1,897	-	49,518	30,832
Employee retirement plan	-	-	-	-	1,050
Contract services	87,568	9,782	-	97,350	91,398
Direct service	85,059	3,133	-	88,192	80,713
Travel	50,965	4,704	-	55,669	19,875
Rent	47,297	5,329	-	52,626	30,681
Supplies	23,275	13,703	-	36,978	25,510
Telephone and utilities	25,470	3,790	-	29,260	22,345
Depreciation	-	15,772	-	15,772	13,365
Maintenance	11,573	2,002	-	13,575	4,420
Marketing	4,468	8,584	-	13,052	9,932
Professional services	5,815	3,311	-	9,126	9,067
Business taxes	5,857	1,162	-	7,019	4,584
Printing and reproduction	5,444	739	-	6,183	239
Insurance	3,200	127	-	3,327	4,546
Fundraising expenses	-	-	2,811	2,811	15,936
Service charges	402	1,277	-	1,679	1,694
Small equipment	887	250	-	1,137	260
Postage	460	460	-	920	2,003
Dues and subscriptions	395	179	-	574	1,007
Miscellaneous	673	833	-	1,506	980
	<u>\$ 903,883</u>	<u>\$ 98,271</u>	<u>\$ 2,811</u>	<u>\$ 1,004,965</u>	<u>\$ 660,400</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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Wages	\$ 254,691	\$ 35,272	\$ -	\$ 289,963
Contract services	87,264	4,134	-	91,398
Employee retirement plan	-	1,050	-	1,050
Direct service	79,938	775	-	80,713
Payroll Taxes	27,956	2,876	-	30,832
Rent	25,087	5,594	-	30,681
Supplies	10,635	14,875	-	25,510
Telephone and utilities	20,389	1,956	-	22,345
Travel	18,672	1,203	-	19,875
Fundraising expenses	-	-	15,936	15,936
Depreciation	-	13,365	-	13,365
Marketing	3,077	6,855	-	9,932
Professional services	4,942	4,125	-	9,067
Business taxes	4,200	384	-	4,584
Insurance	4,186	360	-	4,546
Building repairs	1,267	1,573	-	2,840
Postage	559	1,444	-	2,003
Service charges	492	1,202	-	1,694
Maintenance	208	1,372	-	1,580
Dues and subscriptions	272	735	-	1,007
Miscellaneous	411	2,118	-	1,479
	<u>\$ 544,246</u>	<u>\$ 101,268</u>	<u>\$ 15,936</u>	<u>\$ 660,400</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows (used in) provided by operating activities		
Change in net assets	\$ (14,794)	\$ 170,438
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,772	13,365
Increase in accounts receivable	(52,402)	(14,497)
(Increase) decrease in prepaid assets	(6,808)	2,260
Increase in accounts payable	406	3,124
Increase in accrued payroll and taxes	8,913	18,554
Total adjustments	(34,119)	22,806
Net cash (used in) provided by operating activities	(48,913)	193,244
Cash flows used in purchase of equipment/improvements	(860)	(30,429)
Net (decrease) increase in cash	(49,773)	162,815
Cash, July 1	201,734	38,919
Cash, June 30	\$ 151,961	\$ 201,734
Supplemental Disclosure		
Non-cash donations	\$ 21,937	\$ 12,877

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, 2017 AND 2016

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, 2017 AND 2016

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 which totaled \$26,431 at June 30, 2017. No balance was restricted at June 30, 2016.

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, 2017 and 2016 was \$8,169 and \$1,360, 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, 2017 and 2016 was \$15,772 and \$13,365, respectively.

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 22,443	\$ 22,443
Computers and office equipment	72,365	71,504
Accumulated depreciation	<u>(47,789)</u>	<u>(32,017)</u>
Total property and equipment	<u>\$ 47,019</u>	<u>\$ 61,930</u>

FAMILY EDUCATION AND SUPPORT SERVICES
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note Payable

At June 30, 2017, 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 \$131 for the year ended June 30, 2017.

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 to \$42,338 and \$30,681 for the years ended June 30, 2017, and 2016, 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 \$10,988 for the year ended June 30, 2017.

Approximate lease commitment under existing lease agreements is as follows:

<u>Year</u>	<u>Lease Expense</u>
2017	\$ 54,000
2018	54,000
2019	12,636
2020	<u>9,477</u>
	<u>\$ 130,113</u>

Retirement Plan

The Organization has a defined contribution plan and recognized costs of \$1,050 for the year ended June 30, 2016.

Subsequent Events

Management has evaluated subsequent events through December 5, 2017, 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 2016 year for presentation purposes to be consistent with the 2017 presentation.