
**The Family Support Center
of South Sound**

A Washington Not-For-Profit Organization

Financial Statements

For the Fiscal Year Ended June 30, 2016

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Family Support Center of South Sound
Olympia, WA

We have audited the accompanying financial statements The Family Support Center of South Sound (FSC), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from FSC's 2015 financial statements and, in our report dated February 25, 2016, we expressed an unmodified opinion on those 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.

Auditor's 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 FSC as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

January 26, 2017

**The Family Support Center
of South Sound**
A Washington Not-For-Profit Organization

Statement of Financial Position

June 30, 2016 (With Comparative Totals for 2015)	2016	2015
ASSETS		
<u>Current Assets</u>		
Cash	\$ 382,238	\$ 294,940
Accounts Receivable	110,136	137,172
Tenant Receivable	757	1,485
Inventory	3,407	-
Prepaid Expenses	-	11,061
Total Current Assets	496,538	444,658
<u>Property and Equipment, Net</u>	2,868,764	2,916,329
<u>Other Assets</u>		
Investments	102,019	107,065
Other Assets	2,000	2,000
Loan Fees, Net	14,250	14,625
Total Other Assets	118,269	123,690
Total Assets	\$ 3,483,571	\$ 3,484,677
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 21,287	\$ 20,998
Payroll Taxes & Benefits Payable	7,654	5,530
Accrued Annual Leave	16,523	18,013
Deferred Revenue	127,094	33,334
Tenant Deposits	2,510	3,000
Current Portion of Capital Lease Payable	3,049	-
Total Current Liabilities	178,117	80,875
<u>Long Term Liabilities</u>		
Capital Lease Payable, Net	4,757	-
Notes Payable	1,654,252	1,654,252
Total Long-Term Liabilities	1,659,009	1,654,252
<u>Net Assets</u>		
Unrestricted	675,820	715,753
Unrestricted - Board Designated	7,265	10,100
Temporarily Restricted	963,360	1,023,697
Total Net Assets	1,646,445	1,749,550
Total Liabilities & Net Assets	\$ 3,483,571	\$ 3,484,677

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

**The Family Support Center
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Statement of Activities and Changes in Net Assets

Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)			2016	2015
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<u>Support and Revenue</u>				
Grants	\$ 748,960	\$ -	\$ 748,960	\$ 901,464
Contributions	226,992	3,335	230,327	120,113
Inkind	259,081	-	259,081	207,393
Operations & Maintenance Income	129,611	-	129,611	157,365
Fundraising	41,949	-	41,949	43,181
Service Fee Revenue	1,400	-	1,400	3,512
Interest Income	260	-	260	1,836
Satisfaction of Time Restriction	63,672	(63,672)	-	-
Total Support and Revenue	1,471,925	(60,337)	1,411,588	1,434,864
<u>Expenses:</u>				
Program Services:				
Family Resource	217,702	-	217,702	154,762
Parent Education	23,324	-	23,324	24,918
Homeless Family Services	371,769	-	371,769	407,363
Supervised Visits	136,592	-	136,592	134,085
Facilities Management	79,562	-	79,562	66,632
Family Justice Center	64,555	-	64,555	67,210
Pear Blossum Building	369,337	-	369,337	327,252
	1,262,841	-	1,262,841	1,182,222
Management and General	235,454	-	235,454	148,823
Fundraising	16,348	-	16,348	14,981
Total Expenses	1,514,643	-	1,514,643	1,346,026
Other Revenue & Expenses				
Investment Income (Loss)	(50)	-	(50)	(906)
Change in Net Assets	(42,768)	(60,337)	(103,105)	87,932
Net Assets, Beginning of Year	725,853	1,023,697	1,749,550	1,661,618
Net Assets, End of Year	\$ 683,085	\$ 963,360	\$ 1,646,445	\$ 1,749,550

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**The Family Support Center
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Statement of Cash Flows

Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)	2016	2015
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ (103,105)	\$ 87,932
Adjustments to reconcile change in net assets to net cash provided (used) from operating activities:		
Donated Other Assets & Equipment	(11,862)	(2,000)
Depreciation & Amortization	76,838	67,178
Investment Loss	50	906
(Increase) Decrease In:		
Accounts Receivable	27,036	3,124
Tenant Receivable	728	(1,485)
Inventory	(3,407)	-
Prepaid Expenses	11,061	(3,989)
Increase (Decrease) In:		
Accounts Payable	289	(239,524)
Payroll Taxes & Benefits Payable	2,124	(1,412)
Accrued Annual Leave	(1,490)	1,332
Deferred Revenue	93,760	33,334
Tenant Deposits	(490)	3,000
Prepaid Rent	-	(1,050)
	<u>91,532</u>	<u>(52,654)</u>
Net Cash Provided (Used) by Operating Activities	91,532	(52,654)
<u>Cash Flows From Investing Activities</u>		
Proceeds from Sale of Investments	4,997	4,350
Building Improvements & Equipment Purchases	(6,522)	(1,050)
	<u>(1,525)</u>	<u>3,300</u>
Net Cash Provided (Used) by Investing Activities	(1,525)	3,300
<u>Cash Flows From Financing Activities</u>		
Payments on Debt	(2,709)	-
Proceeds from Debt	-	153,998
	<u>(2,709)</u>	<u>153,998</u>
Net Cash Provided (Used) In Financing Activities	(2,709)	153,998
Net Increase (Decrease) in Cash & Cash Equivalents	87,298	104,644
Cash & Cash Equivalents at Beginning of Year	<u>294,940</u>	<u>190,296</u>
Cash & Cash Equivalents at End of Year	<u>\$ 382,238</u>	<u>\$ 294,940</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	<u>\$ 2,013</u>	<u>\$ -</u>

Noncash Transactions:

During the fiscal year ended June 30, 2015, FSC had noncash financing transactions relating to improvements to the Pear Blossom building of \$23,739.

During the fiscal year ended June 30, 2016, FSC leased telephone system that is classified as a capital lease. The amount capitalized was \$10,515.

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**The Family Support Center
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Statement of Functional Expenses

Fiscal Year Ended June 30, 2016 (With Comparative Totals for 2015)

	Family Resource	Parent Education	Homeless Family Services	Supervised Visits	Facilities Management	Family Justice Center	Pear Blossom Building	Total Program Services
Salaries	\$ 45,156	\$ 2,579	\$ 85,598	\$ 65,151	\$ 18,462	\$ 32,703	\$ 104,011	\$ 353,660
Payroll Taxes	4,060	253	9,185	6,647	2,029	3,183	10,118	35,475
Employee Benefits	1,264	51	7,507	6,388	317	696	1,423	17,646
Contract Labor	-	-	3,148	-	-	-	34,919	38,067
Repairs & Maintenance	-	-	-	-	18,152	-	2,228	20,380
Insurance	-	-	-	-	4,396	-	5,495	9,891
Office Expense	338	58	523	379	852	97	1,277	3,524
Postage	299	-	644	150	1,123	25	423	2,664
Printing	151	30	302	331	31	150	1,642	2,637
Professional Fees	-	-	-	-	1,898	-	757	2,655
Bank Service Charges	-	-	-	-	-	-	-	-
Rent Expense	-	-	-	-	-	-	-	-
Program Expenses	-	-	3,030	14,173	-	210	7,098	24,511
Telephone	1,852	40	1,154	1,807	1,583	707	2,105	9,248
Travel & Training	2,934	108	5,296	20,079	1,864	15,220	3,224	48,725
Utilities	284	-	269	-	23,291	8	30,742	54,594
Property Tax	-	-	-	-	-	-	38	38
Depreciation & Amortization	1,358	78	2,574	1,959	555	983	64,838	72,345
Interest Expense	228	13	432	329	93	165	82,713	83,973
Fundraising Expenses	-	-	-	-	-	-	-	-
Miscellaneous Expense	455	266	764	135	359	2,905	745	5,629
Technology Expense	655	-	958	655	720	646	1,040	4,674
Supplies	-	-	5	49	3,837	-	4,234	8,125
Client Assistance	13,036	-	218,610	-	-	2,321	7,366	241,333
Inkind	145,632	19,848	31,770	18,360	-	4,536	2,901	223,047
Total Expenses	\$ 217,702	\$ 23,324	\$ 371,769	\$ 136,592	\$ 79,562	\$ 64,555	\$ 369,337	\$ 1,262,841

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

**The Family Support Center
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Statement of Functional Expenses

	2016		2015	
	Mgmt. and General	Fund Raising	Total Expense	Total Expense
Salaries	\$ 149,372	\$ -	\$ 503,032	\$ 435,453
Payroll Taxes	14,930	-	50,405	43,924
Employee Benefits	3,801	-	21,447	30,054
Contract Labor	-	-	38,067	35,489
Repairs & Maintenance	260	-	20,640	26,315
Insurance	2,177	-	12,068	10,166
Office Expense	3,685	-	7,209	5,321
Postage	474	-	3,138	1,932
Printing	437	-	3,074	5,604
Professional Fees	16,876	-	19,531	17,900
Bank Service Charges	2,612	-	2,612	849
Rent Expense	-	-	-	867
Program Expenses	(18,891)	-	5,620	4,632
Telephone	1,314	-	10,562	9,528
Travel & Training	5,602	-	54,327	37,470
Utilities	361	-	54,955	53,988
Property Tax	-	-	38	15,933
Depreciation & Amortization	4,493	-	76,838	67,178
Interest Expense	753	-	84,726	45,988
Fundraising Expenses	-	15,936	15,936	14,981
Miscellaneous Expense	8,199	-	13,828	5,759
Technology Expense	15,239	-	19,913	7,027
Supplies	-	-	8,125	3,027
Client Assistance	-	-	241,333	261,248
Inkind	23,760	412	247,219	205,393
Total Expenses	\$ 235,454	\$ 16,348	\$ 1,514,643	\$ 1,346,026

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

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission and Programs

The Family Support Center of South Sound (FSC) is a non-profit entity established in January 2000, to provide collaborative services which foster healthy child development and help families obtain self-sufficiency in Thurston County. FSC's mission is Working Together to Strengthen all Families.

The significant programs operated by the FSC during the fiscal year were as follows:

- Family Resource provides low-income families with crisis intervention, advocacy, resources, referrals, and on-going support and assistance.
- Parent Education offers a variety of options for parenting support such as evidence-based parent education classes, workshops, family-focused support groups, and parenting/developmental assessments.
- Homeless Family Services provides families with strength-based case management services, advocacy, basic needs supplies, shelter, and community referrals to support clients in acquiring and maintaining permanent housing. The FSC also provides emergency financial and rental assistance to help families maintain and/or obtain permanent housing.
- Supervised Visits provides a healthy and safe environment for court ordered visitation between children and their non-custodial parents.
- For Facilities, the FSC sublets space to nonprofit organizations and public agencies that provide collaborative co-located supportive services that strengthen families and children in our community.
- Family Justice Center is a public-private partnership program focused on providing criminal justice and community based services to survivors of domestic violence, sexual assault, human trafficking, and stalking onsite at the FSC.
- The Pear Blossom Place Family Support Community Building was placed into service in July 2014, to provide thirty six beds of emergency shelter to homeless families with children and seven permanent supportive housing affordable units to low income families.

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

Basis of Accounting

The FSC maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as unrestricted or temporarily restricted as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is the policy of the FSC to record the grant funds as unrestricted on the statement of activities and changes in net assets.

Inventory

Inventory consists of bus passes and gift cards shown at cost. As of June 30, 2016 and 2015, the total cost was \$3,407 and \$0, respectively.

Furniture and Equipment

Furniture and equipment purchased by the FSC is recorded at cost. Furniture and equipment donated to the FSC is capitalized at its estimated fair value. The FSC's policy is to expense the acquisition cost of equipment in the year it is purchased if its cost is less than \$500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of furniture and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gains or loss is included in income.

Deferred Revenue

Deferred revenue is recognized for program (grant) advances received by the FSC that are in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

Grant Revenue

The FSC receives a substantial amount of its support and revenue from grants. If a significant reduction in the level of this support and revenue occurred, it could have a significant effect on the FSC'S programs and activities. Cash received in excess of grant expenditures is accounted for as deferred revenue.

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

Contributions

The FSC reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. However, restricted gifts for which the donor restriction is met in the same period the gift is received are recorded as unrestricted revenue.

When a donor restriction expires, that is, when a stipulated time restriction ends or the 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.

The FSC reports gifts of long-lived assets, as well as gifts of other assets restricted to the acquisition or construction of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Temporarily restricted long-lived assets are considered to be released from restrictions as the asset is depreciated over its useful life. Absent explicit donor instructions about how long-lived assets must be maintained, the FSC reports the expiration of donor restriction when the donated or acquired asset is placed in service.

Advertising

Advertising costs are expensed as they are incurred.

Income Tax

The FSC is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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 may vary from the estimates that were used.

Statement of Cash Flows

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts (grants) receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

An allowance for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year end are fully collectible. Receivables are considered past due if not collected within 90 days. FSC does not charge interest on past due receivables. As of June 30, 2016, all receivables are current. During 2016 and 2015, there were bad debts of \$0.

NOTE 3 –PROPERTY AND EQUIPMENT

At June 30, 2015, furniture and equipment includes the following:

Computer Equipment	\$ 12,487
Furniture and Fixtures	83,157
Telephone System	14,160
Leasehold Improvements	19,871
Smith Building	2,943,746
	<u>3,073,421</u>
Accumulated Depreciation	(204,657)
Total	<u><u>\$ 2,868,764</u></u>

Net furniture and equipment at June 30, 2015, was \$2,916,329.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Investments – Debt and Equity Securities, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that FSC has the ability to access.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CON'T.)

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

Mutual funds: Valued at the net asset value (NAV) of shares held by FSC at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although FSC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, FSC's assets at fair value as of June 30, 2016 with comparative totals for 2015:

	Level 1	Level 2	Level 3	2016 Total	2015 Total
Mutal Funds	\$ <u>102,019</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>102,019</u>	\$ <u>107,065</u>
Total	\$ <u><u>102,019</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>102,019</u></u>	\$ <u><u>107,065</u></u>

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CON'T.)

As of June 30, 2016 and 2015, the investments had a cost basis of \$104,814 and \$107,065, respectively. Investment loss for the fiscal year ended June 30, 2016, is the following:

Unrealized Gain (Loss)	\$	(3,383)
Dividends		4,995
Management Fees		<u>(1,662)</u>
 Total	 \$	 <u><u>(50)</u></u>

Investment loss for the fiscal year ended June 30, 2015, was \$(906).

NOTE 5: LONG TERM DEBT

Note payable to City of Olympia, 0% stated interest rate, secured by a Deed of Trust to the Pear Blossom Building. The note was issued for \$505,653 and, as of June 30, 2015, \$505,653 has been drawn against the note. The note will be forgiven after 40 years. The note becomes due and payable upon the sale, transfer, or change of use within the 40 years. \$ 505,653

Note payable to Thurston County, 0% stated interest rate, secured by a Deed of Trust to the Pear Blossom Building. The note was issued for \$398,599 and, as of June 30, 2015, \$398,599 has been drawn against the note. The note will be forgiven 15 years after the project completion. The note becomes due and payable upon the sale, transfer, or change of use within the 15 years. 398,599

Note payable to the Washington State Department of Commerce Housing Trust Fund, 0% stated interest, secured by a Deed of Trust to the Pear Blossom Building. The note was issued for \$750,000 and, as of June 30, 2015, \$750,000 has been drawn against the note. The note will be forgiven after a 40 year commitment period ending June 30, 2054. The note becomes due and payable upon the sale, transfer, or change of use within the 40 years. 750,000

Total \$ 1,654,252

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 5: LONG TERM DEBT (CON'T.)

The following table sets forth the future principle payment due:

2017	\$	-
2018		-
2019		-
2020		-
2021		-
Thereafter		<u>1,654,252</u>
Total	\$	<u><u>1,654,252</u></u>

The imputed interest rate of 5% is used to calculate imputed interest expense and contribution revenue. For the fiscal years ended June 30, 2016 and 2015, the imputed interest expense was \$82,713 and \$45,988, respectively.

NOTE 6 – LOAN FEES

Loan fees of \$15,000 will be amortized straight-line over 40 years. Accumulated amortization as of June 30, 2016 and 2015, was \$750 and \$375, respectively.

The following table sets forth the future amortization:

2017	\$	375
2018		375
2019		375
2020		375
2021		375
Thereafter		<u>12,375</u>
Total	\$	<u><u>14,250</u></u>

NOTE 7 – CAPITAL LEASE PAYABLE

During the fiscal year ended June 30, 2016, the FSC entered into a lease for telephone equipment that is classified as a capital lease. Accordingly, the asset has been capitalized and have the following book values as of June 30, 2016:

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 7 – CAPITAL LEASE PAYABLE

Capitalized Cost	\$ 10,515
Accumulated Depreciation	<u>(3,213)</u>
	\$ <u>7,302</u>

Total depreciation expense for this equipment for the fiscal year ended June 30, 2016, was \$3,213. Depreciation on these assets is included in depreciation expense on the statement of activities and changes in net assets.

Future minimum lease payments under this capital lease and net present value of the future minimum lease payments at June 30, 2016, are:

2017	\$ 4,800
2018	4,800
2019	800
2020	-
2021	-
Less amount representing interest	<u>(2,594)</u>
Present value of net future minimum lease payments	\$ <u>7,806</u>

NOTE 8 - TEMPORARILY RESTRICTED & BOARD DESIGNATED NET ASSETS

As required by the terms of the lease agreement with the City of Olympia, the FSC is required to establish a reserve fund. The reserve fund is to be used for maintaining and operating the building and is temporarily restricted. As of June 30, 2016 and 2015, reserve funds totaled \$5,000 and \$5,000, respectively.

During 2013, FSC purchased the Pear Blossom Building for \$1 from the City of Olympia. The appraisal for the building was \$1,070,000. In-kind revenue and capitalization of an asset was recorded in the financial records for \$1,069,999. The Pear Blossom Building is restricted to be used for emergency shelter and permanent housing with a capacity to accommodate at least 60 homeless individuals for 40 years beginning March 12, 2013. As of June 30, 2016 and 2015, the restricted amount was \$945,025 and \$1,008,697, respectively. The FSC is also required to have a \$10,000 maintenance reserve. As of June 30, 2016 and 2015, the maintenance reserve was \$10,000 and \$10,000, respectively.

**The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 8 - TEMPORARILY RESTRICTED & BOARD DESIGNATED NET ASSETS

During the fiscal year ended June 30, 2016, the FSC received a donation of \$3,335 to be restricted for equipment purchases.

As of June 30, 2016 and 2015, total temporarily restricted net assets were \$963,360 and \$1,023,697, respectively.

During the fiscal years ended June 30, 2016 and 2015, FSC designated \$10,000 towards the maintenance reserve for the Pear Blossom Building for each year. This is shown as unrestricted board designated net assets. As of June 30, 2016 and 2015, the balance was \$7,265 and \$10,000, respectively.

NOTE 9 - LEASING ARRANGEMENTS

Total rent expense for the fiscal years ended June 30, 2016 and 2015, was \$0 and \$867, respectively.

City of Olympia Lease Agreement

The FSC leases its facility from the City of Olympia. The City restored the building and converted it to a multi-purpose community center for use as the Family Support Center. The FSC leases the building for \$1 per year. The value of donated facilities is reflected in the financial statements as in-kind revenue and in-kind expense, and for the fiscal years ended June 30, 2016 and 2015, was 108,000, respectively.

The lease term is five years ending October 2019 and contains three five year extensions. Each extension is subject to the same lease terms.

The City of Olympia is responsible for major repairs to the building and its systems and major maintenance of the building and grounds. The FSC is responsible for minor repairs, custodial care, utilities and administering occupancy of the building with an array of child-serving agencies and programs.

If the City terminates the lease, the FSC shall receive an amount equal to the amortized value of its contribution to the building restoration if any, less any remaining contribution balance owed. If the FSC terminates the lease, it relinquishes any claims to the residual value of its contributions.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 9 - LEASING ARRANGEMENTS (CON'T.)

Tenant Lease Agreements

There are five family-serving agencies located in the FSC facility. The leases are month to month and are payable monthly or quarterly. The FSC also collect rent for the 7 permanent low income housing apartments in the Pear Blossom Building. For the fiscal years ended June 30, 2016 and 2015, \$129,611 and \$157,365, respectively, are reported as operations & maintenance income on the statement of activities.

NOTE 10 - DONATED MATERIALS AND ASSETS

Donated materials meeting the criteria for recognition in the financial statements are reflected in the financial statements as inkind revenue and expense at their estimated value on the date of receipt. For the fiscal years ended June 30, 2016 and 2015, donated materials were recorded as inkind revenue and expense at \$139,219 and \$97,393, respectively. During the fiscal year ended June 30, 2016, the FSC received donated equipment that the estimated fair value was \$11,862. This was recorded as revenue and capitalized as an asset on the statement of financial position. Also during the fiscal year ended June 30, 2015, the FSC received a donated stamp collection that the estimated fair value was \$2,000. This was recorded as revenue and capitalized as an asset on the statement of financial position.

NOTE 11 – EMPLOYEE BENEFITS

FSC provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Accrued and unused annual leave is payable to the employee in cash upon termination.

NOTE 12 – CONTINGENCIES

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the FSC if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2016

NOTE 13 – CONCENTRATION OF CREDIT RISK

From time to time, FSC has deposits in excess of the Federal Deposit Insurance Corporation's insurance limit. Management does not believe the FSC is subject to significant risk of loss related to these deposits. As of June 30, 2016 and 2015, the FSC had an account that exceeded the FDIC insured limit of \$250,000 by \$61,729 and \$0, respectively.

NOTE 14 – SUBSEQUENT EVENTS

The FSC did not have any subsequent events through January 26, 2017, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the fiscal year ended June 30, 2016.

NOTE 15 – UNCERTAIN TAX POSITIONS

FSC files income tax returns in the U.S. federal jurisdiction. FSC is no longer subject to U.S. federal income tax examinations by tax authorities for years before June 30, 2013. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2016, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.