
**The Family Support Center
of South Sound**

A Washington Not-For-Profit Organization

Financial Statements

For the Fiscal Year Ended June 30, 2018

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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

Aiken & Sanders

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

January 15, 2019

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

Statement of Financial Position

June 30, 2018 (With Comparative Totals for 2017)	2018	2017
ASSETS		
<u>Current Assets</u>		
Cash	\$ 219,679	\$ 159,326
Accounts Receivable	100,805	170,961
Tenant Receivable	9,242	2,001
Prepaid Expenses	11,266	579
Total Current Assets	340,992	332,867
<u>Property and Equipment, Net</u>	2,792,397	2,798,894
<u>Other Assets</u>		
Investments	67,271	67,232
Other Assets	2,000	3,272
Total Other Assets	69,271	70,504
Total Assets	\$ 3,202,660	\$ 3,202,265
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 67,795	\$ 20,065
Payroll Taxes & Benefits Payable	12,661	-
Accrued Annual Leave	30,121	24,512
Deferred Revenue	72,387	64,444
Tenant Deposits	3,010	3,010
Current Portion of Capital Lease Payable	774	3,983
Total Current Liabilities	186,748	116,014
<u>Long Term Liabilities</u>		
Capital Lease Payable, Net	-	774
Notes Payable	1,654,252	1,654,252
Less: Unamortized Debt Issuance Costs	(13,500)	(13,875)
Total Long-Term Liabilities	1,640,752	1,641,151
<u>Net Assets</u>		
Unrestricted	172,037	232,922
Unrestricted - Capital Assets	334,339	272,407
Unrestricted - Board Designated	27,280	17,271
Temporarily Restricted	533,656	522,600
	841,504	922,500
Total Net Assets	1,375,160	1,445,100
Total Liabilities & Net Assets	\$ 3,202,660	\$ 3,202,265

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

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Statement of Activities and Changes in Net Assets

Fiscal Year Ended June 30, 2018 <i>(With Comparative Totals for 2017)</i>	2018	2017		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support and Revenue				
Grants	\$ 1,238,262	\$ -	\$ 1,238,262	\$ 1,013,500
Contributions	273,992	-	273,992	250,439
Inkind	299,911	-	299,911	317,443
Operations & Maintenance Income	134,267	-	134,267	128,495
Fundraising	82,550	-	82,550	57,226
Service Fee Revenue	1,426	-	1,426	6,921
Interest Income	171	-	171	455
Satisfaction of Program Restriction	17,324	(17,324)	-	-
Satisfaction of Time Restriction	63,672	(63,672)	-	-
Total Support and Revenue	2,111,575	(80,996)	2,030,579	1,774,479
Expenses:				
Program Services:				
Family Resource	319,609	-	319,609	335,344
Parent Education	25,902	-	25,902	29,908
Homeless Family Services	750,671	-	750,671	591,089
Supervised Visits	-	-	-	71,608
Hope Program	67,921	-	67,921	-
Facilities Management	64,820	-	64,820	68,646
Family Justice Center	238,142	-	238,142	156,047
Pear Blossom Building	399,288	-	399,288	449,738
	<u>1,866,353</u>	<u>-</u>	<u>1,866,353</u>	<u>1,702,380</u>
Management and General	208,716	-	208,716	255,687
Fundraising	25,556	-	25,556	22,423
Total Expenses	2,100,625	-	2,100,625	1,980,490
Other Revenue & Expenses				
Loss on Disposal of Fixed Assets	-	-	-	(1,074)
Investment Income (Loss)	106	-	106	5,740
Total Other Revenue & Expenses	106	-	106	4,666
Change in Net Assets	11,056	(80,996)	(69,940)	(201,345)
Net Assets, Beginning of Year	522,600	922,500	1,445,100	1,646,445
Net Assets, End of Year	\$ 533,656	\$ 841,504	\$ 1,375,160	\$ 1,445,100

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Statement of Cash Flows

Fiscal Year Ended June 30, 2018 <i>(With Comparative Totals for 2017)</i>	2018	2017
<u>Cash Flows From Operating Activities</u>		
Change in Net Assets	\$ (69,940)	\$ (201,345)
Adjustments to reconcile change in net assets to net cash provided (used) from operating activities:		
Depreciation	78,988	78,429
Amortization Debt Issuance Costs	375	375
Loss on Disposal of Fix Assets	-	1,074
Investment (Gain) Loss	(106)	(5,740)
(Increase) Decrease In:		
Accounts Receivable	70,156	(60,826)
Tenant Receivable	(7,241)	(1,244)
Inventory	-	3,407
Prepaid Expenses	(10,687)	(579)
Other Assets	1,272	(1,272)
Increase (Decrease) In:		
Accounts Payable	47,730	(1,222)
Payroll Taxes & Benefits Payable	12,661	(7,654)
Accrued Annual Leave	5,609	7,989
Deferred Revenue	7,943	(62,651)
Tenant Deposits	-	500
Net Cash Provided (Used) by Operating Activities	<u>136,760</u>	<u>(250,759)</u>
<u>Cash Flows From Investing Activities</u>		
Proceeds from Sale of Investments	68	40,526
Purchase of Capital Assets	(72,492)	(9,630)
Net Cash Provided (Used) by Investing Activities	<u>(72,424)</u>	<u>30,896</u>
<u>Cash Flows From Financing Activities</u>		
Payments on Debt	(3,983)	(3,049)
Net Cash Provided (Used) In Financing Activities	<u>(3,983)</u>	<u>(3,049)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	60,353	(222,912)
Cash & Cash Equivalents at Beginning of Year	<u>159,326</u>	<u>382,238</u>
Cash & Cash Equivalents at End of Year	<u>\$ 219,679</u>	<u>\$ 159,326</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Fiscal Year for Interest	<u>\$ 816</u>	<u>\$ 1,751</u>

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Statement of Functional Expenses

Fiscal Year Ended June 30, 2018 (With Comparative Totals for 2017)

	Family Resource	Parent Education	Homeless Family Services	HOPE Program	Facilities Management	Family Justice Center	Pear Blossom Building	Total Program Services
Salaries	\$ 28,848	\$ 6,648	\$ 240,765	\$ 8,049	\$ 22,909	\$ 157,796	\$ 132,770	\$ 597,785
Payroll Taxes	2,535	610	21,613	727	2,211	14,118	12,785	54,599
Employee Benefits	3,927	253	13,757	682	171	12,431	1,166	32,387
Contract Labor	4	2	61,935	17,876	170	15,033	15,348	110,368
Repairs & Maintenance	-	-	-	-	4,722	-	20,823	25,545
Insurance	285	66	2,382	80	227	1,561	5,747	10,348
Office Expense	88	38	476	100	338	381	824	2,245
Postage	74	29	373	68	65	278	471	1,358
Printing	249	21	638	355	517	407	2,710	4,897
Professional Fees	303	121	2,795	585	1,012	1,654	2,140	8,610
Bank Service Charges	14	-	21	-	-	34	90	159
Program Expenses	936	-	-	8,397	-	-	2,785	12,118
Telephone	241	359	2,229	412	416	2,026	1,701	7,384
Travel & Training	220	58	4,719	3,243	826	12,298	688	22,052
Utilities	-	-	6,654	-	26,453	-	37,038	70,145
Depreciation	1,345	113	2,186	989	602	2,168	68,162	75,565
Interest Expense	-	-	-	-	-	-	82,713	82,713
Fundraising Expenses	-	-	-	-	-	-	-	-
Miscellaneous Expense	522	120	2,055	3,547	398	4,390	2,852	13,884
Technology Expense	268	160	2,449	277	255	10,869	2,119	16,397
Supplies	128	24	424	997	3,528	327	5,387	10,815
Client Assistance	83,647	-	353,880	3,127	-	2,371	969	443,994
Inkind	195,975	17,280	31,320	18,410	-	-	-	262,985
Total Expenses	\$ 319,609	\$ 25,902	\$ 750,671	\$ 67,921	\$ 64,820	\$ 238,142	\$ 399,288	\$ 1,866,353

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

**The Family Support Center
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Statement of Functional Expenses

	2018		2017	
	Mgmt. and General	Fund Raising	Total Expense	Total Expense
Salaries	\$ 115,875	\$ -	\$ 713,660	\$ 638,689
Payroll Taxes	9,399	-	63,998	58,860
Employee Benefits	2,857	-	35,244	33,151
Contract Labor	5,249	-	115,617	29,134
Repairs & Maintenance	158	-	25,703	26,773
Insurance	1,147	-	11,495	12,096
Office Expense	405	-	2,650	5,861
Postage	139	-	1,497	2,028
Printing	85	-	4,982	5,767
Professional Fees	14,555	-	23,165	26,121
Bank Service Charges	2,396	-	2,555	2,490
Program Expenses	1,966	-	14,084	9,998
Telephone	436	-	7,820	10,866
Travel & Training	1,107	-	23,159	51,835
Utilities	-	-	70,145	63,384
Depreciation	3,423	-	78,988	78,429
Interest Expense	1,191	-	83,904	84,839
Fundraising Expenses	-	25,556	25,556	22,423
Miscellaneous Expense	10,555	-	24,439	17,312
Technology Expense	293	-	16,690	14,521
Supplies	444	-	11,259	15,033
Client Assistance	110	-	444,104	453,437
Inkind	36,926	-	299,911	317,443
Total Expenses	\$ 208,716	\$ 25,556	\$ 2,100,625	\$ 1,980,490

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, 2018

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.
- The HOPE Program serves children and youth impacted by domestic violence and trauma.
- 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.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

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.

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.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

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.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

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, 2018, all receivables are current. During 2018 and 2017, there were bad debts of \$0.

NOTE 3 - PROPERTY AND EQUIPMENT

At June 30, 2018, furniture and equipment includes the following:

Computer Equipment	\$ 17,600
Furniture and Fixtures	79,520
Telephone System	10,515
Leasehold Improvements	19,871
Pear Blossom Place	2,946,197
Construction in Progress	72,491
	<hr/>
	3,146,194
Accumulated Depreciation	(353,797)
Total	<hr/> <u>\$ 2,792,397</u>

Net furniture and equipment at June 30, 2017, was \$2,798,894.

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, 2018

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, 2018.

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

Money market funds: Valued at cost plus interest earned.

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, 2018 with comparative totals for 2017:

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

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

	Level 1	Level 2	Level 3	2018 Total	2017 Total
Mutal Funds	\$ 67,216	\$ -	\$ -	\$ 67,216	\$ 50,472
Money Market	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>16,760</u>
Total	<u>\$ 67,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,271</u>	<u>\$ 67,232</u>

As of June 30, 2018 and 2017, the investments had a cost basis of \$67,271 and \$67,503, respectively. Investment loss for the fiscal year ended June 30, 2018, is the following:

Unrealized Gain (Loss)	\$ (155)
Dividends	1,044
Management Fees	<u>(783)</u>
 Total	 <u>\$ 106</u>

Investment gain for the fiscal year ended June 30, 2017, was \$5,740.

NOTE 5 – 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 with the following book values as of June 30, 2018:

Capitalized Cost	\$ 10,515
Accumulated Depreciation	<u>(10,223)</u>
	 <u>\$ 292</u>

Total depreciation expense for this equipment for the fiscal years ended June 30, 2018 and 2017, was \$3,505 and \$3,505, respectively. 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, 2018, are:

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

NOTE 5 – CAPITAL LEASE PAYABLE (CON'T.)

2019	\$	800
Less amount representing interest		<u>(26)</u>
 Present value of net future minimum lease payments	 \$	 <u><u>774</u></u>

NOTE 6 - LONG TERM DEBT & DEBT ISSUANCE COSTS

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. 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. 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. 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, 2018

NOTE 6 - LONG TERM DEBT & DEBT ISSUANCE COSTS (CON'T.)

The following table sets forth the future principle payment due:

	2019	\$	-	
	2020		-	
	2021		-	
	2022		-	
	2023		-	
	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, 2018 and 2017, the imputed interest expense was \$82,713 and \$82,713, respectively.

Debt Issuance Costs

The FSC classifies debt issuance costs as a reduction to underlying loan obligations and recognizes interest expense on these costs over the life of the underlying loans. The FSC recognized \$375 and \$375 in interest expense for these costs in the fiscal years ended June 30, 2018 and 2017, respectively. Composition of debt issuance costs is the following:

	<u>2018</u>		<u>2017</u>
Debt Issuance Costs	\$ 15,000	\$	15,000
Less: Interest Recognized	<u>(1,500)</u>		<u>(1,125)</u>
Net Debt Issuance Costs	<u><u>13,500</u></u>	\$	<u><u>13,875</u></u>

Loan fees of \$15,000 will be amortized straight-line over 40 years. The following table sets forth the future amortization:

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

NOTE 6 - LONG TERM DEBT & DEBT ISSUANCE COSTS (CON'T.)

2019	\$	375
2020		375
2021		375
2022		375
2023		375
Thereafter		<u>11,625</u>
Total	\$	<u>13,500</u>

NOTE 7 - 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, 2018 and 2017, 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, 2018 and 2017, the restricted amount was \$817,681 and \$881,353, respectively. The FSC is also required to have a \$10,000 maintenance reserve. As of June 30, 2018 and 2017, the maintenance reserve was \$10,000 and \$10,000, respectively.

As of June 30, 2018 and 2017, the FSC had \$8,823 and \$24,120 donor restricted for Hope Camp and \$0 and \$2,027 donor restricted for rental assistance, respectively.

As of June 30, 2018 and 2017, total temporarily restricted net assets were \$841,504 and \$922,500, respectively.

During the fiscal years ended June 30, 2018 and 2017, FSC designated \$10,009 and \$10,006 towards the maintenance reserve for the Pear Blossom Building for each year, respectively. This is shown as unrestricted board designated net assets. As of June 30, 2018 and 2017, the balance was \$27,280 and \$17,271, respectively.

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

Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

NOTE 8 - LEASING ARRANGEMENTS

Total rent expense for the fiscal years ended June 30, 2018 and 2017, was \$884 and \$0, 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 inkind revenue and inkind expense, and for the fiscal years ended June 30, 2018 and 2017, 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. The FSC is moving to a new location in early 2019. Management believes that nothing is owed between the City and FSC.

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, 2017 and 2016, \$134,267 and \$128,495, respectively, are reported as operations & maintenance income on the statement of activities.

NOTE 9 – INKIND REVENUE

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, 2018 and 2017, donated materials were recorded as inkind revenue and expense at \$191,911 and \$209,443, respectively.

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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

NOTE 9 – INKIND REVENUE (CON'T.)

Volunteers contribute services toward the fulfillment of programs sponsored by the FSC. The contributed services that do not meet the requirements are not recorded in the financial statements. During the fiscal year ended June 30, 2018, the estimated fair value of contributed services received but not recorded on the books, because they do not meet the requirements, was \$301,371.

NOTE 10 – 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 11 – 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.

NOTE 12 – 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, 2018 and 2017, the FSC had an account that exceeded the FDIC insured limit of \$250,000 by \$0 and \$0, respectively.

NOTE 13 – SUBSEQUENT EVENTS

The FSC did not have any subsequent events through January 15, 2019, 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, 2018.

The Family Support Center
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Notes to the Financial Statement

Fiscal Year Ended June 30, 2018

NOTE 14 – 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, 2015. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of June 30, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.