

VASHON YOUTH AND FAMILY SERVICES  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position .....	3 - 4
Statements of Activities .....	5
Statements of Functional Expenses .....	6 - 7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 - 16
SUPPLEMENTARY INFORMATION:	
Schedules of Grants and Fees .....	17



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors  
Vashon Youth and Family Services  
Vashon, Washington

Report on Financial Statements

We have audited the accompanying financial statements of Vashon Youth and Family Services, a not-for-profit corporation (the Organization), which comprise the statements of financial position as of December 31, 2016, and 2015, the related statements of activities, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vashon Youth and Family Services as of December 31, 2016 and 2015, 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.

Other Matter

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information shown on page 17 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lovridge Hunt & Co, PLLC*

Bellevue, Washington  
June 29, 2017

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 69,163	\$ 18,961
Cash - payroll	-	53,363
Grants and contracts receivable	59,254	74,465
Prepaid Expenses	<u>7</u>	<u>7</u>
Total current assets	128,424	146,796
Other assets:		
Unconditional promises to give (See Note 3)	-	3,950
Cash restricted	24,982	13,581
Property and equipment, net	<u>621,384</u>	<u>642,645</u>
	<u>646,366</u>	<u>660,176</u>
 Total Assets	 \$ <u>774,790</u>	 \$ <u>806,972</u>

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 30,193	\$ 24,373
Accrued payroll	52,328	74,147
Accrued vacation	34,597	37,899
Due to other organizations	2,218	4,126
Rental deposit	1,878	1,875
Current portion - repayment obligation (See Note 6)	17,419	17,419
Current portion - note payable - PlaySpace (See Note 7)	<u>8,233</u>	<u>7,259</u>
Total current liabilities	146,866	167,098
Other liabilities:		
Note payable - PlaySpace (See Note 7)	<u>171,462</u>	<u>180,347</u>
Total liabilities	318,328	347,445
Net assets:		
Unrestricted net assets	426,724	421,162
Temporarily restricted net assets (See Note 2)	<u>29,738</u>	<u>38,365</u>
Total Net assets	<u>456,462</u>	<u>459,527</u>
Total Liabilities and Net Assets	\$ <u>774,790</u>	\$ <u>806,972</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	2016 Total	Unrestricted	Temporarily Restricted	2015 Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Contributions	\$ 127,488	\$ 95,174	\$ 222,662	\$ 140,784	\$ 60,000	\$ 200,784
Donation goods & services	17,859	-	17,859	61,712	-	61,712
Grants & fees	886,068	-	886,068	605,978	-	605,978
Contract services	-	-	-	27,067	-	27,067
Interest income	92	-	92	56	-	56
Program services fees	246,228	-	246,228	274,097	-	274,097
Special events, net	13,268	-	13,268	3,469	-	3,469
Rent	14,747	-	14,747	14,993	-	14,993
Other income	2,252	-	2,252	660	-	660
Net assets released from restrictions	<u>103,801</u>	<u>(103,801)</u>	<u>-</u>	<u>79,649</u>	<u>(79,649)</u>	<u>-</u>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b><u>1,411,803</u></b>	<b><u>(8,627)</u></b>	<b><u>1,403,176</u></b>	<b><u>1,208,465</u></b>	<b><u>(19,649)</u></b>	<b><u>1,188,816</u></b>
<b>EXPENSES</b>						
Program Services	1,085,218	-	1,085,218	1,017,625	-	1,017,625
Management & general	256,471	-	256,471	210,643	-	210,643
Fundraising	<u>64,552</u>	<u>-</u>	<u>64,552</u>	<u>60,448</u>	<u>-</u>	<u>60,448</u>
<b>TOTAL EXPENSES</b>	<b>1,406,241</b>	<b>-</b>	<b>1,406,241</b>	<b>1,288,716</b>	<b>-</b>	<b>1,288,716</b>
Change in net assets from operations	<u>5,562</u>	<u>(8,627)</u>	<u>(3,065)</u>	<u>(80,251)</u>	<u>(19,649)</u>	<u>(99,900)</u>
Total change in net assets	\$ 5,562	\$ (8,627)	\$ (3,065)	\$ (80,251)	\$ (19,649)	\$ (99,900)
NET ASSETS, Beginning	<u>421,162</u>	<u>38,365</u>	<u>459,527</u>	<u>501,413</u>	<u>58,014</u>	<u>559,427</u>
NET ASSETS, Ending	<u>\$ 426,724</u>	<u>\$ 29,738</u>	<u>\$ 456,462</u>	<u>\$ 421,162</u>	<u>\$ 38,365</u>	<u>\$ 459,527</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016  
(With Comparative Totals for 2015)

	Program Services	Management & General	Fundraising	Total 2016	Total 2015
Salaries	\$ 689,276	\$ 161,816	\$ 32,511	\$ 883,603	\$ 714,676
Salaries in-kind	16,554	-	-	16,554	61,234
Payroll taxes/benefits	<u>105,013</u>	<u>22,997</u>	<u>4,872</u>	<u>132,882</u>	<u>113,802</u>
	810,843	184,813	37,383	1,033,039	889,712
Communications	12,797	2,129	3,226	18,152	29,135
Travel & training	10,605	1,483	121	12,209	16,640
Direct support - clients	78,652	-	-	78,652	75,666
Physical plant & equipment	43,789	12,899	1,813	58,501	56,114
Insurance	7,880	5,406	163	13,449	10,191
Licenses & fees	2,537	6,335	3,729	12,601	9,546
Office supplies & printing	4,799	2,500	7,174	14,473	10,703
Professional services	84,017	15,451	2,202	101,670	115,028
Program support	2,792	9,711	7,947	20,450	23,840
Taxes	-	2,496	-	2,496	1,003
Interest	-	7,360	-	7,360	7,877
Bad debt	10,060	-	-	10,060	19,873
Miscellaneous expense	<u>1,089</u>	<u>725</u>	<u>54</u>	<u>1,868</u>	<u>2,467</u>
	1,069,860	251,308	63,812	1,384,980	1,267,795
Depreciation	<u>15,358</u>	<u>5,163</u>	<u>740</u>	<u>21,261</u>	<u>20,921</u>
Total Expenses	\$ <u>1,085,218</u>	\$ <u>256,471</u>	\$ <u>64,552</u>	\$ <u>1,406,241</u>	\$ <u>1,288,716</u>

Continued on Page 7.



VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2015

	Program Services	Management & General	Fundraising	Total 2015
Salaries	\$ 547,026	\$ 128,396	\$ 39,254	\$ 714,676
Salaries in-kind	61,234	-	-	61,234
Payroll taxes/benefits	<u>98,723</u>	<u>11,766</u>	<u>3,313</u>	<u>113,802</u>
	706,983	140,162	42,567	889,712
Communications	16,695	1,925	10,515	29,135
Travel & training	14,228	2,385	27	16,640
Direct support - clients	75,666	-	-	75,666
Physical plant & equipment	38,772	15,958	1,384	56,114
Insurance	6,007	4,088	96	10,191
Licenses & fees	5,683	3,794	69	9,546
Office supplies & printing	6,003	3,831	869	10,703
Professional services	99,378	11,399	4,251	115,028
Program support	23,840	-	-	23,840
Taxes	-	1,003	-	1,003
Interest	-	7,877	-	7,877
Bad debt	8,873	11,000	-	19,873
Miscellaneous expense	<u>1,086</u>	<u>1,152</u>	<u>229</u>	<u>2,467</u>
	1,003,214	204,574	60,007	1,267,795
Depreciation	<u>14,411</u>	<u>6,069</u>	<u>441</u>	<u>20,921</u>
Total Expenses	<u>\$ 1,017,625</u>	<u>\$ 210,643</u>	<u>\$ 60,448</u>	<u>\$ 1,288,716</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF CASH FLOWS  
Increase (Decrease) in Cash

	<u>Years Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (3,065)	\$ (99,900)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	21,261	20,921
Changes in certain assets and liabilities:		
Accounts receivable	15,211	2,994
Prepaid expenses	-	5,602
Unconditional promises to give	3,950	31,000
Accounts payable	5,820	(5,837)
Accrued payroll and vacation	28,242	32,374
Deposits and due to other organizations	<u>(1,905)</u>	<u>2,624</u>
Net cash provided (used) by operating activities	69,514	(10,222)
Cash flows from investing activities:		
Purchase of depreciable assets	-	(27,829)
Net proceeds from restricted cash account	<u>(11,401)</u>	<u>4,865</u>
Net cash used by investing activities	(11,401)	(22,964)
Cash flows from financing activities:		
Principal payments on note payable	(7,911)	(22,394)
Proceeds from loan payable (Note 9)	20,000	-
Principal payments on loan payable (Note 9)	<u>(20,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(7,911)</u>	<u>(22,394)</u>
Net increase (decrease) in cash	50,202	(55,580)
Cash and cash equivalents - beginning of year	<u>18,961</u>	<u>74,541</u>
Cash and cash equivalents - end of year	\$ <u><u>69,163</u></u>	\$ <u><u>18,961</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 7,360	\$ 7,877

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

## VASHON YOUTH AND FAMILY SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - NATURE OF BUSINESS

Vashon Youth and Family Services (the Organization) is a Washington Nonprofit Corporation which was formed on July 21, 1977. The Organization strives to empower Island families to raise thriving, resilient children and youth by fostering a community of emotionally healthy, resourceful families and individuals. Vashon Youth and Family Services accomplishes this by identifying needs, developing positive opportunities for youth and families, and facilitating support services for them.

Further, the Organization is to carry out any other educational or charitable purpose within the meaning of Section 501 (c)(3) of the Internal Revenue Code.

The Organization receives primary funding through a variety of sources (see supplementary information). King County, through the Department of Community and Human Services, funds counseling, community projects, life skills, and substance abuse prevention. United Way funding helps to support general and specific Organization purposes. Additionally, Vashon Youth and Family Services works with other nonprofits and public and private organizations to support specific programs.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The accrual method of accounting is used for financial statement purposes.

##### Depreciation

Depreciation is computed for financial statement purposes using the straight-line method over the estimated useful lives of the related assets.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor restrictions.

Temporarily restricted net assets – Net assets subject to donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

Permanently restricted net assets – Net assets subject to donor restrictions are maintained permanently by the Organization. There were no permanently restricted net assets at December 31, 2016 and 2015.

Activity relating to the temporarily restricted net assets during the year ended December 31, 2016 and 2015 are as follows:

	January 1, 2016	Contributions Received	Released	December 31, 2016
Capital Campaign - PlaySpace	\$ 23,243	\$ -	\$ (15,271)	\$ 7,972
Individual donations	-	7,174	-	7,174
FESS	-	25,000	(12,500)	12,500
Community Wellness	<u>15,122</u>	<u>63,000</u>	<u>(76,030)</u>	<u>2,092</u>
	<u>\$ 38,365</u>	<u>\$ 95,174</u>	<u>\$ (103,801)</u>	<u>\$ 29,738</u>
	January 1, 2015	Contributions Received	Released	December 31, 2015
Capital Campaign - PlaySpace	\$ 43,514	\$ -	\$ (20,271)	\$ 23,243
Community Wellness	<u>14,500</u>	<u>60,000</u>	<u>(59,378)</u>	<u>15,122</u>
	<u>\$ 58,014</u>	<u>\$ 60,000</u>	<u>\$ (79,649)</u>	<u>\$ 38,365</u>

## VASHON YOUTH AND FAMILY SERVICES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

##### Income Taxes

The Organization is not subject to income taxes. Management believes that the Organization has adequately addressed all relevant tax positions and there are no unrecorded tax liabilities. Generally, the Organization's tax returns remain open for three years for federal and state income tax examination.

##### Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash represents operating cash held in bank accounts, and restricted cash represents monies held pursuant to certain debt covenants and restricted purposes specified by donors. At December 31, 2016 and 2015, there were no cash equivalents.

##### Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs, including fund-raising activities and support services. Costs that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs are allocated to a program by predetermined percentages. These percentages are primarily calculated based on staff time spent in the various programs.

##### Accounts and Grants Receivable

Accounts receivable are stated at an amount management expects to collect from outstanding balances for fees and grant amounts earned but not yet received as of the financial statement date. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2016, there was no allowance balance. At December 31, 2015, the allowance for doubtful accounts totaled \$8,873.

##### Accrued Vacation Liability

Full-time employees working more than 1,040 hours annually are eligible for compensated vacation time. Eligible employees accrue vacation leave on a monthly basis, beginning on their hire date. The annual accrual amount, which varies based on hours worked and length of service, is established at 12 to 20 days. Carryover of a maximum accrual of 240 hours is allowed, with any amount over the maximum forfeited. Upon termination of employment a maximum of 120 hours will be paid out.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Donated Assets and Services

Noncash donations are recorded as contributions at their estimated fair value at the date of the donation. Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

In-kind contributions are recorded as revenue and expenses at fair market value as of December 31, as follows:

	<u>2016</u>	<u>2015</u>
Salaries	\$ 16,554	\$ 61,234
Supplies	<u>1,305</u>	<u>478</u>
	<u>\$ 17,859</u>	<u>\$ 61,712</u>

In-kind salary expense is recorded based on direct service hours from interns utilized in counseling programs. Additionally, many individuals volunteer their time and perform a variety of tasks to assist in the Organization's program services. These contributed services do not meet recognition criteria under current accounting standards and, accordingly, are not reflected in the accompanying financial statements.

Donated Property

Donations of property are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Restricted Cash

The Organization reports gifts of cash and grants that have been both externally restricted and internally restricted for certain purposes. As of December 31, 2016 and 2015, restricted cash consists of amounts restricted for the Note Payable - PlaySpace (see Note 7) and other grants and donations.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Subsequent Event

Management of the Organization has evaluated events and transactions occurring after December 31, 2016 through June 29, 2017, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events and transactions that required recognition and disclosures in the financial statements except as disclosed in Note 8.

NOTE 3 - PROMISES TO GIVE

The Organization had conducted a fund-raising campaign related to the purchase of a building (PlaySpace), which was completed on May 11, 2011, primarily providing space for programs related to early childhood development. The promises to give are restricted to the payment of costs associated with the purchase and maintenance of the building. Promises to give are written off when deemed uncollectible. Pledges receivable in the amount of \$3,950 was written off during the year ended December 31, 2016. Unconditional promises to give at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ -	\$ -
Receivable in one to five years	-	3,950
	<u>\$ -</u>	<u>\$ 3,950</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Fixed assets are capitalized at cost, with depreciation provided for on the straight-line method over the estimated useful lives of 3 to 8 years. Buildings and improvements are generally depreciated over useful lives of 30 to 40 years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes all expenditures for equipment in excess of \$1,000. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation is charged to the activity benefiting from the use of the property or equipment.

The major classes of depreciable assets as of December 31 consist of:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 98,814	\$ 98,814
Building and improvements	520,352	520,352
Land	<u>346,500</u>	<u>346,500</u>
	965,666	965,666
Less: Accumulated depreciation	<u>344,282</u>	<u>323,021</u>
	<u>\$ 621,384</u>	<u>\$ 642,645</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASED PROPERTY

Under terms of an agreement with the Vashon Island School District, Vashon Youth and Family Services is authorized to use and occupy certain real property described as Vashon Island High School. The lease requires the Organization to use the facilities as a family and youth services program center for Vashon Youth and Family Services programs, a meeting and office facility (Facility A), and a facility available for public use as allowed by King County (Facility B).

The term of the agreement is approximately 21 years, expiring in December 2021, with an option to extend for 15 years. During the initial lease term, in lieu of rent, Vashon Youth and Family Services shall annually provide 500 hours of prevention/intervention services. Upon extension of the lease, Vashon Youth and Family Services shall pay rent at a negotiated fair market rate.

Vashon Youth and Family Services has erected two distinct buildings on the real property. Upon lease termination, Facility A shall be quit-claimed to Vashon Island School District; ownership of Facility B remains with Vashon Youth and Family Services. The lease agreement contains other terms and conditions in the event of recapture by the School District in accordance with RCW 28A.335.040 regarding the use of surplus school property. Vashon Youth and Family Services will be obligated to continue to operate youth and family counseling services at Facility B through approximately November 30, 2021.

In January 2010, the Organization entered into a noncancellable lease for a Ricoh copier, which is classified as an operating lease. The commencement of the lease was January 1, 2010 with an initial term of 62 months through February 28, 2015. In 2013, the Organization entered into a noncancellable lease for another Ricoh copier, which is also classified as an operating lease. The commencement of the lease was October 1, 2013 with an initial term of 60 months through October 31, 2018. Lease payments and copier cost expense for the years ended December 31, 2016 and 2015 was approximately \$5,804 and \$5,828, respectively. The approximate future minimum annual lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 3,212
2018	<u>2,677</u>
	<u>\$ 5,889</u>



VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - REPAYMENT OBLIGATION

Chemical Dependency (CD) Program Repayment Debt

CD program repayments reflected in these financial statements refer to a repayment obligation stemming from improperly documented billings submitted to King County and Title XIX for chemical dependency services delivered between March 1, 2012 and June 24, 2013. The repayment obligation was structured to occur during fiscal years 2014 and 2015, which consists of the following:

Program repayment obligation with King County Mental Health, Chemical Abuse and Dependency Services Division County Community Services, was unsecured with 0% interest in the original amount of \$11,000. As of December 31, 2014, the repayment obligation to King County in the amount of \$11,000 has been paid in full.

Program repayment obligation with Provider One, Title XIX, is unsecured with 0% interest in the amount of \$17,992. As of December 31, 2016 and 2015, the outstanding balance totaled \$17,419, each year. As of December 31, 2016, management has been unable to identify the repayment procedures with Provider One.

NOTE 7 - NOTE PAYABLE

Note Payable - PlaySpace

The note, dated May 9, 2011, bears an interest rate of 4%, for a period of 5 years. Required monthly payments are interest only until maturity. Proceeds of the note were used to acquire and remodel the PlaySpace property. Per the loan modification dated October 17, 2014, interest on the unpaid principal balance of the note will remain at four percent (4%) per annum for the term of the loan modification. Effective January 1, 2015, the unpaid principal balance in the amount of \$210,000 will be amortized on a twenty year amortization schedule.

The Organization will make monthly payments in the amount of \$1,272.56 with the first monthly payment due on February 1, 2015. The unpaid principal and any accrued and unpaid interest shall be due in full on January 1, 2020. The note is secured by a first deed of trust on the PlaySpace building. In addition, any current and future pledges made to any capital campaign of the Organization should be collateral for the note. All pledges when collected should be placed in a restricted account. As of December 31, 2016 and 2015, the restricted account balance totaled \$7,254 and \$7,248, respectively.

As of December 31, 2016 and 2015, it is not practicable to make a reasonable estimate of fair value for the note payable.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - NOTE PAYABLE - (CONTINUED)

Principal Payments

Principal payments on the note for the next 5 years are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 8,233
2018	8,568
2019	8,917
2020	<u>153,977</u>
	<u>\$ 179,695</u>

NOTE 8 - SUBSEQUENT EVENT

On February 12, 2017, the Organization entered into a purchase and sale agreement with Brennan Banks and Wangui Banks for the sale of PlaySpace for \$539,000. The sale was closed on June 28, 2017, with a final sale price of \$530,000.

NOTE 9 - COMPLIANCE AND CONTINGENCIES

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Annual revenue for 2016 and 2015 are \$1,403,176 and \$1,188,816, respectively. Approximately 48% for 2016 and 41% for 2015 of its annual revenue is from Navos Title XIX-Medicaid. A significant increase or decrease in the level of this support, if it were to occur, might have an effect on its programs and activities. Additionally, certain grants have various program requirements, as set forth in the funding agreements. Failure to fulfill these conditions could result in the return of funds to the grantors.

NOTE 10 - RELATED PARTY TRANSACTION

Loan payable - Former Board President

On May 26, 2016, the Organization entered into the loan agreement with Jay Williamson, former Board President in the amount of \$20,000 for a period of no longer than six months with no interest. The loan was paid in full during 2016.

VASHON YOUTH AND FAMILY SERVICES

SCHEDULES OF GRANTS AND FEES

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
King County:		
MIDD Infrastructure Support Grant	\$ 80,000	\$ -
Public Health	7,442	-
Youth & Family Services	<u>39,089</u>	<u>36,419</u>
	126,531	36,419
Community Development Block Grant:		
Housing Stability Project	2,013	1,308
Washington State Department of Social and Health Services	28,482	21,705
Superintendent of Public Instruction Child and Adult Care Food Program	2,172	2,255
United Way Community Funding	60,000	60,000
Navos Title XIX-Medicaid	<u>666,870</u>	<u>484,291</u>
Total Grants and Fees	<u>\$ 886,068</u>	<u>\$ 605,978</u>