

VASHON YOUTH AND FAMILY SERVICES
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 27, 2018

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 68,117	\$ 69,163
Grants and contracts receivable	84,912	59,254
Prepaid Expenses	<u>-</u>	<u>7</u>
Total current assets	153,029	128,424
Other assets:		
Cash restricted	26,844	24,982
Property and equipment, net	<u>114,251</u>	<u>621,384</u>
	<u>141,095</u>	<u>646,366</u>
 Total Assets	 \$ <u>294,124</u>	 \$ <u>774,790</u>

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FINANCIAL POSITION - (CONTINUED)

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 14,609	\$ 30,193
Accrued payroll	41,455	52,328
Accrued vacation	22,782	34,597
Due to other organizations	10,182	2,218
Rental deposit	-	1,878
Current portion - repayment obligation (See Note 6)	17,419	17,419
Current portion - note payable - PlaySpace (See Note 7)	-	<u>8,233</u>
Total current liabilities	<u>106,447</u>	<u>146,866</u>
Other liabilities:		
Note payable - PlaySpace (See Note 7)	-	<u>171,462</u>
Total liabilities	106,447	318,328
Net assets:		
Unrestricted net assets	177,627	426,724
Temporarily restricted net assets (See Note 2)	<u>10,050</u>	<u>29,738</u>
Total Net assets	<u>187,677</u>	<u>456,462</u>
Total Liabilities and Net Assets	<u>\$ 294,124</u>	<u>\$ 774,790</u>

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

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total	Unrestricted	Temporarily Restricted	2016 Total
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 148,515	\$ 102,984	\$ 251,499	\$ 127,488	\$ 95,174	\$ 222,662
Donation goods & services	11,719	-	11,719	17,859	-	17,859
Grants & fees	625,122	-	625,122	886,068	-	886,068
Interest income	25	-	25	92	-	92
Program services fees	229,902	-	229,902	246,228	-	246,228
Special events, net	4,813	-	4,813	13,268	-	13,268
Rent	4,815	-	4,815	14,747	-	14,747
Other income	4,849	-	4,849	2,252	-	2,252
Net assets released from restrictions	<u>122,672</u>	<u>(122,672)</u>	<u>-</u>	<u>103,801</u>	<u>(103,801)</u>	<u>-</u>
TOTAL REVENUE, GAIN, AND OTHER SUPPORT	<u>1,152,432</u>	<u>(19,688)</u>	<u>1,132,744</u>	<u>1,411,803</u>	<u>(8,627)</u>	<u>1,403,176</u>
EXPENSES						
Program Services	1,078,983	-	1,078,983	1,085,218	-	1,085,218
Management & general	253,261	-	253,261	256,471	-	256,471
Fundraising	<u>74,642</u>	<u>-</u>	<u>74,642</u>	<u>64,552</u>	<u>-</u>	<u>64,552</u>
TOTAL EXPENSES	<u>1,406,886</u>	<u>-</u>	<u>1,406,886</u>	<u>1,406,241</u>	<u>-</u>	<u>1,406,241</u>
Change in net assets from operations	(254,454)	(19,688)	(274,142)	5,562	(8,627)	(3,065)
Gain on asset sale	<u>5,357</u>	<u>-</u>	<u>5,357</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>\$ (249,097)</u>	<u>\$ (19,688)</u>	<u>\$ (268,785)</u>	<u>\$ 5,562</u>	<u>\$ (8,627)</u>	<u>\$ (3,065)</u>
NET ASSETS, Beginning	<u>426,724</u>	<u>29,738</u>	<u>456,462</u>	<u>421,162</u>	<u>38,365</u>	<u>459,527</u>
NET ASSETS, Ending	<u>\$ 177,627</u>	<u>\$ 10,050</u>	<u>\$ 187,677</u>	<u>\$ 426,724</u>	<u>\$ 29,738</u>	<u>\$ 456,462</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, 2017
(With Comparative Totals for 2016)

	Program Services	Management & General	Fundraising	Total 2017	Total 2016
Salaries	\$ 745,432	\$ 155,896	\$ 47,200	\$ 948,528	\$ 883,603
Salaries in-kind	10,948	-	-	10,948	16,554
Payroll taxes/benefits	<u>73,765</u>	<u>14,173</u>	<u>4,219</u>	<u>92,157</u>	<u>132,882</u>
	830,145	170,069	51,419	1,051,633	1,033,039
Communications	11,236	2,471	2,631	16,338	18,152
Travel & training	7,248	606	1,000	8,854	12,209
Direct support - clients	69,469	-	-	69,469	78,652
Physical plant & equipment	30,688	26,900	1,611	59,199	58,501
Insurance	6,202	7,171	455	13,828	13,449
Licenses & fees	7,932	7,249	3,202	18,383	12,601
Office supplies & printing	5,380	1,728	5,873	12,981	14,473
Professional services	56,557	23,745	6,083	86,385	101,670
Program support	24,319	1,275	1,438	27,032	20,450
Taxes	-	3,943	-	3,943	2,496
Interest	-	4,156	-	4,156	7,360
Bad debt	9,392	-	-	9,392	10,060
Building lease	8,400	-	-	8,400	1,099
Miscellaneous expense	<u>1,486</u>	<u>988</u>	<u>424</u>	<u>2,898</u>	<u>1,868</u>
	1,068,454	250,301	74,136	1,392,891	1,384,980
Depreciation	<u>10,529</u>	<u>2,960</u>	<u>506</u>	<u>13,995</u>	<u>21,261</u>
Total Expenses	<u>\$ 1,078,983</u>	<u>\$ 253,261</u>	<u>\$ 74,642</u>	<u>\$ 1,406,886</u>	<u>\$ 1,406,241</u>

Continued on Page 7.

VASHON YOUTH AND FAMILY SERVICES

STATEMENTS OF FUNCTIONAL EXPENSES - (CONTINUED)

Year Ended December 31, 2016

	Program Services	Management & General	Fundraising	Total 2016
Salaries	\$ 689,276	\$ 161,816	\$ 32,511	\$ 883,603
Salaries in-kind	16,554	-	-	16,554
Payroll taxes/benefits	<u>105,013</u>	<u>22,997</u>	<u>4,872</u>	<u>132,882</u>
	810,843	184,813	37,383	1,033,039
Communications	12,797	2,129	3,226	18,152
Travel & training	10,605	1,483	121	12,209
Direct support - clients	78,652	-	-	78,652
Physical plant & equipment	43,789	12,899	1,813	58,501
Insurance	7,880	5,406	163	13,449
Licenses & fees	2,537	6,335	3,729	12,601
Office supplies & printing	4,799	2,500	7,174	14,473
Professional services	84,017	15,451	2,202	101,670
Program support	2,792	9,711	7,947	20,450
Taxes	-	2,496	-	2,496
Interest	-	7,360	-	7,360
Bad debt	10,060	-	-	10,060
Miscellaneous expense	<u>1,089</u>	<u>725</u>	<u>54</u>	<u>1,868</u>
	1,069,860	251,308	63,812	1,384,980
Depreciation	<u>15,358</u>	<u>5,163</u>	<u>740</u>	<u>21,261</u>
Total Expenses	<u>\$ 1,085,218</u>	<u>\$ 256,471</u>	<u>\$ 64,552</u>	<u>\$ 1,406,241</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>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (268,785)	\$ (3,065)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	13,995	21,261
(Gain) loss on asset sale	(5,357)	-
Changes in certain assets and liabilities:		
Accounts receivable	(25,658)	15,211
Prepaid expenses	7	-
Unconditional promises to give	-	3,950
Accounts payable	(15,585)	5,820
Accrued payroll and vacation	(22,688)	28,242
Deposits and due to other organizations	<u>6,086</u>	<u>(1,905)</u>
Net cash provided (used) by operating activities	(317,985)	69,514
Cash flows from investing activities:		
Net proceeds from sale of depreciable assets	498,496	-
Net disbursement from restricted cash account	<u>(1,862)</u>	<u>(11,401)</u>
Net cash provided (used) by investing activities	496,634	(11,401)
Cash flows from financing activities:		
Principal payments on note payable	(179,695)	(7,911)
Proceeds from loan payable (Note 9)	-	20,000
Principal payments on loan payable (Note 9)	<u>-</u>	<u>(20,000)</u>
Net cash used by financing activities	<u>(179,695)</u>	<u>(7,911)</u>
Net increase (decrease) in cash	(1,046)	50,202
Cash and cash equivalents - beginning of year	<u>69,163</u>	<u>18,961</u>
Cash and cash equivalents - end of year	<u>\$ 68,117</u>	<u>\$ 69,163</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,156	\$ 7,360

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. 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, 2017 and 2016.

Activity relating to the temporarily restricted net assets during the years ended December 31, 2017 and 2016 are as follows:

	January 1, 2017	Contributions Received	Released	December 31, 2017
Health & Safe Program	\$ -	\$ 10,050	\$ -	\$ 10,050
Capital Campaign - PlaySpace	7,972	-	(7,972)	-
Individual donations	7,174	410	(7,584)	-
FESS	12,500	7,484	(19,984)	-
Community Wellness	2,092	57,000	(59,092)	-
Multicare	-	5,000	(5,000)	-
Vashon Kids	-	23,040	(23,040)	-
	<u>\$ 29,738</u>	<u>\$ 102,984</u>	<u>\$ (122,672)</u>	<u>\$ 10,050</u>
	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>

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, 2017 and 2016, 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, 2017 and 2016, there was no allowance balance.

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>2017</u>	<u>2016</u>
Salaries	\$ 10,948	\$ 16,554
Supplies	<u>771</u>	<u>1,305</u>
	<u>\$ 11,719</u>	<u>\$ 17,859</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, 2017 and 2016, 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, 2017 through June 27, 2018, 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 5.

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. As of December 31, 2017 and 2016, there were no pledges receivable.

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>2017</u>	<u>2016</u>
Furniture and equipment	\$ 91,296	\$ 98,814
Building and improvements	348,304	520,352
Land	-	<u>346,500</u>
	<u>439,600</u>	965,666
Less: Accumulated depreciation	<u>325,349</u>	<u>344,282</u>
	<u>\$ 114,251</u>	<u>\$ 621,384</u>

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LEASED PROPERTY AND SUBSEQUENT EVENT

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 2013, the Organization entered into a noncancellable lease for a Ricoh copier, which is 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, 2017 and 2016 was approximately \$5,285 and \$5,804, respectively.

In July 2017, the Organization entered into a commercial lease agreement with Island Jungle L.L.C for a portion of the PlaySpace building. The term of the lease is one year, commencing July 16, 2017 with the annual rent of \$14,400. The Organization will pay one half of the costs of gas and electricity and the landlord will cover full costs of garbage collection, water, and sewer. For year end December 31, 2017, the commercial lease rent totaled \$8,400. Subsequent to year-end, the Organization entered into a triple net lease agreement with Vetpetconnect LLC, the current landlord, for a period of one year, commencing July 15, 2018 with monthly rent of \$2,233.

The approximate future minimum annual lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 24,475
2019	15,631

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, 2017 and 2016, the outstanding balance totaled \$17,419, each year. As of December 31, 2017, 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, had an interest rate of 4%, for a period of 5 years. Required monthly payments were interest only until maturity. Proceeds of the note were used to acquire and remodel the PlaySpace property. Effective January 1, 2015, the unpaid principal balance in the amount of \$210,000 was extended to January 1, 2020. The note was secured by a first deed of trust on the PlaySpace building. In addition, pledges made to capital campaign of the Organization were collateral for the note and placed in a restricted account. The note was paid in full during 2017 from proceeds of the sale of PlaySpace, which was sold for \$530,000.

VASHON YOUTH AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMPLIANCE AND CONTINGENCIES

Vashon Youth and Family Services received a substantial portion of its support from various governmental and charitable entities. Annual revenues for 2017 and 2016 are \$1,132,744 and \$1,403,176, respectively. Approximately 47% for 2017 and 48% for 2016 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 9 - 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
King County:		
MIDD Infrastructure Support Grant	\$ -	\$ 80,000
Public Health	14,932	7,442
Youth & Family Services	<u>37,936</u>	<u>39,089</u>
	52,868	126,531
Community Development Block Grant:		
Housing Stability Project	1,798	2,013
Washington State Department of Social and Health Services	35,304	28,482
Superintendent of Public Instruction Child and Adult Care Food Program	1,550	2,172
United Way Community Funding	-	60,000
Navos Title XIX-Medicaid	<u>533,602</u>	<u>666,870</u>
Total Grants and Fees	<u>\$ 625,122</u>	<u>\$ 886,068</u>