

CHILDREN'S ALLIANCE

Financial Statements
for the Year Ended June 30, 2018
and Independent Auditor's Report
(With Comparative Totals for 2017)

CHILDREN'S ALLIANCE
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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Children's Alliance
Seattle, Washington

We have audited the accompanying financial statements of Children's Alliance (a Washington nonprofit corporation), which comprise the statement of financial position as of June 30, 2018, 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 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 Children's Alliance 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.

Other Matter

Report on Summarized Comparative Information

We have previously audited Children's Alliance's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Watson & McDermott, PLLC

January 7, 2019

CHILDREN'S ALLIANCE
Statement of Financial Position
June 30, 2018
(With Comparative Totals for 2017)

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 872,727	\$ 626,257
Pledges and grants receivable, net of allowance	687,221	316,234
Contracts and other receivables	22,500	1,150
Prepaid expenses and deposits	<u>48,339</u>	<u>40,018</u>
Total current assets	<u>1,630,787</u>	<u>983,659</u>
Fixed assets:		
Furniture and equipment	87,843	121,085
Leasehold improvements	111,222	111,222
Less: accumulated depreciation and amortization	<u>(172,479)</u>	<u>(195,569)</u>
Total fixed assets	<u>26,586</u>	<u>36,738</u>
Other noncurrent assets:		
Deposit	11,000	11,000
Pledges and grants receivable, net of current portion	<u>262,740</u>	<u>36,750</u>
Total noncurrent assets	<u>273,740</u>	<u>47,750</u>
	<u>\$ 1,931,113</u>	<u>\$ 1,068,147</u>
 LIABILITIES AND NET ASSETS 		
Current liabilities:		
Accounts payable	\$ 46,773	\$ 19,233
Payroll taxes and benefits payable	1,077	957
Accrued vacation payable	<u>36,085</u>	<u>41,662</u>
Total current liabilities	83,935	61,852
Noncurrent liabilities:		
Deferred rent	<u>14,402</u>	<u>31,025</u>
Total liabilities	<u>98,337</u>	<u>92,877</u>
Net assets:		
Unrestricted	548,276	429,395
Temporarily restricted	<u>1,284,500</u>	<u>545,875</u>
Total net assets	<u>1,832,776</u>	<u>975,270</u>
	<u>\$ 1,931,113</u>	<u>\$ 1,068,147</u>

The accompanying notes should be read with these financial statements.

CHILDREN'S ALLIANCE
Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues, gains and support:				
Event revenue	\$ 181,371		\$ 181,371	\$ 161,204
Less: cost of direct benefits to donors	<u>(34,851)</u>		<u>(34,851)</u>	<u>(33,616)</u>
	146,520		146,520	127,588
Grants, corporate and foundation	690,285	\$ 1,223,000	1,913,285	782,128
Contributions	134,859	5,500	140,359	186,163
Organizational membership dues	46,276		46,276	55,062
Contract revenue	20,000		20,000	10,000
In-kind donations	490		490	
Other income	8,415		8,415	5,368
Net assets released from restrictions	<u>489,875</u>	<u>(489,875)</u>	<u>-</u>	<u>-</u>
	<u>1,536,720</u>	<u>738,625</u>	<u>2,275,345</u>	<u>1,166,309</u>
Expenses:				
Program services	975,099		975,099	1,060,319
Administration	258,434		258,434	229,126
Fundraising	<u>184,306</u>		<u>184,306</u>	<u>183,037</u>
	<u>1,417,839</u>		<u>1,417,839</u>	<u>1,472,482</u>
Change in net assets	118,881	738,625	857,506	(306,173)
Net assets, beginning of year	<u>429,395</u>	<u>545,875</u>	<u>975,270</u>	<u>1,281,443</u>
Net assets, end of year	<u>\$ 548,276</u>	<u>\$ 1,284,500</u>	<u>\$ 1,832,776</u>	<u>\$ 975,270</u>

The accompanying notes should be read with these financial statements.

CHILDREN'S ALLIANCE
Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services	Support Services		Total 2018	Total 2017
		Administration	Fundraising		
Salaries and wages	\$ 546,414	\$ 141,848	\$ 111,705	\$ 799,967	\$ 807,253
Payroll taxes	49,216	11,165	9,848	70,229	70,210
Employee benefits	47,380	18,163	6,914	72,457	83,846
Total salaries and related expenses	643,010	171,176	128,467	942,653	961,309
Staff travel	14,208	44	901	15,153	17,627
Telephone and communication	10,610	2,571		13,181	13,509
Information technology	7,908	15,436	3,901	27,245	31,516
Printing	8,580	3,433	5,225	17,238	11,881
Postage	44	276	4,789	5,109	5,169
Rent and utilities, net	79,624	19,579	15,651	114,854	119,998
Contract services	133,730	2,957	7,902	144,589	179,031
Professional fees	-	16,240		16,240	15,500
Supplies	654	5,433	5,012	11,099	9,068
Dues and subscriptions	3,314	481		3,795	3,691
Conferences, events and meetings	53,384	1,789	1,591	56,764	41,653
Staff training	436	783	1,400	2,619	2,958
Contributions and awards		750		750	5,500
Insurance and bonding		8,243		8,243	8,284
Depreciation and amortization	16,800	4,278	3,600	24,678	36,184
Other expenses	2,797	4,965	5,867	13,629	9,604
	<u>\$ 975,099</u>	<u>\$ 258,434</u>	<u>\$ 184,306</u>	<u>\$ 1,417,839</u>	<u>\$ 1,472,482</u>

The accompanying notes should be read with these financial statements.

CHILDREN'S ALLIANCE
Statement of Cash Flows
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 857,506	\$ (306,173)
Adjustments to reconcile change in net assets to cash provided (used) by operations:		
Depreciation and amortization	24,678	36,184
Decrease (increase) in contracts and other receivables	(21,350)	36,850
Decrease (increase) in pledges and grants receivable, net	(596,977)	195,706
Decrease (increase) in prepaid expenses and deposits	(8,321)	(15,539)
(Decrease) increase in accounts payable	27,540	(22,832)
(Decrease) increase in payroll taxes and benefits payable	120	(648)
(Decrease) increase in deferred rent	(16,623)	(4,421)
(Decrease) increase in accrued vacation payable	(5,577)	12,662
Cash provided (used) by operating activities	260,996	(68,211)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	(14,526)	(5,236)
Cash provided (used) by investing activities	(14,526)	(5,236)
Net increase (decrease) in cash and cash equivalents	246,470	(73,447)
Cash and cash equivalents, beginning of year	626,257	699,704
Cash and cash equivalents, end of year	\$ 872,727	\$ 626,257

The accompanying notes should be read with these financial statements.

CHILDREN'S ALLIANCE
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 1 – NATURE OF THE ORGANIZATION

Children's Alliance (the Alliance) is a Washington nonprofit corporation whose purpose is to advance fair and just public policy for children and families in the State of Washington. To this end, Children's Alliance works collaboratively to promote the development and preservation of laws, policies and programs that support children and families, and to promote awareness of the needs and circumstances of children.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of Children's Alliance have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation

The Alliance reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Alliance has no permanently restricted net assets.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Alliance considers highly liquid investments with maturities of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts by adjustment to a valuation allowance based on its assessment of the current status of individual receivables from pledges and grants. The allowance is an estimate based on past experience. It is the Alliance's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchases and improvements over \$500 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over estimated lives of three to five years. Leasehold improvements are amortized over the remaining term of the lease (see Note 7).

In-kind donations

In-kind donations are recorded at their estimated fair market values at the date of donation.

CHILDREN'S ALLIANCE
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In-kind donations, continued

The Alliance recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Alliance recognizes organizational memberships as contributions when received. Such memberships are recognized when pledged.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative totals

The financial information includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based on the time estimated to have been devoted to each service. Other expenses are allocated on the basis of specific identification and on the basis of the allocated salaries.

CHILDREN'S ALLIANCE
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Allocation of expenses, continued

The services are defined as follows:

Program services

Expenses incurred in carrying on activities, conferences and programs.

Administration

Expenses associated with the overall direction of the organization, the provision of accounting services, and office and systems support.

Fundraising

Expenses associated with solicitation of operating funds from individuals and organizations, and related record keeping.

Income tax

Children's Alliance is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). It is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). The Alliance's income tax filings are subject to examination by various taxing authorities. The Alliance believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for subsequent years' activities, largely in the Alliance's major program areas of child health and early learning.

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. Pledges and grants, both restricted and unrestricted, expected to be collected within one year, are recorded at their net realizable value and are shown net of an allowance for doubtful accounts of \$4,000 at June 30, 2018. Pledges and grants that are expected to be collected in greater than one year are recorded at the present value of estimated cash flows, which approximates fair value. No discount was recorded in the current fiscal year as the amount was immaterial.

CHILDREN'S ALLIANCE
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 4 – PLEDGES AND GRANTS RECEIVABLE, CONTINUED

Pledges and grants receivable are expected to be realized in the following time frame:

Less than one year	\$ 691,221
One to five years	262,740
Allowance for doubtful accounts	<u>(4,000)</u>
	<u>\$ 949,961</u>

NOTE 5 – PENSION PLAN

The Alliance maintains a simplified employee pension plan covering all permanent employees. The employer contributes to the pension plan within the limits of available funds. No contributions were made during the year ended June 30, 2018.

NOTE 6 – CONCENTRATIONS OF RISK

The Alliance maintains cash balances at high-credit-quality institutions. At times the bank balances may exceed the federally insured limit. At June 30, 2018, \$608,896 was invested in a bank-insured deposit program which carries FDIC insurance protection. The uninsured cash balance at June 30, 2018 was \$83,875.

In fiscal year 2018, total awards from five grantors represented 74 percent of revenue and support. At June 30, 2018, three grant awards represented 81 percent of the total receivable balance.

NOTE 7 – LEASES

The Alliance leases office space in Seattle with a current base rate of \$9,803 per month, plus annual increases of three percent and a pro rata share of operating expenses of the building. The lease term expires March 2019. A lease amendment was signed during fiscal 2016 resulting in lease charges of \$417 per month for pro rata share of building operating expenses, retroactive to January 1, 2014. Subsequent to year-end, an additional lease amendment was signed extending the lease term to June 30, 2020 at a base rate of \$11,539 per month beginning April 1, 2019, plus the pro rata share of expenses at \$417 per month. The Alliance also pays rent for monthly parking based on the number of stalls rented.

Rent expense is being recorded on a straight-line basis over the term of the lease in accordance with FASB Accounting Standards Codification Topic 840, *Leases*. The deferred portion of rent is shown as a liability in the statement of financial position.

CHILDREN'S ALLIANCE
Notes to Financial Statements
For the Year Ended June 30, 2018

NOTE 7 – LEASES, CONTINUED

The Alliance leases equipment at \$772 per month. The lease expires September 2019.

Total rental expenses for these leases in fiscal 2018 were \$113,721. Future minimum payments under the leases are as follows for the year ended June 30:

2019	\$ 137,611
2020	<u>145,949</u>
	<u>\$ 283,560</u>

NOTE 8 – CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Alliance. The amounts, if any, of expenditures which may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the granting agency. During the year ended June 30, 2018, no such adjustments were made.

NOTE 9 – SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through January 7, 2019, which is the date the financial statements were available to be issued, and other than the lease amendment mentioned in Note 7, has determined that there are no subsequent events that require disclosure.