

TEAMCHILD

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2018 AND 2017



TEAMCHILD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

November 20, 2018

Board of Directors
TeamChild
Seattle, Washington

We have audited the accompanying financial statements of TeamChild (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and 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.

Auditors' 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 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 in the first paragraph of this report present fairly, in all material respects, the financial position of TeamChild as of June 30, 2018 and 2017, 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.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

TEAMCHILD

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 564,603	\$ 432,609
Grants receivable	121,922	88,948
Promises to give	176,656	42,167
Prepaid expenses	<u>16,666</u>	<u>20,454</u>
Total Current Assets	879,847	584,178
Long-term Promises to Give, net of \$5,000 and \$0 discount to net present value at 4.7%	105,000	20,000
Deposits	6,193	6,193
Equipment, net of accumulated depreciation of \$13,511 and \$10,888	<u>22,531</u>	<u>29,894</u>
	<u>\$ 1,013,571</u>	<u>\$ 640,265</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 28,094	\$ 11,234
Accrued payroll liabilities	13,125	4,402
Accrued vacation	67,181	72,874
Current portion of capital lease obligation	15,347	6,191
Funds held for others	<u>-</u>	<u>42,661</u>
Total Current Liabilities	123,747	137,362
Capital lease obligation, less current portion above	<u>6,423</u>	<u>21,770</u>
	<u>130,170</u>	<u>159,132</u>
Net Assets		
Unrestricted	492,631	431,133
Temporarily restricted	<u>390,770</u>	<u>50,000</u>
Total Net Assets	<u>883,401</u>	<u>481,133</u>
	<u>\$ 1,013,571</u>	<u>\$ 640,265</u>

TEAMCHILD

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Government grants	\$ 1,208,013		\$ 1,208,013	\$ 1,092,977		\$ 1,092,977
Contributions	929,703	\$ 405,333	1,335,036	879,829	\$ 30,000	909,829
Contracts	80,081	-	80,081	139,082	-	139,082
Other income	2,058	-	2,058	3,910	-	3,910
Total Support and Revenue	2,219,855	405,333	2,625,188	2,115,798	30,000	2,145,798
Net Assets Released from Restrictions						
Satisfaction of purpose restriction	34,563	(34,563)	-	-	-	-
Satisfaction of time restriction	30,000	(30,000)	-	20,000	(20,000)	-
Total Support, Revenue, and Other Support	2,284,418	340,770	2,625,188	2,135,798	10,000	2,145,798
Expenses						
Program services	1,595,795		1,595,795	1,457,073		1,457,073
Management and general	380,552		380,552	361,703		361,703
Fundraising	246,573		246,573	205,238		205,238
Total Expenses	2,222,920		2,222,920	2,024,014		2,024,014
Change in Net Assets	61,498	340,770	402,268	111,784	10,000	121,784
Net Assets - beginning of year	431,133	50,000	481,133	319,349	40,000	359,349
Net Assets - end of year	\$ 492,631	\$ 390,770	\$ 883,401	\$ 431,133	\$ 50,000	\$ 481,133

TEAMCHILD

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,230,895	\$ 187,231	\$ 181,309	\$ 1,599,435	\$ 1,118,891	\$ 227,537	\$ 151,924	\$ 1,498,352
Payroll taxes	94,002	14,271	13,841	122,114	82,928	15,728	11,094	109,750
	<u>1,324,897</u>	<u>201,502</u>	<u>195,150</u>	<u>1,721,549</u>	<u>1,201,819</u>	<u>243,265</u>	<u>163,018</u>	<u>1,608,102</u>
Occupancy	116,293	42,233	19,425	177,951	97,603	35,191	8,603	141,397
Professional fees	4,885	105,921	1,036	111,842	18,267	61,552	15,004	94,823
Travel	45,486	4,117	3,403	53,006	26,765	6,163	6,067	38,995
Legal and case expenses	39,438	594	496	40,528	31,302	-	50	31,352
Telephone	21,766	4,939	1,905	28,610	31,268	2,637	346	34,251
Office and supplies	14,598	2,545	8,942	26,085	20,332	8,657	6,361	35,350
Miscellaneous	11,416	7,984	3,843	23,243	4,053	1,266	267	5,586
Fundraising	200	-	11,142	11,342	-	-	3,448	3,448
Dues, fees and subscriptions	9,626	345	510	10,481	9,320	544	800	10,664
Depreciation	-	7,363	-	7,363	4,868	1,637	-	6,505
Equipment rental and maintenance	3,577	1,946	-	5,523	4,342	741	-	5,083
Training	3,613	1,063	721	5,397	7,134	50	1,274	8,458
Total Expenses	<u>\$ 1,595,795</u>	<u>\$ 380,552</u>	<u>\$ 246,573</u>	<u>\$ 2,222,920</u>	<u>\$ 1,457,073</u>	<u>\$ 361,703</u>	<u>\$ 205,238</u>	<u>\$ 2,024,014</u>

TEAMCHILD

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 1,175,039	\$ 1,130,368
Private grantors and donors	1,104,190	887,576
Other income	82,139	109,242
Cash paid for:		
Personnel	(1,761,180)	(1,596,957)
Services and supplies	(461,075)	(409,908)
Interest	<u>(928)</u>	<u>(843)</u>
Net Cash Provided by Operating Activities	138,185	119,478
Cash Flows Used by Financing Activities		
Payment on obligation under capital lease	<u>(6,191)</u>	<u>(4,495)</u>
Changes in Cash and Cash Equivalents	131,994	114,983
Cash and Cash Equivalents - beginning of year	<u>432,609</u>	<u>317,626</u>
Cash and Cash Equivalents - end of year	<u>\$ 564,603</u>	<u>\$ 432,609</u>
Noncash investing and financing activities:		
Purchase of equipment through issuance of capital lease obligation	<u>\$ -</u>	<u>\$ 32,456</u>

TEAMCHILD

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Changes in Net Assets to Net Cash from Operating Activities		
Change in net assets	\$ 402,268	\$ 121,784
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,363	6,505
Change in:		
Grants receivable	(32,974)	37,391
Promises to give	(219,489)	(22,167)
Prepaid expenses	3,788	(4,979)
Deposits	-	635
Accounts payable	16,860	2,914
Accrued payroll liabilities	8,723	(38,097)
Accrued vacation	(5,693)	16,205
Unearned revenue	-	(33,750)
Funds held for others	(42,661)	33,037
	<u>(42,661)</u>	<u>33,037</u>
Net Cash Provided by Operating Activities	<u>\$ 138,185</u>	<u>\$ 119,478</u>

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

For more than 20 years, TeamChild has advocated for the rights of youth involved with, or at risk of becoming involved with the juvenile justice system to help them secure the education, healthcare, housing, and other supports they need to achieve positive outcomes in their lives. Our holistic approach draws on mutually reinforcing legal services, policy advocacy, and training/consulting activities to improve the long term outcomes of youth who experience unequal treatment and more negative outcomes in our systems. Our work is directed by the goals young people have identified for themselves, and our role is to help youth make informed decisions every step of the way. There is increasing recognition that harsh and punitive responses to youth perpetuate a cycle of exclusion, punishment, poverty and oppression. TeamChild stands with youth to advocate for restorative and community-driven responses that nurture and develop the health, well-being and leadership of young people. If we are successful, we will see dramatic decreases in youth incarceration and a greater emphasis on community based diversion, educational success, and true pathways to jobs and success as adults.

Basis of presentation

In accordance with financial accounting standards, TeamChild 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 net assets of TeamChild are classified as follows:

Unrestricted net assets are available without restriction for support of TeamChild's operations. The Board of Directors has designated an operating reserve to help ensure long-term financial stability for the organization. The Board has set target minimum Operating Reserves equal to three months of average recurring operating expenses.

Temporarily restricted net assets are restricted to be used for certain purposes or future periods by TeamChild. For the years ended June 30, temporarily restricted net assets were available as follows:

	<u>2018</u>	<u>2017</u>
South King County Discipline Coalition Programs	\$ 113,770	\$ -
Restricted for future periods	<u>277,000</u>	<u>50,000</u>
	<u>\$ 390,770</u>	<u>\$ 50,000</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. TeamChild had no permanently restricted net assets at June 30, 2018 or 2017.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal income taxes

The Internal Revenue Service has recognized TeamChild as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Cash and cash equivalents

Cash and cash equivalents consist of general checking, savings, and money market accounts. TeamChild maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. TeamChild has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

TeamChild had no assets or liabilities carried at fair value on a recurring basis as of June 30, 2018 or 2017. Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are stated at net realizable value and are considered fully collectible. Long-term promises are due in one to five years and discount on long-term promises has been calculated based on a risk-free rate of return. Conditional promises to give are recognized when the conditions on which they depend are substantially met. TeamChild had no conditional promises to give as of June 30, 2018 or 2017.

Grants receivable

Grants receivable are stated at net realizable value and are considered fully collectible.

Equipment

Equipment consists of office equipment and is stated at cost or, if donated, at fair value at date of donation. Equipment with an original cost of \$1,000 or greater is capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally five to seven years.

Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (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 as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind goods and services

Contributed goods and services are recorded as in-kind contributions at their estimated fair values at the date of donation. Contributed services are recorded only if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services of \$11,357 for the year ended June 30, 2018 are included in contributions on the statements of activities and consist of donated professional fees. There were no donated services during the year ended June 30, 2017.

Government grants and contracts

A substantial portion of support and revenue is derived from grants and contracts administered by various federal, state, and local government agencies. Revenue from these grants and contracts is subject to audits, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2018 and 2017, no such adjustments were made.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of estimates

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

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2017.

NOTE B - CONCENTRATION

For the years ended June 30, 2018 and 2017, approximately 41% and 45%, respectively, of TeamChild's total support and revenue was derived from contracts with two funding sources. As of June 30, 2018, 71% of promises to give were due from one foundation donor.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE C – RETIREMENT PLAN

TeamChild offers a retirement savings plan under section 403(b) of the Internal Revenue Code. TeamChild does not match the employees' salary deferral contributions.

NOTE D - FUNDS HELD FOR OTHERS

TeamChild periodically receives funding on behalf of individuals who have been awarded legal fellowships. Amounts received are considered restricted cash and funds held for others.

NOTE E – COMMITMENTS

TeamChild has non-cancelable operating leases for its headquarters office in Seattle, expiring in April 2022, and its office in Yakima, expiring in October 2020. Terms of the Seattle lease agreement include a security deposit of \$5,599. Minimum future lease payments for these leases for the years ending June 30 are as follows:

2019	\$ 129,310
2020	132,870
2021	129,238
2022	<u>106,240</u>
	<u>\$ 497,658</u>

The Spokane and Tacoma office spaces are leased on a month-to-month basis. Rent expense for long-term and month-to-month leases combined was \$175,069 and \$139,483, respectively, for the years ended June 30, 2018 and 2017.

TeamChild leases certain office equipment under non-cancelable capital leases, with a total recorded cost of \$32,456 and related accumulated depreciation at June 30, 2018 of \$11,360. Total monthly payments, including service fees and interest at 3.7% per annum, are \$864. Scheduled lease payments for the years ending June 30 are as follows:

2019	\$ 7,119
2020	7,119
2021	7,119
2022	<u>1,778</u>
	23,135
Less amounts for interest	<u>(1,365)</u>
	21,770
Less current portion	<u>(15,347)</u>
	<u>\$ 6,423</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2018 through November 20, 2018, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2018, including the estimates inherent in the processing of financial statements.