

TEAMCHILD

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2022 AND 2021



TEAMCHILD

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
TeamChild
Seattle, Washington

Opinion

We have audited the accompanying financial statements of TeamChild (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TeamChild as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TeamChild and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TeamChild's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TeamChild's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TeamChild's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
March 16, 2023

TEAMCHILD

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 167,198	\$ 88,277
Investments	680,720	835,312
Grants receivable	1,187,881	394,599
Promises to give	1,289,536	558,904
Prepaid expenses	38,806	31,555
	<u>3,364,141</u>	<u>1,908,647</u>
Long-term Promises to Give	238,902	366,680
Deposits	11,172	9,819
Equipment, net of accumulated depreciation of \$22,610 and \$14,540 as of June 30, 2022 and 2021	<u>19,176</u>	<u>27,247</u>
	<u>\$ 3,633,391</u>	<u>\$ 2,312,393</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 43,039	\$ 23,274
Accrued payroll liabilities	8,845	5,722
Accrued vacation	103,332	96,061
Current portion of capital lease obligation	7,164	6,893
Refundable advance	<u>-</u>	<u>20,000</u>
	162,380	151,950
Capital Lease Obligation, less current portion above	8,716	15,880
Deferred Rent	<u>24,222</u>	<u>13,313</u>
	<u>195,318</u>	<u>181,143</u>
Net Assets		
Without donor restrictions	994,112	1,084,131
With donor restrictions	<u>2,443,961</u>	<u>1,047,119</u>
	3,438,073	2,131,250
	<u>\$ 3,633,391</u>	<u>\$ 2,312,393</u>

See notes to financial statements.

TEAMCHILD

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Government grants	\$ 1,545,059	\$ 912,070	\$ 2,457,129	\$ 791,229	\$ 163,278	\$ 954,507
Contributions	1,081,624	1,098,078	2,179,702	898,185	401,573	1,299,758
Contracts	10,345	-	10,345	131,485	-	131,485
Other income	(2,790)	-	(2,790)	337,686	-	337,686
Total Support and Revenue	2,634,238	2,010,148	4,644,386	2,158,585	564,851	2,723,436
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	134,225	(134,225)	-	649,801	(649,801)	-
Satisfaction of time restrictions	479,081	(479,081)	-	425,475	(425,475)	-
Total Support, Revenue, and Other Support	3,247,544	1,396,842	4,644,386	3,233,861	(510,425)	2,723,436
Expenses						
Program services	2,411,925		2,411,925	2,175,218		2,175,218
Management and general	596,674		596,674	570,459		570,459
Fundraising	328,964		328,964	282,770		282,770
Total Expenses	3,337,563		3,337,563	3,028,447		3,028,447
Change in Net Assets	(90,019)	1,396,842	1,306,823	205,414	(510,425)	(305,011)
Net Assets - beginning of year	1,084,131	1,047,119	2,131,250	878,717	1,557,544	2,436,261
Net Assets - end of year	\$ 994,112	\$ 2,443,961	\$ 3,438,073	\$ 1,084,131	\$ 1,047,119	\$ 2,131,250

TEAMCHILD

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, wages and benefits	\$ 1,784,175	\$ 350,053	\$ 201,653	\$ 2,335,881	\$ 1,602,580	\$ 334,714	\$ 222,219	\$ 2,159,513
Payroll taxes	143,104	26,976	16,327	186,407	130,216	26,401	18,726	175,343
	<u>1,927,279</u>	<u>377,029</u>	<u>217,980</u>	<u>2,522,288</u>	<u>1,732,796</u>	<u>361,115</u>	<u>240,945</u>	<u>2,334,856</u>
Occupancy	191,908	63,633	15,374	270,915	166,529	63,827	21,238	251,594
Professional fees	110,376	89,325	66,828	266,529	104,549	96,885	5,631	207,065
Office and supplies	30,482	24,897	4,402	59,781	46,186	17,244	7,190	70,620
Legal and case expenses	52,381	2,208	705	55,294	45,717	2,366	1,097	49,180
Telephone	32,989	6,880	1,782	41,651	33,173	5,606	2,462	41,241
Miscellaneous	20,474	18,803	21,249	60,526	17,268	9,760	2,032	29,060
Dues, fees and subscriptions	11,183	2,260	278	13,721	12,365	2,837	749	15,951
Travel	29,768	2,549	144	32,461	11,702	985	1,202	13,889
Equipment rental and maintenance	5,085	1,020	222	6,327	4,933	2,440	224	7,597
Depreciation	-	8,070	-	8,070	-	7,394	-	7,394
Total Expenses	<u>\$ 2,411,925</u>	<u>\$ 596,674</u>	<u>\$ 328,964</u>	<u>\$ 3,337,563</u>	<u>\$ 2,175,218</u>	<u>\$ 570,459</u>	<u>\$ 282,770</u>	<u>\$ 3,028,447</u>

TEAMCHILD

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 1,647,824	\$ 1,360,584
Private grantors and donors	1,572,871	1,251,582
Other income	12,108	133,445
Cash paid for:		
Personnel	(2,511,894)	(2,316,746)
Services and supplies	(784,374)	(636,110)
Interest	(760)	(1,021)
Net Cash Used by Operating Activities	<u>(64,225)</u>	<u>(208,266)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	150,039	331,723
Purchase of investments	-	(655,251)
Net Cash Provided (Used) by Investing Activities	<u>150,039</u>	<u>(323,528)</u>
Cash Flows from Financing Activities		
Payment on obligation under capital lease	(6,893)	(6,632)
Changes in Cash and Cash Equivalents	78,921	(538,426)
Cash and Cash Equivalents - beginning of year	<u>88,277</u>	<u>626,703</u>
Cash and Cash Equivalents - end of year	<u>\$ 167,198</u>	<u>\$ 88,277</u>

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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 support 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, wellbeing, 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

TeamChild presents its financial statements on an accrual basis of accounting in accordance with FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. In accordance with FASB ASC 958, net assets, revenues, gains, and losses are classified based on existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained perpetually.

Net assets with donor restrictions are subject to expenditure for specific purposes as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Restricted for future periods	\$ 1,427,887	\$ 853,468
Juvenile Legal Services	793,498	168,651
South King County Discipline Coalition	179,243	-
Other program purposes	<u>43,333</u>	<u>25,000</u>
	<u>\$ 2,443,961</u>	<u>\$ 1,047,119</u>

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

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.

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.

Investments

In accordance with FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants receivable

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

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. Discount on long-term promises has been calculated based on a risk-free rate of return.

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 1,289,536	\$ 558,904
Receivable in one to five years	<u>250,000</u>	<u>385,000</u>
	1,539,536	943,904
Less: discount to present value at 1.51 %	<u>(11,098)</u>	<u>(18,320)</u>
Total Unconditional Promises to Give	<u>\$ 1,528,438</u>	<u>\$ 925,584</u>

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 \$5,000 or greater is capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to seven years.

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.

The Organization did not receive any donated goods or services during the year ended June 30, 2022. For the year ended June 30, 2021, donated goods and services of \$23,876 are included in contributions on the statements of activities and consist of \$926 in donated professional fees and \$22,950 in donated goods.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue recognition

TeamChild recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met. Certain of TeamChild's contributions and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. TeamChild had conditional grants totaling \$148,200 and \$520,417 at June 30, 2022 and 2021, respectively.

A substantial portion of support and revenue is derived from grants administered by various government agencies. Revenue from these grants is subject to audits, which could result in adjustments to support. 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, 2022 and 2021, no such adjustments were made.

TeamChild recognizes revenue from service contracts when the services are provided.

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. Personnel costs are allocated based on the function of the employee.

Most expenses are allocated directly to program services, management and general expenses, or fundraising expenses based on the nature of the expense. Some shared expenses, such as office expenses, phone and internet costs, and office equipment are allocated based on the full time equivalent percentages.

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.

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.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE B - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) is as follows at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 680,720	\$ -	\$ -

Fair value of assets measured on a recurring basis (at least annually) is as follows at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 835,312	\$ -	\$ -

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.

NOTE C - LIQUIDITY

TeamChild strives to maintain liquid financial assets sufficient to cover 90 days of general expense. Liquid financial assets include cash held in checking accounts, savings accounts, and mutual fund investments that can be quickly converted to cash. The following table reflects TeamChild's financial assets as of June 30, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions. Amounts not available include funds with timing restrictions and those restricted for the use of the South King County Discipline Coalition.

	<u>2022</u>	<u>2021</u>
Total financial assets	\$ 3,564,237	\$ 2,243,772
Less: Restrictions on the use of financial assets		
Cash restricted to South King County Discipline Coalition	(179,243)	-
Refundable advance	-	(20,000)
Long-term promises to give	<u>(238,902)</u>	<u>(366,680)</u>
Financial Assets Available for Operations Within One Year	<u>\$ 3,146,092</u>	<u>\$ 1,857,092</u>

NOTE D - CONCENTRATION

For the years ended June 30, 2022 and 2021 approximately 60% and 34%, respectively, of TeamChild's total support and revenue was derived from contracts with two funding sources. As of June 30, 2022 and 2021, approximately 91% and 90%, respectively, of TeamChild's promises to give were due from two foundation donors.

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE E – PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, TeamChild applied for and received a Paycheck Protection Program loan through Columbia Bank in the amount of \$323,590. On November 4, 2020, the loan principal plus \$1,621 accrued interest, were fully forgiven having met the forgiveness criteria of maintaining staffing levels and salaries at pre-COVID-19 pandemic levels.

NOTE F – 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 G - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management is continually evaluating the ongoing impacts of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on TeamChild's financial position, change in net asset, and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE H – COMMITMENTS

TeamChild has non-cancelable operating leases for its headquarters office in Seattle expiring in April 2024, its office in Yakima expiring in May 2023, and its office in Tacoma expiring in January 2026. Terms of the Seattle lease agreement include a security deposit of \$5,599. Terms of the Tacoma lease agreement include a deposit of \$4,654. In accordance with financial accounting standards, rent expense is recognized on a straight-line basis and a related deferred rent liability is recognized. Future minimum payments, deferred rent, and rent expense under these leases are as follows for the years ending June 30:

	Minimum Lease <u>Payment</u>	Change in Deferred Rent <u>Liability</u>	Rent <u>Expense</u>
2023	\$ 232,946	\$ 5,367	\$ 238,313
2024	188,346	9,110	197,456
2025	75,221	4,586	79,807
2026	44,646	23,976	49,804
	<u>\$ 541,159</u>	<u>\$ 43,039</u>	<u>\$ 565,380</u>

TEAMCHILD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE H – COMMITMENTS (Continued)

The Spokane office space was leased on a month-to-month basis beginning in the year ended June 30, 2021. Effective August 1, 2021, TeamChild entered into a one year lease for a new Spokane office location. The minimum monthly payments of \$1,314 through June 2023 are included in the table above. Rent expense for long-term and month-to-month leases combined was \$263,900 and \$248,206, respectively, for the years ended June 30, 2022 and 2021.

TeamChild entered into a new non-cancelable capital lease for copiers in its four office locations with a total recorded cost of \$34,744 and related accumulated depreciation at June 30, 2022 and 2021 of \$19,383 and \$12,542, respectively. Total monthly payments, including service fees and interest at 3.87% per annum, are \$860. Future minimum payments under this lease are as follows for the years ending June 30:

2023	\$	7,653
2024		7,653
2025		<u>1,275</u>
		16,581
Less amounts for interest		<u>(701)</u>
		15,880
Less current portion		<u>(7,164)</u>
	\$	<u>8,716</u>

NOTE I - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2022 through March 16, 2023, 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, 2022, including the estimates inherent in the processing of financial statements.