



## FINANCIAL STATEMENTS

June 30, 2019 and 2018



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Family Law CASA of King County

We have reviewed the accompanying financial statements of Family Law CASA of King County (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in the fiscal year ended 2019, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to this matter.

*Vine Dahlen PLLC*

November 25, 2019

FAMILY LAW CASA OF KING COUNTY  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2019 and 2018

ASSETS

	2019	2018
Cash and cash equivalents	\$ 69,921	\$ 169,274
Investments	1,683,769	1,786,514
Prepaid expenses and deposits	19,448	17,548
Furniture and equipment, net	3,648	6,171
	\$ 1,776,786	\$ 1,979,507

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 14,486	\$ 9,790
Accrued expenses	56,926	53,986
TOTAL LIABILITIES	71,412	63,776
NET ASSETS:		
Without donor restrictions:		
Board designated for operational support	710,000	930,000
Undesignated	994,723	974,412
Total net assets without donor restrictions	1,704,723	1,904,412
With donor restrictions	651	11,319
TOTAL NET ASSETS	1,705,374	1,915,731
	\$ 1,776,786	\$ 1,979,507

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains, and other support:		
Contributions and grants	\$ 217,105	\$ 221,415
In-kind contributions	351,876	359,668
Special events	429,918	418,943
Program service fees	0	3,091
Net investment return	<u>66,741</u>	<u>46,804</u>
Total revenues and gains without donor restrictions	1,065,640	1,049,921
Net assets released from restrictions	<u>11,668</u>	<u>10,130</u>
Total revenues, gains, and other support without donor restrictions	<u>1,077,308</u>	<u>1,060,051</u>
Expenses:		
Program services	934,449	884,572
Management and general	110,644	119,067
Fundraising	<u>231,904</u>	<u>209,520</u>
Total expenses	<u>1,276,997</u>	<u>1,213,159</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(199,689)</u>	<u>(153,108)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	1,000	10,500
Net assets released from restrictions	<u>(11,668)</u>	<u>(10,130)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(10,668)</u>	<u>370</u>
DECREASE IN NET ASSETS	(210,357)	(152,738)
BEGINNING NET ASSETS	<u>1,915,731</u>	<u>2,068,469</u>
ENDING NET ASSETS	<u>\$ 1,705,374</u>	<u>\$ 1,915,731</u>

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (210,357)	\$ (152,738)
Adjustments to reconcile change in net assets to net cash:		
Depreciation	2,523	5,209
Net realized and unrealized gain on investments	(22,796)	(5,199)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Prepaid expenses and deposits	(1,900)	(5,680)
Decrease (increase) in liabilities:		
Accounts payable	4,696	(1,008)
Accrued expenses	2,940	4,966
Total adjustments and changes	(14,537)	(1,712)
NET CASH USED BY OPERATING ACTIVITIES	(224,894)	(154,450)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of furniture and equipment	0	(2,212)
Purchases of investments	(59,079)	(60,537)
Proceeds from sale of investments	184,620	198,975
NET CASH PROVIDED BY INVESTING ACTIVITIES	125,541	136,226
NET DECREASE IN CASH AND CASH EQUIVALENTS	(99,353)	(18,224)
BEGINNING CASH AND CASH EQUIVALENTS	169,274	187,498
ENDING CASH AND CASH EQUIVALENTS	\$ 69,921	\$ 169,274

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	\$ 476,298	\$ 46,877	\$ 126,937	\$ 650,112	\$ 428,311	\$ 41,624	\$ 114,148	\$ 584,083
Professional services	356,885	37,167	2,981	397,033	361,052	50,362	2,930	414,344
Occupancy	45,846	3,390	10,475	59,711	45,064	3,332	10,296	58,692
Events	0	0	62,771	62,771	0	0	59,429	59,429
Insurance	8,822	16,392	0	25,214	8,468	15,735	0	24,203
Training and conferences	4,745	2,977	473	8,195	3,717	2,594	412	6,723
Miscellaneous	7,566	233	2,346	10,145	9,357	2,354	966	12,677
Supplies	8,375	931	0	9,306	5,912	657	0	6,569
Printing and postage	15,636	1,737	12,154	29,527	5,707	634	6,837	13,178
Equipment and maintenance	2,485	251	200	2,936	2,333	236	188	2,757
Telephone	4,822	387	1,198	6,407	5,364	431	1,333	7,128
Computer expense	915	137	136	1,188	5,219	781	774	6,774
Bank fees	155	13	11,761	11,929	148	12	11,233	11,393
Depreciation	1,899	152	472	2,523	3,920	315	974	5,209
 Total expenses	 <u>\$ 934,449</u>	 <u>\$ 110,644</u>	 <u>\$ 231,904</u>	 <u>\$ 1,276,997</u>	 <u>\$ 884,572</u>	 <u>\$ 119,067</u>	 <u>\$ 209,520</u>	 <u>\$ 1,213,159</u>

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

1. PURPOSE OF THE ORGANIZATION

Family Law CASA (Court Appointed Special Advocates) of King County (the Organization) is a Washington nonprofit corporation formed on July 23, 2002. The Organization advocates for children in some of King County's toughest contested custody cases so they have the best chance possible for a safer, more secure home life.

Tax Exemption

The Organization has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization files its federal information return annually, which is subject to examination by taxing authorities, generally for three years after the return is filed. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of management and general expenses on the statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For reporting purposes, cash and cash equivalents included in investment accounts are considered to be investments. All other highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Investments

Investments are reported at their fair values in the statements of financial position. Investment income and the realized and unrealized gain or loss on investments is included in the increase or decrease in unrestricted net assets unless restricted by donor or by law. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized gain and loss, less external and direct internal investment expenses.

Investments acquired by gift are recorded at their fair values at the date of the gift. The Organization's policy is to liquidate all gifts of investments as timely as possible, taking into consideration the effect on the market price.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Furniture and equipment

Acquisitions of furniture and equipment in excess of \$1,500 and whose useful life is greater than three years and all improvements that materially prolong the useful life of assets are capitalized at cost if purchased and fair value at the date of acquisition if received as a donation. Depreciation is computed on the straight-line method over the estimated useful lives of five years.

Net assets

The Organization classifies net assets, revenues, gains, and losses on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

Net assets without donor restrictions

Net assets without donor restrictions are available for use in general operations and Board of Directors' designations and are not subject to donor restrictions. Note 11 discloses the composition of net assets without donor restrictions.

Net assets with donor restrictions

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that funds be maintained in perpetuity. Note 12 discloses the composition of net assets with donor restrictions and the release of restrictions.

Revenue recognition

The Organization reports gifts of cash and other assets as contributions with or without donor restrictions depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets. When a donor 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 with explicit donor stipulations that specify how the assets are to be used are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated materials and services are recorded at fair value at the date of donation and have been included in revenues and expenses. Donated services are recognized if the services create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills.

Program service fees are recognized as earned.



FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas, have been allocated among the various functional areas based on the time method of allocation.

Advertising

The Organization follows the policy of charging costs of advertising to expense as incurred.

Newly adopted accounting standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The main provision of this update includes the presentation of two classes of net assets rather than the previously required three classes. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adopted this ASU retrospectively and has adjusted the presentation of the financial statements for all periods presented, except for the liquidity and availability information which only has a current year presentation as permitted under the ASU in the year of adoption.

3. LIQUIDITY AND AVAILABILITY

At June 30, 2019, financial assets and liquidity resources available within one year for general expenditures were as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 69,921
Investments	1,683,769
	1,753,690
Total financial assets	
	1,753,690
Less amounts not available to be used within one year:	
Board designated for operational support (Note 11)	(710,000)
Add anticipated appropriations from Board designated for operational support	200,000
	200,000
Total amounts not available to be used within one year	(510,000)
	(510,000)
Total financial assets available within one year	\$ 1,243,690
	1,243,690

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization is currently running a deficit budget trying to grow. This deficit has been planned and is supplemented by the testamentary gift received in 2011 disclosed in Note 11. The board is currently working on closing the funding gap by approaching all donors to contribute. In addition, the board plans to increase attendance at events.

The Organization also regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

4. INVESTMENTS

The fair values of financial assets are classified below based on the following hierarchy reflecting the significance of inputs used in determining fair value measurements:

Level 1 - Observable inputs that reflect unadjusted quoted prices or published net asset value for identical assets in active markets.

Level 2 - Inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair values and the hierarchy classification of financial assets measured on a recurring basis consisted of the following at June 30:

	Fair Value Hierarchy Level	2019	2018
Money market funds	1	\$ 136,102	\$ 110,521
Common stocks	1	219,802	272,236
Equity mutual funds	1	402,813	451,585
Fixed income mutual funds	1	397,286	437,090
U.S. Treasury notes and bonds	1	61,756	59,291
Certificates of deposit	2	364,340	358,234
Corporate debt securities	2	61,035	58,370
Mortgage-backed securities	2	40,533	38,992
Total investments in the fair value hierarchy		1,683,667	1,786,319
Cash included in investments		102	195
		<u>\$ 1,683,769</u>	<u>\$ 1,786,514</u>

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

5. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at June 30:

	2019	2018
Furniture and equipment	\$ 20,536	\$ 20,536
Less accumulated depreciation	16,888	14,365
	\$ 3,648	\$ 6,171

Depreciation expense totaled \$2,523 and \$5,209 for the years ended June 30, 2019 and 2018, respectively.

6. EMPLOYEE BENEFIT PLAN

The Organization sponsors a SIMPLE IRA Plan (the Plan). Employer contributions to the Plan are equal to 2% of compensation for employees. Employer contributions for the years ended June 30, 2019 and 2018 totaled \$9,486 and \$8,704, respectively.

7. IN-KIND CONTRIBUTIONS

The Organization records donated services at fair value for volunteer advocates and attorneys that provide professional services to their program services.

The Organization's volunteer advocates serve as substitute guardian ad litem, parenting evaluator, social worker and/or case manager. If not for the Organization's volunteer, the service provider would be appointed by the court. The fair value of the volunteer advocate services is estimated at 90 hours per case, and the rate is determined by use of the Independent Sector rate for volunteer time in Washington State. For the years ended June 30, 2019 and 2018, the estimate is based upon 102 and 109 cases, respectively, at \$31.72 and \$30.46, per hour, respectively.

The Organization receives legal services that are provided by attorneys for their program services. During the years ended June 30, 2019 and 2018, attorneys contributed 264 and 219 hours, respectively, at no charge or below market rates. The fair value of donated services provided by attorneys is recorded at estimated fair value of \$250 per hour less any actual amount paid.

The Organization receives services performed by a volunteer attorney in their office to assess legal requirements for their program services. The fair value of the donated services provided by this attorney is estimated at 66 hours at \$31.72 per hour for the year ended June 30, 2019 and 230 hours at \$30.46 per hour for the year ended June 30, 2018.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

7. IN-KIND CONTRIBUTIONS (Continued)

Following is the estimated fair value of donated services for each of the years ended June 30:

	2019	2018
Volunteer advocates	\$ 291,189	\$ 298,812
Attorneys - contract	58,593	53,850
Attorney - office	2,094	7,006
	\$ 351,876	\$ 359,668

8. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, the Organization had balances in excess of the insured amount. The Organization maintains accounts with investment firms. The accounts contain cash and securities. Within the limits of protection offered by the Securities Investor Protection Corporation (SIPC), claims against a broker-dealer are satisfied on cash up to a maximum of \$250,000, and securities up to a maximum of \$500,000. Coverage provided by the SIPC and the investment firms' insurance companies does not protect against the loss of market value of securities.

9. OPERATING LEASE

The Organization leases its office under a non-cancelable operating lease expiring March 2021. The Organization is charged for their pro-rata share of the operating expenses of the facility (including insurance and taxes) not covered by the base rental payments. The lease is subject to escalation clauses. Total lease expense was \$53,695 and \$53,833 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments at June 30, 2019 approximate the following:

<u>Year ending June 30,</u>		
2020	\$	55,000
2021		42,000
	\$	97,000

10. COMMITMENTS

The Organization has credit cards with an available balance of \$25,000 at June 30, 2019 with a financial institution where they maintain their operating accounts.

During the year ended June 30, 2019, the Organization entered into an agreement for Grant Research, Strategy and Execution. This agreement expires on December 31, 2019 and is for \$12,000.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Board designated for operational support	\$ 710,000	\$ 930,000
Undesignated	<u>994,723</u>	<u>974,412</u>
	<u>\$ 1,704,723</u>	<u>\$ 1,904,412</u>

In 2011, the Organization received a large testamentary gift, the stated purpose of which was to grow the Organization's capacity to serve a greater number of children in need of advocate services. In order to accomplish this goal, the current operating budget runs at a deficit. During the year ended June 30, 2015, the board designated \$1,500,000 of the Organization's net assets to be used for operations over the next five years while working to increase revenue to close the funding gap. During the years ended June 30, 2019 and 2018, the Board of Directors appropriated for expenditure \$220,000 and \$200,000, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Advocate reimbursement	\$ 651	\$ 1,236
Marketing	0	10,000
Screening	<u>0</u>	<u>83</u>
	<u>\$ 651</u>	<u>\$ 11,319</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors were as follows during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Advocate reimbursement	\$ 585	\$ 539
Development	0	500
Marketing	10,000	0
Screening	83	0
Training	1,000	0
Website development	<u>0</u>	<u>9,091</u>
	<u>\$ 11,668</u>	<u>\$ 10,130</u>

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date these statements were available to be issued on November 25, 2019.

14. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements. This includes insignificant changes in the classification of amounts in the statement of functions expenses. The reclassifications had no effect on previously reported total net assets.

15. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard will impact all organizations that receive or make contributions of cash or other assets. The only transactions excluded from this ASU are transfers of assets from government entities to businesses. This standard includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. This ASU will be applied using a modified prospective basis, which means it will be applied to agreements that are not completed as of the effective date (only applies to the unrecognized portion) and to agreements that are entered into after the effective date. The effective date is the fiscal year ending June 30, 2020. No prior period results should be restated and there should be no adjustment to net assets as a result of implementing this standard.

In February 2016, the FASB also issued ASU 2016-02, *Leases*. This standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statements of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2022.

The Organization is currently in the process of evaluating the impact of adoption of these accounting standards on the financial statements.