



## FINANCIAL STATEMENTS

June 30, 2020 and 2019



## 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, 2020 and 2019, 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 Matters**

As discussed in Note 2 to the financial statements, in the fiscal year ended 2019, the Organization adopted Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our conclusion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, economic uncertainties have arisen with the spread of COVID-19. Given the uncertainty of the situation, management has determined that the duration of any disruption to the Organization's activities and operations and related financial effect cannot be reasonably estimated at this time. Our conclusion is not modified with respect to this matter.

*Vine Dahlen PLLC*

December 14, 2020

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2020 and 2019

ASSETS

	2020	2019
Cash and cash equivalents	\$ 338,035	\$ 69,921
Investments	1,156,883	1,683,769
Prepaid expenses and deposits	36,761	19,448
Furniture and equipment, net	1,638	3,648
	\$ 1,533,317	\$ 1,776,786

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable	\$ 14,968	\$ 14,486
Accrued expenses	80,472	56,926
PPP loan	121,000	-
TOTAL LIABILITIES	216,440	71,412
NET ASSETS:		
Without donor restrictions:		
Board designated for operational support	310,000	710,000
Undesignated	991,432	994,723
Total net assets without donor restrictions	1,301,432	1,704,723
With donor restrictions	15,445	651
TOTAL NET ASSETS	1,316,877	1,705,374
	\$ 1,533,317	\$ 1,776,786

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2020 and 2019

	2020	2019
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, gains, and other support:		
Contributions and grants	\$ 264,309	\$ 217,105
In-kind contributions	274,731	351,876
Special events	441,665	429,918
Net investment return	15,806	66,741
Total revenues and gains without donor restrictions	996,511	1,065,640
Net assets released from restrictions	1,406	11,668
Total revenues, gains, and other support without donor restrictions	997,917	1,077,308
Expenses:		
Program services	932,149	934,449
Management and general	84,308	110,644
Fundraising	384,751	231,904
Total expenses	1,401,208	1,276,997
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(403,291)	(199,689)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	16,200	1,000
Net assets released from restrictions	(1,406)	(11,668)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	14,794	(10,668)
CHANGE IN NET ASSETS	(388,497)	(210,357)
BEGINNING NET ASSETS	1,705,374	1,915,731
ENDING NET ASSETS	\$ 1,316,877	\$ 1,705,374

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (388,497)	\$ (210,357)
Adjustments to reconcile change in net assets to net cash:		
Depreciation	2,011	2,523
Net realized and unrealized (gain) loss on investments	15,219	(22,796)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Prepaid expenses and deposits	(17,313)	(1,900)
Increase (decrease) in liabilities:		
Accounts payable	481	4,696
Accrued expenses	23,546	2,940
Total adjustments and changes	23,944	(14,537)
NET CASH USED BY OPERATING ACTIVITIES	(364,553)	(224,894)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchases of investments	(55,396)	(59,079)
Proceeds from sale of investments	567,063	184,620
NET CASH PROVIDED BY INVESTING ACTIVITIES	511,667	125,541
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of PPP Loan	121,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	121,000	-
CHANGE IN CASH AND CASH EQUIVALENTS	268,114	(99,353)
BEGINNING CASH AND CASH EQUIVALENTS	69,921	169,274
ENDING CASH AND CASH EQUIVALENTS	\$ 338,035	\$ 69,921

FAMILY LAW CASA OF KING COUNTY  
STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	\$ 496,116	\$ 24,403	\$ 190,949	\$ 711,468	\$ 476,298	\$ 46,877	\$ 126,937	\$ 650,112
Professional services	331,412	49,565	63,236	444,213	356,885	37,167	2,981	397,033
Occupancy	52,018	3,115	17,315	72,448	41,066	3,390	10,475	54,931
Events	-	-	66,256	66,256	-	-	63,585	63,585
Insurance	18,466	1,106	6,147	25,719	8,822	16,392	-	25,214
Training and conferences	3,856	2,451	521	6,828	4,745	2,977	278	8,000
Miscellaneous	5,806	2,271	797	8,874	10,996	233	1,727	12,956
Supplies	6,896	413	2,295	9,604	8,375	931	-	9,306
Printing and postage	2,694	160	20,048	22,902	15,636	1,737	12,154	29,527
Equipment and maintenance	1,712	103	570	2,385	1,116	251	200	1,567
Telephone	4,382	262	1,459	6,103	4,822	387	1,198	6,407
Computer expense	7,316	373	2,076	9,765	3,634	137	136	3,907
Bank fees	31	-	12,601	12,632	155	13	11,761	11,929
Depreciation	1,444	86	481	2,011	1,899	152	472	2,523
<b>Total expenses</b>	<b>\$ 932,149</b>	<b>\$ 84,308</b>	<b>\$ 384,751</b>	<b>\$ 1,401,208</b>	<b>\$ 934,449</b>	<b>\$ 110,644</b>	<b>\$ 231,904</b>	<b>\$ 1,276,997</b>

See accompanying notes and independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020 and 2019

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 statements 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 net assets without donor restrictions 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.

See independent accountant's review report.



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 a useful life of 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' (the Board) 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.

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 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard affects entities that receive or make contributions of cash or other assets. Transfers of resources from governments to business entities are excluded from this ASU. 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 affects the timing of revenue recognition. The Organization has adopted this ASU on a modified prospective basis, which it has applied to agreements that are not completed as of June 30, 2019, (only applies to the unrecognized portion) and to agreements that are entered into after the year ended June 30, 2019.

3. LIQUIDITY AND AVAILABILITY

Financial assets and liquidity resources available within one year for general expenditures were as follows at June 30:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 338,035	\$ 69,921
Investments	1,156,883	1,683,769
Total financial assets	1,494,918	1,753,690
Less amounts not available to be used within one year:		
Board-designated for operational support (Note 11)	(310,000)	(710,000)
Add anticipated appropriations from board-designated for operational support	300,000	200,000
Total amounts not available to be used within one year	(10,000)	(510,000)
Total financial assets available within one year	\$ 1,484,918	\$ 1,243,690

See independent accountant's review report.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization is trying to grow and is currently running a deficit budget. 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 is working on updating the strategic plan.

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.

The Organization applied for a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan and was funded \$121,000 on April 19, 2020.

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	2020	2019
Money market funds	1	\$ 74,541	\$ 136,102
Common stocks	1	197,540	219,802
Equity mutual funds	1	334,986	402,813
Fixed income mutual funds	1	206,932	397,286
U.S. Treasury notes and bonds	1	-	61,756
Certificates of deposit	2	238,473	364,340
Corporate debt securities	2	62,993	61,035
Mortgage-backed securities	2	41,395	40,533
Total investments in the fair value hierarchy		1,156,860	1,683,667
Cash included in investments		23	102
		<u>\$ 1,156,883</u>	<u>\$ 1,683,769</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:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 20,536	\$ 20,536
Less accumulated depreciation	<u>18,898</u>	<u>16,888</u>
	<u>\$ 1,638</u>	<u>\$ 3,648</u>

Depreciation expense is \$2,011 and \$2,523 for the years ended June 30, 2020 and 2019, respectively.

6. EMPLOYEE BENEFIT PLAN

The Organization sponsors a SIMPLE IRA Plan (the Plan). Employer contributions to the Plan are equal to 2% of employee compensation. Employer contributions for the years ended June 30, 2020 and 2019 are \$11,084 and \$9,486, 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 for volunteer time is determined by use of the Independent Sector in Washington State. For the years ended June 30, 2020 and 2019, the estimate is based upon 74 and 102 cases, respectively, at \$33.02 and \$31.72, per hour, respectively.

The Organization receives legal services that are provided by attorneys for their program services. During the years ended June 30, 2020 and 2019, attorneys contributed 260 and 264 hours, respectively, at no charge or below market rates. The fair value of donated services provided by attorneys are recorded at estimated fair value of \$250 per hour less any actual amount paid.

The Organization received services performed by a volunteer attorney in their office to assess legal requirements for their program services. The Organization did not receive these services for the year ended June 30, 2020. The fair value of the donated services provided by this attorney was estimated at 66 hours at \$31.72 per hour for the year ended June 30, 2019.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

7. IN-KIND CONTRIBUTIONS (Continued)

The estimated fair value of donated services for each of the years ended June 30 are as follows:

	2020	2019
Volunteer advocates	\$ 219,913	\$ 291,189
Attorneys - contract	54,818	58,593
Attorney - office	-	2,094
	\$ 274,731	\$ 351,876

8. RISKS AND UNCERTAINTIES

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.

The economic uncertainties that have arisen with the spread of COVID-19 have created disruption for the Organization. The extent of the effect of COVID-19 on the Organization's donors, employees and vendors cannot be predicted. The duration of this disruption and the related operational and financial impact to the Organization cannot be reasonably estimated at this time and we anticipate this may have a material adverse impact on our activities, results of operations, financial position, and cash flows in 2021.

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 for the facility (including insurance and taxes) not covered by the base rental payments. The lease is subject to escalation clauses. Total lease expense was \$67,360 and \$53,695 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments at June 30, 2020 approximate \$42,000 for the year ending June 30, 2021.

10. COMMITMENTS

The Organization has credit cards with an available balance of \$23,000 at June 30, 2020.

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

11. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Board designated for operational support	\$ 310,000	\$ 710,000
Undesignated	<u>991,432</u>	<u>994,723</u>
	<u>\$ 1,301,432</u>	<u>\$ 1,704,723</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, 2020 and 2019, the Board appropriated for expenditure \$400,000 and \$220,000, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Advocate reimbursement	\$ 445	\$ 651
Operating	10,000	-
Software	<u>5,000</u>	<u>-</u>
	<u>\$ 15,445</u>	<u>\$ 651</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>2020</u>	<u>2019</u>
Advocate reimbursement	\$ 206	\$ 585
Marketing	-	10,000
Screening	-	83
Training	<u>1,200</u>	<u>1,000</u>
	<u>\$ 1,406</u>	<u>\$ 11,668</u>

FAMILY LAW CASA OF KING COUNTY  
NOTES TO FINANCIAL STATEMENTS

13. PPP LOAN

As a result of COVID-19, the Organization applied for and received an SBA PPP loan in April 2020 in the amount of \$121,000 and an interest rate of 1% that matures April 20, 2022. There is a forgiveness clause in the loan, which may qualify the Organization for forgiveness of the principle and interest should the PPP conditions be met. On November 3, 2020, the Organization was notified by their bank that the SBA accepted their PPP forgiveness application and the bank processed the PPP loan payoff.

14. SUBSEQUENT EVENTS

The Organization is moving operations to a new office location in Tukwila, Washington, March 2021. The Organization is currently negotiating a non-cancelable operating lease for the new location with projected commencement date of March 1, 2021 expiring June 30, 2026. Annual base rent payments for the initial year are expected to approximate \$60,000 with annual increases of \$3,600 each year. The rent amount does not include the tenant's share of operating expenses.

The Organization has evaluated subsequent events through the date these statements were available to be issued on December 14, 2020.

15. 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 functional expenses for the year ended June 30, 2019. The reclassifications had no effect on previously reported total net assets.

16. RECENTLY ISSUED ACCOUNTING STANDARD

In February 2016, the FASB 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 statements of activities. This standard will be effective for the fiscal year ending June 30, 2023.

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