

**PROGRAM FOR EARLY PARENT SUPPORT**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2021 (AUDITED)**

**AND**

**DECEMBER 31, 2020 (REVIEWED)**

# PROGRAM FOR EARLY PARENT SUPPORT

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Program for Early Parent Support

### **Opinion**

We have audited the accompanying financial statements of Program for Early Parent Support (a nonprofit organization), which comprise the balance sheet as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Program for Early Parent Support as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 Program for Early Parent Support and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The 2020 financial statements were reviewed by us, and our report thereon, dated August 23, 2021, stated we were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Program for Early Parent Support'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 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.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

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 Program for Early Parent Support'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 Program for Early Parent Support'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.

*Finney, Neill & Company, P.S.*

September 21, 2022  
Seattle, Washington

**PROGRAM FOR EARLY PARENT SUPPORT**  
(A Not For Profit Organization)  
Statements of Financial Position  
December 31, 2021 (Audited) and 2020 (Reviewed)

<b>ASSETS</b>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,144,415	1,062,813
Pledges receivable, current portion	173,735	569,037
Other receivable	6,500	1,500
Prepays and other	<u>10,120</u>	<u>9,627</u>
Total current assets	1,334,770	1,642,977
Pledges receivable, net	67,675	81,067
Endowment	103,762	90,962
Video production asset, net	<u>8,167</u>	<u>15,167</u>
Total assets	<u><u>\$ 1,514,374</u></u>	<u><u>1,830,173</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and other liabilities	\$ 21,921	16,646
Accrued employee benefits	64,010	39,577
Deferred rent	784	4,611
Contract liabilities	<u>96,172</u>	<u>73,429</u>
Total liabilities	<u>182,887</u>	<u>134,263</u>
Net assets:		
Without donor restrictions	499,095	400,178
Without donor restrictions, board designated	<u>472,119</u>	<u>472,119</u>
Total net assets without donor restrictions	971,214	872,297
With donor restrictions	<u>360,273</u>	<u>823,613</u>
Total net assets	<u>1,331,487</u>	<u>1,695,910</u>
Total liabilities and net assets	<u><u>\$ 1,514,374</u></u>	<u><u>1,830,173</u></u>

*See accompanying notes and independent auditors' report.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
(A Not For Profit Organization)  
Statements of Activities  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Support and Revenue:		
Contributions	\$ 227,422	224,325
Grants	531,607	352,770
Program service fees	291,273	287,872
Special events, net of direct benefits to donors of \$0 and \$0	237,220	243,270
In-kind contributions	235,078	285,733
Net investment income	(1,438)	(962)
	1,521,162	1,393,008
Net assets released from restrictions:		
Satisfaction of program restrictions	91,546	61,750
Satisfaction of time restrictions	567,751	547,167
	659,297	608,917
Total support, revenue, and other support	2,180,459	2,001,925
Expenses:		
Programs	1,530,987	1,353,395
Management and general	203,960	214,302
Fundraising	346,595	264,003
Total expenses	2,081,542	1,831,700
Increase (decrease) in net assets without donor restrictions	98,917	170,225
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	183,157	488,357
Unappropriated earnings (loss) on endowment fund	12,800	9,261
Net assets released from restrictions	(659,297)	(608,917)
Increase (decrease) in net assets with donor restrictions	(463,340)	(111,299)
Increase (decrease) in net assets	(364,423)	58,926
Net assets at beginning of year	1,695,910	1,636,984
Net assets at end of year	\$ 1,331,487	1,695,910

See accompanying notes and independent auditors' report.

**PROGRAM FOR EARLY PARENT SUPPORT**  
(A Not For Profit Organization)  
Statement of Functional Expenses  
Year ended December 31, 2021 (Audited)

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 845,522	133,265	266,604	1,245,391
Professional fees	293,390	30,680	35,979	360,049
Rent and other lease expense	52,943	6,272	8,880	68,095
Conferences and education	2,623	2,829	110	5,562
Credit card fees	6,139	595	7,187	13,921
Equipment	15,457	3,643	5,185	24,285
Insurance	4,389	1,506	1,460	7,355
Memberships	1,163	1,059	968	3,190
Mileage and parking	-	-	73	73
Miscellaneous	4,407	1,002	9,064	14,473
Postage	7,246	1,470	859	9,575
Printing	-	200	3,388	3,588
Supplies	13,926	5,691	563	20,180
Excise tax	-	5,647	-	5,647
Communications and website	44,154	2,839	4,875	51,868
Depreciation and amortization	4,550	1,050	1,400	7,000
Uncollectible pledges	-	6,212	-	6,212
Expenses before in-kind	<u>1,295,909</u>	<u>203,960</u>	<u>346,595</u>	<u>1,846,464</u>
In-kind services	<u>235,078</u>	<u>-</u>	<u>-</u>	<u>235,078</u>
Total expenses as shown on the statement of activities	<u>\$ 1,530,987</u>	<u>203,960</u>	<u>346,595</u>	<u>2,081,542</u>

*See accompanying notes and independent auditors' report.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
(A Not For Profit Organization)  
Statement of Functional Expenses  
Year ended December 31, 2020 (Reviewed)

	<u>Programs</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 716,608	158,643	173,163	1,048,414
Professional fees	160,864	10,579	21,998	193,441
Rent and other lease expense	59,714	8,845	16,472	85,031
Conferences and education	2,672	1,461	16,211	20,344
Credit card fees	5,805	1,087	4,269	11,161
Equipment	22,467	5,609	8,044	36,120
Insurance	4,150	854	1,099	6,103
Memberships	971	1,732	757	3,460
Mileage and parking	2,836	2,027	239	5,102
Miscellaneous	6,077	3,997	827	10,901
Postage	3,090	222	2,098	5,410
Printing	7,484	219	5,575	13,277
Supplies	13,987	3,974	1,041	19,002
Excise tax	1,589	1,196	441	3,226
Communications and website	21,790	6,743	2,207	30,740
Depreciation and amortization	37,833	7,115	9,487	54,436
Uncollectible pledges	-	-	74	74
Expenses before in-kind	<u>1,067,937</u>	<u>214,302</u>	<u>264,003</u>	<u>1,546,242</u>
In-kind facilities and services	<u>285,458</u>	<u>-</u>	<u>-</u>	<u>285,458</u>
Total expenses as shown on the statement of activities	<u>\$ 1,353,395</u>	<u>214,302</u>	<u>264,003</u>	<u>1,831,700</u>

*See accompanying notes and independent auditors' report.*



**PROGRAM FOR EARLY PARENT SUPPORT**  
(A Not For Profit Organization)  
Statements of Cash Flows  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

	2021	2020
Cash flows from operating activities:		
Cash received from contributions, grants and fees	\$ 1,889,280	1,807,690
Cash received from interest and other sources	186	1,026
Cash paid to employees and vendors	<u>(1,807,864)</u>	<u>(1,469,463)</u>
Net cash provided by (used in) operating activities	<u>81,602</u>	<u>339,253</u>
Net increase (decrease) in cash	81,602	339,253
Cash and cash equivalents at beginning of year	<u>1,062,813</u>	<u>723,560</u>
Cash and cash equivalents at end of year	<u>\$ 1,144,415</u>	<u>1,062,813</u>
Reconciliation of changes in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (364,423)	58,926
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	7,000	54,436
Net unrealized change in endowment fund	(12,800)	(9,261)
(Increase) decrease in assets:		
Pledges receivable, net	408,694	281,679
Other receivables	(5,000)	1,098
Prepays and other	(493)	9,416
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	5,275	6,543
Accrued vacation	24,433	6,310
Deferred rent	(3,827)	-
Contract liabilities	<u>22,743</u>	<u>(69,894)</u>
Total adjustments	<u>446,025</u>	<u>280,327</u>
Net cash provided (used) by operating activities	<u>\$ 81,602</u>	<u>339,253</u>

*See accompanying notes and independent auditors' report.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

1. DESCRIPTION OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

Nature of Activities

Program for Early Parent Support (PEPS or the Organization) was established in 1982 in the State of Washington. The Organization's mission is to connect parents to strengthen families and build community.

PEPS empowers families to build connection and community with other new parents in their own neighborhoods. Becoming a parent is a life-changing event and can be accompanied by vulnerability and feelings of isolation. Good support strengthens resilience for the next milestone, challenge or change, helps create the bond between parents and babies, and shapes a baby's healthy development.

Through weekly parenting peer-support groups, PEPS provides structured and facilitated opportunities for social connection, skill building, shared learning, and supportive resources when families need it the most. Through PEPS, parents of infants and very young children come together to share in the joys and challenges of parenting, learn about their child's development, and form caring communities. PEPS programs are informed by the Strengthening Families framework as well as infant mental health principles. PEPS has developed a parenting curriculum of over 40 topics related to new parenthood, including perinatal mental health, work and family, co-parenting relationships, self-care, mindfulness and more. In 2021, 265 PEPS Groups supported 2966 new parents in developing healthy attachment with their babies, gaining confidence in their own abilities, and finding support and connection amongst their peers.

PEPS Newborn Groups typically serve first-time parents and meet in group members' homes for 12 consecutive weeks in the daytime or evening. One parent attends in daytime groups and parents can attend solo or with partners in the evenings. Groups specifically for parents with two (or more) children, called Second Time Around, are offered; parents attend these groups with their new baby only. Community-based groups are also offered for families with older babies or two or more children, called Baby Peppers and Little Peppers. All PEPS Groups are led by trained facilitators, both volunteer and paid.

PEPS measures parent perception of Protective Factors of the Strengthening Families framework, as well as specific implementations of our universal support program. For example, in 2021, 89% of parents say they felt less isolated after participating in PEPS and 70% of PEPS Groups continue to meet regularly after the formal program ends.

PEPS also offers Community Events, which this past year were all presented virtually to allow parents to safely connect with subject matter experts. In 2021, 401 parents participated in PEPS Community Events.

In an effort to meet unique needs of parents and partner with existing parent-serving organizations, PEPS formed the PEPS Network, through which it provides the PEPS model of parent peer-support groups to parent communities served by partner organizations. PEPS provides training, initial and on-going consulting to PEPS Network partners. In 2021, PEPS helped six Network Partners launch an additional 91 Groups.

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

1. DESCRIPTION OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES, continued

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Net assets without donor restrictions* are those currently available at the discretion of the board for use in the activities of the Organization.
- *Net assets with donor restriction:* Net assets subject to stipulations by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by action of the Organization for specific operating purposes or for a specific period of time. Other donor restrictions are permanent in nature, in the form of endowment or sustaining funds in which only the income from such funds may be expended.

When restrictions on net assets with donor restrictions of temporarily nature expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Resources with donor-imposed restrictions whose restrictions have been met within one reporting period are reported as net assets without donor restrictions.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

## PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

### 1. DESCRIPTION OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES, continued

#### Video Production Assets

The Organization produced a series of training videos for group facilitators. Capitalized costs for these assets were \$35,000 and \$35,000 as of December 31, 2021 and 2020. The capitalized costs are being amortized over an estimated useful life of five years. Amortization expense of \$7,000 and \$7,000 was recognized in the years ended December 31, 2021 and 2020, respectively. Estimated future amortization is \$5,833 in year 2022.

#### Fixed Assets and Depreciation

Fixed assets are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to five years. Depreciation begins when the assets are placed in service. Repairs and maintenance of fixed assets are expensed as incurred. The Organization generally follows the practice of capitalizing expenditures for property and equipment in excess of \$2,500 with useful lives greater than three years. Depreciation expense for the years ended December 31, 2021 and 2020 was \$0 and \$47,436, respectively.

#### Long-Lived Assets and Amortization

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2021 and 2020.

#### Restricted and Unrestricted Support and Revenue Recognition

Contributed support is recorded when cash is received or when ownership of donated assets is transferred. The Organization has adopted the Revenue Recognition for Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. In accordance with this Topic, contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Revenue from Exchange Transactions

PEPS recognizes revenue in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. PEPS recorded the following exchange transaction revenue in its statements of activities and changes in net assets for the years ended December 31, 2021 and 2020:

## PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

### 1. DESCRIPTION OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES, continued

#### Revenue from Exchange Transactions, continued

- *Program service fees*: PEPS provides parenting support groups and community events. Fees for these programs are set by PEPS and include facilitator, materials, and facility costs. These items are not separately priced and are therefore considered to be one performance obligation. Fees collected in advance of delivery of the program are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the program has occurred. For programs that span several months, revenue is recognized over the period of class enrollment.
- *Special event revenue*: PEPS records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference.

#### Donated Services, Supplies and Facilities

Donated services are recorded as professional service expense arising from trained newborn group leader volunteers (see Note 10). Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and various committee assignments. No amounts have been recorded for those hours as they did not meet the qualifying criteria for recognition. Donations of supplies and facilities are recorded as revenue at the estimated fair value at the date of donation. 100% of board members contribute to the long-term financial health and integrity of the Organization through both individual contributions and time.

#### Advertising Expenses

Advertising is expensed as incurred. For the years ended December 31, 2021 and 2020, advertising expense was \$4,933 and \$2,578, respectively.

#### Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received. Salaries and benefits and other allocable expenses are allocated on a basis of time and effort.

#### Income Tax Status

The Internal Revenue Service has recognized PEPS as exempt from federal income taxes under Section 501(c)(3) and is classified as an organization other than a private foundation under Section 509(a)(1). Accordingly, no provision has been made for federal income tax in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization accounts for tax positions in accordance with the FASB Accounting Standards Codification Topic No. 740, *Income Taxes*. With few exceptions, the Organization is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2021 and 2020 that could result in unrelated business taxes to the Organization or loss of its non-profit status.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2021 and 2020, the Organization recognized no income tax related interest or penalties.

*These notes are an integral part of the financial statements.*

## PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

### 2. LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 3 to 6 months of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds. The Organization receives significant contributions with donor restrictions to be used in accordance with the associated time or purpose restrictions. Most restrictions are time restricted pledges for use over a three-year period. It also has an endowment that will exist in perpetuity; the income generated from which is appropriated by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following table represents the Organizations' financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions or internal board designations. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,144,415	1,062,813
Pledges receivable, net	241,410	650,104
Other receivable	6,500	1,500
Total	1,392,325	1,714,417
Less amounts not available for general expenditures within one year:		
Pledges receivable, net	(67,675)	(81,067)
Board restriction	(472,119)	(472,119)
Total	(539,794)	(553,186)
Financial assets available for general expenditures over the next twelve months	\$ 852,531	1,161,231

### 3. INVESTMENTS

Net investment income consists of the following for the years ended December 31:

	2021	2020
Interest and dividends	\$ 186	751
Realized gains (losses)	(1,624)	(1,713)
	(1,438)	(962)
Endowment:		
Interest and dividends	1,089	-
Realized gains (losses)	4,480	-
Unrealized gains (losses)	8,829	10,047
Less fees	(1,598)	(786)
	12,800	9,261
	\$ 11,362	8,299

*These notes are an integral part of the financial statements.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

4. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets,
- b. Quoted prices for identical or similar assets or liabilities in inactive markets,
- c. Inputs other than quoted prices that are observable for the asset or liability,
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- e. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

- Endowment assets: valued at the net asset value of shares held in the investment pool managed by The Seattle Foundation as allocated to the Organization's individual account.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

5. PLEDGES RECEIVABLE

The Organization holds fund-raising campaigns to sustain future operations. The resulting unconditional promises to give are not restricted to any particular program. Pledges receivable are reported net of a present value discount and allowance for uncollectible accounts. Based on management's assessment of the nature of the pledges receivable, the Organization has concluded that realized losses on balances outstanding at year end will be minimal, and has established their allowance for doubtful accounts at December 31, 2021 and 2020, accordingly.

Pledges receivable include the following at December 31:

	2021	2020
Receivable in less than one year	\$ 173,735	569,037
Receivable in one to five years	75,351	91,743
	249,086	660,780
Less allowance for uncollectible accounts	(3,000)	(6,000)
Less net present value discount (2.0% for 2021 and 2.0% for 2020)	(4,676)	(4,676)
Pledges receivable, net	\$ 241,410	650,104

6. ENDOWMENT

The Endowment is funds held in an investment pool managed by The Seattle Foundation (the Foundation). The Foundation was established in 1946, and since its formation has managed funds for many not-for-profit organizations in the Puget Sound area. Realized and unrealized gains/losses from securities in the investment pool are allocated to the individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investment accounts, as adjusted for additions to/deductions from those accounts. The Foundation's assets are principally in trusts from which income is distributed to the participating organizations.

The Foundation guarantees a minimum 5% return on invested assets for the first year. Thereafter, invested assets may earn a higher rate of return and all earnings in excess of 5% are reinvested in the trust. The Foundation distributed \$0 and \$0 in earnings during the years ended December 31, 2021 and 2020, respectively, allowing the funds to be reinvested. To satisfy its long-term objectives, the Organization has established investment policies that rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).



## PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

### 6. ENDOWMENT, continued

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets with donor restrictions of a permanent nature to be the original value of gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions of a permanent nature is classified as net assets with donor restrictions of a temporary nature until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following:

#### Duration and preservation of the fund

- Purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The funds held with the Foundation include donor restricted endowment contributions and investment appreciation. The restricted funds held by the Foundation are \$50,092 at December 31, 2021 and 2020.

#### Endowment investment fund composition:

	Without Donor Restrictions	With Donor Restrictions of a Temporary Nature	With Donor Restrictions of a Permanent Nature	Total
December 31, 2021				
Seattle Foundation	\$ -	53,670	50,092	103,762
December 31, 2020				
Seattle Foundation	\$ -	40,870	50,092	90,962

*These notes are an integral part of the financial statements.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

6. ENDOWMENT, continued

Changes in Endowment Net Assets:

	Without Donor Restrictions	With Donor Restrictions of a Temporary Nature	With Donor Restrictions of a Permanent Nature	Total
Endowment net assets, January 1, 2020	\$ -	31,609	50,092	81,701
Investment return	-	9,261	-	9,261
Endowment net assets, December 31, 2020	-	40,870	50,092	90,962
Investment return	-	12,800	-	12,800
Endowment net assets, December 31, 2021	\$ -	53,670	50,092	103,762

7. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2021	2020
Office equipment	\$ 7,504	7,504
Furniture	13,125	13,125
Software	237,180	237,180
	257,809	257,809
Less accumulated depreciation	(257,809)	(257,809)
Fixed assets, net	\$ -	-

8. CONTRACT LIABILITIES

As of December 31, 2021 and 2020 contract liabilities were \$60,604 and \$49,929, respectively. Additionally, the Organization recorded contract liabilities associated with the luncheon and other activities of \$35,568 and \$23,500 at December 31, 2021 and 2020, respectively.

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

8. CONTRACT LIABILITIES, continued

The following table provides information about significant changes in the contract liabilities for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Contact liabilities, beginning of year	\$ 73,429	143,323
Deferred program fees recognized that were included in contract liabilities at the beginning of the year	(49,929)	(98,323)
Prepaid luncheon fees and other income recognized that were included in contract liabilities at the beginning of the year	(23,500)	(45,000)
Increase in deferred program fees due to cash received during the period	60,604	49,929
Increase in prepaid luncheon fees and other income due to cash received during the period	<u>35,568</u>	<u>23,500</u>
Contact liabilities, end of year	<u>\$ 96,172</u>	<u>73,429</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

The following schedule summarizes the Organization's net assets with donor restrictions for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Growing Impact project	\$ -	21,671
Apex	-	46,033
Best Starts	-	8,842
Adolescent and teen program	15,000	-
Time restricted (pledges outstanding)	241,511	656,105
Unappropriated earnings on Endowment Fund	53,670	40,870
Endowment	<u>50,092</u>	<u>50,092</u>
Total net assets with donor restrictions	<u>\$ 360,273</u>	<u>823,613</u>

10. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
In-kind services - Newborn Groups Program	\$ 235,078	264,037
In-kind facilities - Newborn Groups Program	<u>-</u>	<u>21,696</u>
	<u>\$ 235,078</u>	<u>285,733</u>

*These notes are an integral part of the financial statements.*

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

11. SPECIAL EVENTS

The luncheon is a significant annual event, which was hosted virtually in 2020 and 2021. The costs related to it are an allocated expense in the statement of functional expenses. Special events revenue for the years ended December 31, 2021 and 2020 were \$237,220 and \$243,270, respectively.

12. RETIREMENT PLAN

The Organization offers a Savings Incentive Match Plan for Employees (SIMPLE). The plan allows for the Organization to match employee contributions up to three percent of the employees' eligible wages. Employer contributions for the years ended December 31, 2021 and 2020 were \$22,270 and \$19,905, respectively.

13. LEASE EXPENSE

The Organization leases office equipment under an operating lease signed February 2016 and renewed in March 2020. The lease is for a period of 60 months and ends in 2025. Rental expense for office equipment under lease totaled \$6,480 and \$7,160 for the years ended December 31, 2021 and 2020, respectively.

Scheduled lease payments for the years ending December 31, are as follows:

2022	\$ 6,480
2023	6,480
2024	6,480
2025	1,080
Thereafter	-
	<u>\$ 20,520</u>

The Organization leases office space under a lease agreement dated January 11, 2007. In 2017, the Organization renewed the lease for an additional 60 months. In 2019, the Organization leased a south office location under an annual lease for \$1,200 per month. Scheduled office lease payments for the years ending December 31, are as follows:

<u>Years ending</u>	
2022	\$ 13,866
Thereafter	-
	<u>\$ 13,866</u>

Rental expense for office space totaled \$72,903 and \$66,730 for the years ended December 31, 2021 and 2020, respectively.

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
Years ended December 31, 2021 (Audited) and 2020 (Reviewed)

14. CONCENTRATIONS

Of the pledges receivable as of December 31, 2021, 50% of the outstanding balance is composed of pledges made by three individuals, respectively. As of December 31, 2020, 53% of the outstanding balance is composed of pledges made by one individual.

During the years ended of December 31, 2021 and 2020, respectively, PEPS received \$23,731 and \$370,742 in pledge collections and contributions recognized in each respective year from the members of the Board of Directors.

15. PAYROLL PROTECTION PROGRAM

Program for Early Parent Support received loans in the amount of \$177,500 on April 13, 2020 and \$207,614 on February 18, 2021 under the Payroll Protection Program (PPP Loan). The PPP Loan and accrued interest are forgivable after the covered period, up to 24-weeks, if the borrower uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24-weeks. The unforgiven portion of the PPP Loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

The Organization was notified the forgiveness of PPP Loans on November 2, 2020 and February 18, 2021, respectively. Therefore, it has concluded that the PPP Loan represents, in substance, a grant that is expected to be forgiven. As a result, the Organization has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions are substantially met. During the years ended December 31, 2020 and 2021, the Organization has used the entire proceeds for purposes consistent with the PPP, resulting in recognition of the entire PPP Loan amount as government grant revenue in the accompanying financial statements.

16. COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Changes to the operating environment and surrounding economy may impact future grant and contribution revenue. Additional impacts include moving programs to video conference and working remotely. During 2020 and 2021, the Organization moved its scheduled in-person fundraising event to a virtual fundraising platform. Future potential impacts may include further changes to future event and program cancellation. The future effects and potential financial impacts of these events are unknown.

**PROGRAM FOR EARLY PARENT SUPPORT**  
Notes To Financial Statements, continued  
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17. SUBSEQUENT EVENTS

On June 22, 2022, the Organization extended the lease for its office space in Seattle. The lease is for a period of 36 months and ends on June 30, 2025 at the rate of \$4,800 per month.

Scheduled office lease payments for the years ending December 31, are as follows:

<u>Years ending</u>	
2022	\$ 28,800
2023	57,600
2024	57,600
2025	<u>28,800</u>
	<u>\$ 172,800</u>

Subsequent events have been evaluated through September 21, 2022, which is the date the financial statements were available to be issued.