PROGRAM FOR EARLY PARENT SUPPORT

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

PROGRAM FOR EARLY PARENT SUPPORT

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FINNEY, NEILL & COMPANY, P.S.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Program for Early Parent Support

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Program for Early Parent Support (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Program for Early Parent Support as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the Organization adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter

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.

Auditor's 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.

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 27, 2023
Seattle, Washington

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statements of Financial Position
December 31, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,277,861	1,144,415
Pledges receivable, current portion	185,441	173,735
Other receivable	6,600	6,500
Prepaids and other	7,677	10,120
Total current assets	1,477,579	1,334,770
Pledges receivable, net	24,018	67,675
Endowment	86,779	103,762
Video production assets, net	1,167	8,167
Right-of-use assets	148,639	-
Total assets	$ 1,738,182	1,514,374
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other liabilities	$ 14,405	21,921
Accrued employee benefits	68,911	64,010
Deferred rent	-	784
Lease liabilities, current	58,631	-
Contract liabilities	81,310	96,172
Total current liabilities	223,257	182,887
Lease liabilities, net of current	91,616	-
Total liabilities	314,873	182,887
Net assets:		
Without donor retrictions	522,966	499,095
Without donor retrictions, board designated	578,416	472,119
Total net assets without donor restrictions	1,101,382	971,214
With donor restrictions	321,927	360,273
Total net assets	1,423,309	1,331,487
Total liabilities and net assets	$ 1,738,182	1,514,374

See accompanying notes and independent auditors' report.

PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)
Statements of Activities
Years ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue:		
Contributions	$ 639,065	227,422
Grants	668,888	531,607
Program service fees	314,933	291,273
Special events, net of direct benefits to donors of $0 and $0	227,026	237,220
In-kind contributions	226,290	235,078
Net investment income	1,580	(1,438)
	2,077,782	1,521,162
Net assets released from restrictions:		
Satisfaction of program restrictions	85,007	91,546
Satisfaction of time restrictions	189,440	567,751
	274,447	659,297
Total support, revenue, and other support	2,352,229	2,180,459
Expenses:		
Programs	1,640,800	1,530,987
Management and general	230,454	203,960
Fundraising	350,807	346,595
Total expenses	2,222,061	2,081,542
Increase (decrease) in net assets without donor restrictions	130,168	98,917
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	253,084	183,157
Unappropriated earnings (loss) on endowment fund	(16,983)	12,800
Net assets released from restrictions	(274,447)	(659,297)
Increase (decrease) in net assets with donor restrictions	(38,346)	(463,340)
Increase (decrease) in net assets	91,822	(364,423)
Net assets at beginning of year	1,331,487	1,695,910
Net assets at end of year	$ 1,423,309	1,331,487

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, 2022

	Programs	Management & General	Fundraising	Total
Salaries, taxes, and benefits	$ 886,040	117,993	264,910	1,268,943
Professional fees	357,322	44,937	31,837	434,096
Rent and other lease expense	38,501	6,536	16,971	62,008
Conferences and education	5,436	3,634	1,108	10,178
Credit card fees	7,316	906	4,492	12,714
Equipment	26,139	7,393	8,743	42,275
Insurance	4,764	722	1,733	7,219
Memberships	1,188	258	1,140	2,586
Mileage and parking	76	17	131	224
Miscellaneous	11,053	1,020	940	13,013
Postage	4,500	66	1,391	5,957
Printing	6,332	224	1,431	7,987
Supplies	4,267	2,180	662	7,109
Excise tax	-	5,021	-	5,021
Communications and website	36,720	4,425	8,825	49,970
Amortization	24,856	2,706	6,493	34,055
Uncollectible pledges	-	32,416	-	32,416
Expenses before in-kind	1,414,510	230,454	350,807	1,995,771
In-kind services	226,290	-	-	226,290
Total expenses as shown on the statement of activities	$ 1,640,800	230,454	350,807	2,222,061

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

	Programs	Management & General	Fundraising	Total
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
Amortization	4,550	1,050	1,400	7,000
Uncollectible pledges	-	6,212	-	6,212
Expenses before in-kind	1,295,909	203,960	346,595	1,846,464
In-kind facilities and services	235,078	-	-	235,078
Total expenses as shown on the statement of activities	$ 1,530,987	203,960	346,595	2,081,542

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from contributions, grants and fees	$ 2,087,880	1,889,280
Cash received from interest and other sources	1,269	186
Cash paid to employees and vendors	(1,955,703)	(1,807,864)
Net cash provided by (used in) operating activities	133,446	81,602
Net increase (decrease) in cash	133,446	81,602
Cash and cash equivalents at beginning of year	1,144,415	1,062,813
Cash and cash equivalents at end of year	$ 1,277,861	1,144,415
Reconciliation of changes in net assets to net cash provided (used) by operating activities:		
Change in net assets	$ 91,822	(364,423)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Amortization	34,055	7,000
Net unrealized change in endowment fund	16,983	(12,800)
(Increase) decrease in assets:		
Pledges receivable, net	31,951	408,694
Other receivables	(100)	(5,000)
Prepaids and other	2,443	(493)
Right-of-use assets	(175,694)	-
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(7,516)	5,275
Accrued vacation	4,901	24,433
Deferred rent	(784)	(3,827)
Lease liabilities	150,247	-
Contract liabilities	(14,862)	22,743
Total adjustments	41,624	446,025
Net cash provided (used) by operating activities	$ 133,446	81,602
Cash paid for interest	$ 3,353	-

See accompanying notes and independent auditors' report.

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 2022 and 2021, PEPS Groups supported 2813 and 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 called Baby Peppers. All PEPS Groups are led by trained facilitators, both volunteer and paid.

PEPS newly offers groups for Parents of Adolescents and Teens, called PAT groups. These groups came out of the pilot stage in 2022. These groups supported 113 parents in 2022.

Our Expectant Parents groups support those on the path to parenthood. These groups supported 557 and 173 soon-to-be parents in 2022 and 2021, respectively.

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 2022, 87% of parents say they felt less isolated after participating in PEPS and 73% 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 2022 and 2021, 465 and 401 parents participated in PEPS Community Events, respectively.

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 2022, PEPS helped nine Network Partners serve an additional 786 parents in 101 groups. In 2021, PEPS helped nine Network Partners serve parents in 91 additional groups.

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 a 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.

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.

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, 2022 and 2021. 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, 2022 and 2021, respectively. Estimated future amortization is $1,167 in year 2023.

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, 2022 and 2021 was $0 and $0, 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, 2022 and 2021.

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, 2022 and 2021:

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 and donated Zoom subscriptions for leaders to use to facilitate on-line groups (see Note 10). These services are valued at the rate the Organization would have otherwise paid for the service. 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. The Organization does not monetize contributed nonfinancial assets.

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, 2022 and 2021, advertising expense was $3,512 and $4,933, 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.

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

Income Tax Status, continued

Management has reviewed the Organization's tax positions and determined there were no uncertain tax positions as of December 31, 2022 and 2021 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, 2022 and 2021, the Organization recognized no income tax related interest or penalties.

New Accounting Pronouncements

In 2022, The Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize all leases, including operating leases that are greater than 12 months at lease commencement, on the balance sheet; record corresponding right-of-use assets and lease liabilities; and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). The Organization determines if an arrangement is a lease at inception. Prior to the adoption of FASB ASC 842, *Leases*, on January 1, 2022, base rent expense was recognized on a straight-line basis in accordance with FASB ASC 840, rather than in accordance with lease payment schedules, for purposes of recognizing a constant annual rental expense. Scheduled base rent increases are spread evenly over the term of the lease.

After the adoption of FASB ASC 842, *Leases*, on January 1, 2022, operating leases are included in right-of-use (ROU) assets and lease liabilities on the Organization's statements of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to apply the short-term lease exemption to all classes of underlying assets.

During the year ended December 31, 2022, the Organization retrospectively adopted the provisions of ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, issued by the FASB. The pronouncement was issued to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 does not change the existing recognition and measurement requirements for contributed nonfinancial assets. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. Adoption of ASU No. 2020-07 did not have an impact on the consolidated financial statements of the Organization for the years ended December 31, 2022 or 2021.

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, 2022 and 2021, 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.

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 1,277,861	1,144,415
Pledges receivable, net	209,459	241,410
Other receivable	6,600	6,500
Total	1,493,920	1,392,325
Less amounts not available for general expenditures within one year:		
Pledges receivable, net	(24,018)	(67,675)
Board restriction	(578,416)	(472,119)
Total	(602,434)	(539,794)
Financial assets available for general expenditures over the next twelve months	$ 891,486	852,531

3. INVESTMENTS

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

	2022	2021
Interest and dividends	$ 1,269	186
Realized gains (losses)	311	(1,624)
	1,580	(1,438)
Endowment:		
Interest and dividends	1,045	1,089
Realized gains (losses)	303	4,480
Unrealized gains (losses)	(16,983)	8,829
Less fees	(1,348)	(1,598)
	(16,983)	12,800
	$ (15,403)	11,362

These notes are an integral part of the financial statements.

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.

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, 2022 and 2021, accordingly.

Pledges receivable include the following at December 31:

	2022	2021
Receivable in less than one year	$ 185,441	173,735
Receivable in one to five years	36,091	75,351
	221,532	249,086
Less allowance for uncollectible accounts	(10,000)	(3,000)
Less net present value discount (2.0% for 2022 and 2.0% for 2021)	(2,073)	(4,676)
Pledges receivable, net	$ 209,459	241,410

6. ENDOWMENT

The Endowment are 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, 2022 and 2021, 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).

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, 2022 and 2021.

Endowment investment fund composition:

	Without Donor Restrictions	With Donor Restrictions of a Temporary Nature	With Donor Restrictions of a Permanent Nature	Total
December 31, 2022				
Seattle Foundation	$ -	36,687	50,092	86,779
December 31, 2021				
Seattle Foundation	$ -	53,670	50,092	103,762

These notes are an integral part of the financial statements.

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, 2021	$ -	40,870	50,092	90,962
Investment return	-	12,800	-	12,800
Endowment net assets, December 31, 2021	-	53,670	50,092	103,762
Investment return	-	(16,983)	-	(16,983)
Endowment net assets, December 31, 2022	$ -	36,687	50,092	86,779

7. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2022	2021
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 LIABILTIIES

As of December 31, 2022 and 2021 contract liabilities were $75,310 and $60,604, respectively. Additionally, the Organization recorded contract liabilities associated with the luncheon and other activities of $6,000 and $35,568 at December 31, 2022 and 2021, respectively.

9. CONTRACT LIABILTIIES, continued

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

	2022	2021
Contract liabilities, beginning of year	$ 96,172	73,429
Deferred program fees recognized that were included in contract liabilties at the beginning of the year	(60,604)	(49,929)
Prepaid luncheon fees and other income recognized that were included in contract liabilities at the beginning of the year	(35,568)	(23,500)
Increase in deferred program fees due to cash received during the period	75,310	60,604
Increase in prepaid luncheon fees and other income due to cash received during the period	6,000	35,568
Contract liabilities, end of year	$ 81,310	96,172

10. NET ASSETS WITH DONOR RESTRICTIONS

The following schedule summarizes the Organization's net assets with donor restrictions for the years ended December 31, 2022 and 2021:

	2022	2021
Adolescent and teen program	$ 14,975	15,000
Time restricted (pledges outstanding)	220,173	241,511
Unappropriated earnings on Endowment Fund	36,687	53,670
Endowment	50,092	50,092
Total net assets with donor restrictions	$ 321,927	360,273

11. IN-KIND CONTRIBUTIONS

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

	2022	2021
In-kind services - Newborn Groups Program	$ 226,290	235,078
	$ 226,290	235,078

12. SPECIAL EVENTS

The luncheon is a significant annual event, which was hosted virtually in 2021 and 2022. The costs related to it are an allocated expense in the statement of functional expenses. Special events revenue for the years ended December 31, 2022 and 2021 were $227,026 and $237,220, respectively.

13. 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, 2022 and 2021 were $25,362 and $22,270, respectively.

14. LEASES

The Organization leases office space and equipment. The organization's main office lease began in 2022 and has a term of three years. Additionally, the organization leases office equipment under a lease that began in 2020 and will expire in 2025.

The components of lease expense were as follows for the year ended December 31:

	2022	2021
Operating lease cost	$ 62,228	58,810

Other information related to leases was as follows for the year ended December 31:

	2022	2021
Risk Free Discount Rate Used	4.42%	N/A
Weighted average remaining lease term (months)	30	22
ROU Asset - Operating Leases	$ 148,639	N/A
Supplemental Cash Flow Information:		
Operating cash used by operating leases	$ 63,012	61,542

14. LEASES, continued

Future minimum lease payments under non-cancelable leases as of December 31, 2022 were as follows:

Years ending December 31:	
2023	$ 64,080
2024	64,080
2025	29,880
Thereafter	-
Total future minimum lease payments	158,040
Less: imputed interest	(7,793)
Total	$ 150,247

15. CONCENTRATIONS

Of the pledges receivable as of December 31, 2022, 52% of the outstanding balance is composed of pledges made by one foundation and one individual. Of the pledges receivable as of December 31, 2021, 50% of the outstanding balance is composed of pledges made by three individuals, respectively.

During the years ended of December 31, 2022 and 2021, respectively, PEPS received $10,584 and $23,731 in pledge collections and contributions recognized in each respective year from the members of the Board of Directors.

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 2021 and 2022, the Organization moved its scheduled in-person fundraising event to a virtual fundraising platform. Future potential impacts may include further changes to future events and program cancellation. The future effects and potential financial impacts of these events are unknown.

17. SUBSEQUENT EVENTS

In 2023, the Organization determined it is eligible to apply for the Employee Retention Credit under the CARES Act associated with wages incurred in 2020 and 2021. The Organization subsequently submitted Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2020, June 30, 2020, March 31, 2021, June 30, 2021, and September 30, 2021 to the IRS. Credits claimed on the filings total $212,018. The credits will be recognized in the year eligibility is determined under ASC 958-605 and are subject to approval by the IRS.

Subsequent events have been evaluated through September 27, 2023, which is the date the financial statements were available to be issued.