

PROGRAM FOR EARLY PARENT SUPPORT
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

PROGRAM FOR EARLY PARENT SUPPORT

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Program for Early Parent Support

We have reviewed the accompanying financial statements of Program for Early Parent Support (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company 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 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement 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 accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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 related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2023 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2022 Financial Statements

The 2022 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated September 27, 2023. We have not performed any auditing procedures since that date.

Finney, Neill & Company, P.S.

October 16, 2024
Seattle, Washington

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statements of Financial Position
December 31, 2023 and 2022

| ASSETS | 2023 <u>(Unaudited)</u> | 2022 <u>(Audited)</u> |
|--|----------------------------|--------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 1,211,538 | 1,277,861 |
| Pledges receivable, current portion | 207,916 | 185,441 |
| Other receivables | 227,522 | 6,600 |
| Prepays and other | <u>10,423</u> | <u>7,677</u> |
| Total current assets | 1,657,399 | 1,477,579 |
| Pledges receivable, net | 136,296 | 24,018 |
| Endowment | 99,115 | 86,779 |
| Video production assets, net | - | 1,167 |
| Right-of-use assets | <u>89,060</u> | <u>148,639</u> |
| Total assets | <u><u>\$ 1,981,870</u></u> | <u><u>1,738,182</u></u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and other liabilities | \$ 16,261 | 14,405 |
| Accrued employee benefits | 60,208 | 68,911 |
| Lease liabilities, current | 61,288 | 58,631 |
| Contract liabilities | <u>98,102</u> | <u>81,310</u> |
| Total current liabilities | 235,859 | 223,257 |
| Lease liabilities, net of current | <u>30,869</u> | <u>91,616</u> |
| Total liabilities | <u>266,728</u> | <u>314,873</u> |
| Net assets: | | |
| Without donor restrictions | 578,423 | 522,966 |
| Without donor restrictions, board designated | <u>578,416</u> | <u>578,416</u> |
| Total net assets without donor restrictions | 1,156,839 | 1,101,382 |
| With donor restrictions | <u>558,303</u> | <u>321,927</u> |
| Total net assets | <u>1,715,142</u> | <u>1,423,309</u> |
| Total liabilities and net assets | <u><u>\$ 1,981,870</u></u> | <u><u>1,738,182</u></u> |

See accompanying notes and independent accountants' review report.

PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)

Statements of Activities

Years ended December 31, 2023 and 2022

| | 2023 <u>(Unaudited)</u> | 2022 <u>(Audited)</u> |
|--|----------------------------|--------------------------|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Support and Revenue: | | |
| Contributions | \$ 329,945 | 639,065 |
| Grants | 786,198 | 668,878 |
| Program service fees | 372,529 | 314,933 |
| Special events | 401,476 | 227,026 |
| In-kind contributions | 303,331 | 226,290 |
| Net investment income | 13,672 | 1,580 |
| Other income | 1,799 | 10 |
| | <u>2,208,950</u> | <u>2,077,782</u> |
| Net assets released from restrictions: | | |
| Satisfaction of program restrictions | 40,000 | 85,007 |
| Satisfaction of time restrictions | 178,280 | 189,440 |
| | <u>218,280</u> | <u>274,447</u> |
| Total support, revenue, and other support | 2,427,230 | 2,352,229 |
| Expenses: | | |
| Programs | 1,640,408 | 1,640,800 |
| Management and general | 248,072 | 230,454 |
| Fundraising | 483,293 | 350,807 |
| | <u>2,371,773</u> | <u>2,222,061</u> |
| Increase (decrease) in net assets without donor restrictions | <u>55,457</u> | <u>130,168</u> |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 442,318 | 253,084 |
| Unappropriated earnings (loss) on endowment fund | 12,338 | (16,983) |
| Net assets released from restrictions | (218,280) | (274,447) |
| | <u>236,376</u> | <u>(38,346)</u> |
| Increase (decrease) in net assets | <u>291,833</u> | <u>91,822</u> |
| Net assets at beginning of year | <u>1,423,309</u> | <u>1,331,487</u> |
| Net assets at end of year | <u>\$ 1,715,142</u> | <u>1,423,309</u> |

See accompanying notes and independent accountants' review report.

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statement of Functional Expenses
Year ended December 31, 2023 (Unaudited)

| | <u>Programs</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|---------------------|-------------------------------------|--------------------|------------------|
| Salaries, taxes, and benefits | \$ 911,250 | 141,217 | 328,423 | 1,380,890 |
| Professional fees | 240,641 | 78,325 | 44,166 | 363,132 |
| Rent and other lease expense | 71,927 | 7,825 | 24,215 | 103,967 |
| Conferences and education | 7,798 | 3,189 | 33,805 | 44,792 |
| Credit card fees | 8,661 | 796 | 6,188 | 15,645 |
| Equipment | 30,888 | 6,098 | 25,044 | 62,030 |
| Insurance | 5,374 | 789 | 1,725 | 7,888 |
| Memberships | 1,055 | 978 | 587 | 2,620 |
| Mileage and parking | 465 | 403 | 1,074 | 1,942 |
| Miscellaneous | 5,572 | 955 | 1,626 | 8,153 |
| Postage | 1,338 | 13 | 2,654 | 4,005 |
| Printing | 10,917 | 309 | 4,152 | 15,378 |
| Supplies | 5,019 | 2,085 | 692 | 7,796 |
| Excise tax | - | 5,590 | 10 | 5,600 |
| Communications and website | 35,005 | - | 8,932 | 43,937 |
| Amortization | 1,167 | - | - | 1,167 |
| Uncollectible pledges | - | (500) | - | (500) |
| Expenses before in-kind | <u>1,337,077</u> | <u>248,072</u> | <u>483,293</u> | <u>2,068,442</u> |
| In-kind services | <u>303,331</u> | <u>-</u> | <u>-</u> | <u>303,331</u> |
| Total expenses as shown on the statement of activities | <u>\$ 1,640,408</u> | <u>248,072</u> | <u>483,293</u> | <u>2,371,773</u> |

See accompanying notes and independent accountants' review report.

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statement of Functional Expenses
Year ended December 31, 2022 (Audited)

| | <u>Programs</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|---------------------|-------------------------------------|--------------------|------------------|
| 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 | 56,357 | 9,242 | 23,464 | 89,063 |
| 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 | 7,000 | - | - | 7,000 |
| Uncollectible pledges | - | 32,416 | - | 32,416 |
| Expenses before in-kind | <u>1,414,510</u> | <u>230,454</u> | <u>350,807</u> | <u>1,995,771</u> |
| In-kind facilities and services | 226,290 | - | - | 226,290 |
| Total expenses as shown on the statement of activities | <u>\$ 1,640,800</u> | <u>230,454</u> | <u>350,807</u> | <u>2,222,061</u> |

See accompanying notes and independent accountants' review report.

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statements of Cash Flows
Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

| | <u>2023</u> (Unaudited) | <u>2022</u> (Audited) |
|--|----------------------------|--------------------------|
| Cash flows from operating activities: | | |
| Cash received from contributions, grants and fees | \$ 1,993,548 | 2,087,880 |
| Cash received from interest and other sources | 16,008 | 1,269 |
| Cash paid to employees and vendors | <u>(2,075,879)</u> | <u>(1,955,703)</u> |
| Net cash provided by (used in) operating activities | <u>(66,323)</u> | <u>133,446</u> |
| Net increase (decrease) in cash | (66,323) | 133,446 |
| Cash and cash equivalents at beginning of year | <u>1,277,861</u> | <u>1,144,415</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,211,538</u> | <u>1,277,861</u> |
| Reconciliation of changes in net assets to net cash provided (used) by operating activities: | | |
| Change in net assets | \$ 291,833 | 91,822 |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | | |
| Amortization | 1,167 | 7,000 |
| Net unrealized change in endowment fund | (12,338) | 16,983 |
| (Increase) decrease in assets: | | |
| Pledges receivable, net | (134,753) | 31,951 |
| Other receivables | (220,922) | (100) |
| Prepays and other | (2,744) | 2,443 |
| Right-of-use assets | 59,579 | (148,639) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and other liabilities | 1,856 | (7,516) |
| Accrued vacation | (8,703) | 4,901 |
| Deferred rent | - | (784) |
| Lease liabilities | (58,090) | 150,247 |
| Contract liabilities | <u>16,792</u> | <u>(14,862)</u> |
| Total adjustments | <u>(358,156)</u> | <u>41,624</u> |
| Net cash provided (used) by operating activities | <u>\$ (66,323)</u> | <u>133,446</u> |
| Cash paid for interest | \$ (4,979) | (3,353) |

See accompanying notes and independent accountants' review report.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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 2023 and 2022, PEPS Groups supported 2,898 and 2,813 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 149 and 113 parents in 2023 and 2022, respectively.

Our Expectant Parents groups support those on the path to parenthood. These groups supported 542 and 557 soon-to-be parents in 2023 and 2022, respectively.

PEPS also offers Community Events, which this past year were all presented virtually to allow parents to safely connect with subject matter experts. In 2023 and 2022, 728 and 465 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 2023, PEPS helped nine Network Partners serve 795 parents in 111 additional groups. In 2022, PEPS helped nine Network Partners serve an additional 786 parents in 101 groups.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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, 2023 and 2022. The capitalized costs are being amortized over an estimated useful life of five years. Amortization expense of \$1,167 and \$7,000 was recognized in the years ended December 31, 2023 and 2022, respectively. Estimated future amortization is \$0.

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, 2023 and 2022 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, 2023 and 2022.

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, 2023 and 2022:

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued
Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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, 2023 and 2022, advertising expense was \$11,725 and \$3,512, 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.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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, 2023 and 2022 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, 2023 and 2022, the Organization recognized no income tax related interest or penalties.

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.

New Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which introduces the current expected credit loss (CECL) model and replaces the incurred loss model. Credit losses on financial instruments measured at amortized cost will be determined using a current expected credit loss model which requires the entities to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

On January 1, 2023, the Organization adopted ASU 2016-13 and all the related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. Results for the reporting periods beginning after January 1, 2023 are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. No cumulative adjustment to net assets was deemed necessary.

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.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

2. LIQUIDITY AND AVAILABILITY, continued

The following table represents the Organizations' financial assets as of December 31, 2023 and 2022, 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.

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 1,211,538 | 1,277,861 |
| Pledges receivable, net | 344,212 | 209,459 |
| Other receivables | 227,522 | 6,600 |
| Total | <u>1,783,272</u> | <u>1,493,920</u> |
| Less amounts not available for general expenditures within one year: | | |
| Pledges receivable, net | (136,296) | (24,018) |
| Board restriction | <u>(578,416)</u> | <u>(578,416)</u> |
| Total | <u>(714,712)</u> | <u>(602,434)</u> |
| Financial assets available for general expenditures over the next twelve months | <u>\$ 1,068,560</u> | <u>891,486</u> |

3. INVESTMENTS

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

| | <u>2023</u> | <u>2022</u> |
|---------------------------|------------------|-----------------|
| Interest and dividends | \$ 16,008 | 1,269 |
| Realized gains (losses) | <u>(2,336)</u> | <u>311</u> |
| | <u>13,672</u> | <u>1,580</u> |
| Endowment: | | |
| Interest and dividends | 1,193 | 1,045 |
| Realized gains (losses) | 2,637 | 303 |
| Unrealized gains (losses) | 10,062 | (16,983) |
| Less fees | <u>(1,554)</u> | <u>(1,348)</u> |
| | <u>12,338</u> | <u>(16,983)</u> |
| | <u>\$ 26,010</u> | <u>(15,403)</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, 2023 (Unaudited) and 2022 (Audited)

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, 2023 (Unaudited) and 2022 (Audited)

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, 2023 and 2022, accordingly.

Pledges receivable include the following at December 31:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|----------------|
| Receivable in less than one year | \$ 207,916 | 185,441 |
| Receivable in one to five years | <u>155,250</u> | <u>36,091</u> |
| | 363,166 | 221,532 |
| Less allowance for uncollectible accounts | (10,000) | (10,000) |
| Less net present value discount (2.0% for 2023 and 2.0% for 2022) | <u>(8,954)</u> | <u>(2,073)</u> |
| Pledges receivable, net | <u>\$ 344,212</u> | <u>209,459</u> |

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, 2023 and 2022, 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, 2023 (Unaudited) and 2022 (Audited)

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 were \$50,092 at December 31, 2023 and 2022.

Endowment investment fund composition:

| | Without Donor Restrictions | With Donor Restrictions of a Temporary Nature | With Donor Restrictions of a Permanent Nature | Total |
|--------------------|----------------------------------|--|--|--------|
| December 31, 2023 | | | | |
| Seattle Foundation | \$ - | 49,023 | 50,092 | 99,115 |
| December 31, 2022 | | | | |
| Seattle Foundation | \$ - | 36,687 | 50,092 | 86,779 |

These notes are an integral part of the financial statements.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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, 2022 | \$ - | 53,670 | 50,092 | 103,762 |
| Investment return | - | (16,983) | - | (16,983) |
| Endowment net assets, December 31, 2022 | - | 36,687 | 50,092 | 86,779 |
| Investment return | - | 12,336 | - | 12,336 |
| Endowment net assets, December 31, 2023 | \$ - | 49,023 | 50,092 | 99,115 |

7. FIXED ASSETS

Fixed assets consisted of the following at December 31:

| | 2023 | 2022 |
|-------------------------------|-----------|-----------|
| 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, 2023 and 2022 contract liabilities were \$92,102 and \$75,310, respectively. Additionally, the Organization recorded contract liabilities associated with the luncheon and other activities of \$6,000 and \$6,000 at December 31, 2023 and 2022, respectively.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued
Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

8. CONTRACT LIABILITIES, continued

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

| | <u>2023</u> | <u>2022</u> |
|---|-------------------------|----------------------|
| Contract liabilities, beginning of year | \$ 81,310 | 96,172 |
| Deferred program fees recognized that were included in contract liabilities at the beginning of the year | (75,310) | (60,604) |
| Prepaid luncheon fees and other income recognized that were included in contract liabilities at the beginning of the year | (6,000) | (35,568) |
| Increase in deferred program fees due to cash received during the period | 92,102 | 75,310 |
| Increase in prepaid luncheon fees and other income due to cash received during the period | <u>6,000</u> | <u>6,000</u> |
| Contract liabilities, end of year | <u><u>\$ 98,102</u></u> | <u><u>81,310</u></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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|-----------------------|
| Adolescent and teen program | \$ 194,975 | 14,975 |
| Time restricted (pledges outstanding) | 264,212 | 220,173 |
| Unappropriated earnings on Endowment Fund | 49,024 | 36,687 |
| Endowment | <u>50,092</u> | <u>50,092</u> |
| Total net assets with donor restrictions | <u><u>\$ 558,303</u></u> | <u><u>321,927</u></u> |

10. IN-KIND CONTRIBUTIONS

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

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|-----------------------|
| In-kind services - Newborn Groups Program | \$ 262,541 | 226,290 |
| In-kind facilities - Newborn Groups Program | <u>40,790</u> | <u>-</u> |
| | <u><u>\$ 303,331</u></u> | <u><u>226,290</u></u> |

11. SPECIAL EVENTS

The luncheon is a significant annual event, which was hosted in person in 2023, and virtually in 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, 2023 and 2022 were \$401,476 and \$227,026, respectively.

PROGRAM FOR EARLY PARENT SUPPORT

Notes To Financial Statements, continued

Years ended December 31, 2023 (Unaudited) and 2022 (Audited)

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, 2023 and 2022 were \$30,929 and \$25,362, respectively.

13. 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:

| | 2023 | 2022 |
|----------------------|-----------|--------|
| Operating lease cost | \$ 65,569 | 62,228 |

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

| | | |
|--|-----------|-----------|
| Risk Free Discount Rate Used | 4.42% | 4.42% |
| Weighted average remaining lease term (months) | 18 | 30 |
| ROU Asset - Operating Leases | \$ 89,060 | \$148,639 |
| Supplemental Cash Flow Information: | | |
| Operating cash used by operating leases | \$ 64,080 | 63,012 |

Future minimum lease payments under non-cancelable leases as of December 31, 2023 were as follows:

| Years ending December 31: | |
|-------------------------------------|------------------|
| 2024 | \$ 64,080 |
| 2025 | 29,880 |
| Thereafter | <u>-</u> |
| Total future minimum lease payments | 93,960 |
| Less: imputed interest | <u>(1,803)</u> |
| Total | <u>\$ 92,157</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, 2023 (Unaudited) and 2022 (Audited)

14. CONCENTRATIONS

Of the pledges receivable as of December 31, 2023, 51% of the outstanding balance is composed of pledges made by one foundation and three individuals. 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, respectively.

During the years ended of December 31, 2023 and 2022, respectively, PEPS received \$9,000 and \$10,584 in pledge collections and contributions recognized in each respective year from the members of the Board of Directors.

15. EMPLOYEE RETENTION CREDIT

In 2023, the Organization determined it was eligible to apply for the Employee Retention Credit (ERC) under the CARES Act associated with wages incurred in 2020 and 2021. The ERC provides eligible employers with less than 500 employees a refundable tax credit against the employer share of Social Security taxes period the ERC is equal to a maximum credit of \$5,000 per employee in calendar year 2020 and a maximum of \$7,000 per employee per eligible quarter in calendar 2021. The Organization 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 \$227,522 and are included in other receivables in the statement of financial position. These funds are subject to examination by the Internal Revenue Service for between three and five years from the payroll credit filing dates.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 16, 2024, which is the date the financial statements were available to be issued.