PROGRAM FOR EARLY PARENT SUPPORT

ACCOUNTANTS' REVIEW REPORT
AND FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

PROGRAM FOR EARLY PARENT SUPPORT

TABLE OF CONTENTS

FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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 not for profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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.

Accountants' Conclusion

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

Finney, Neill & Company, P.S.

July 31, 2020
Seattle, Washington

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PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)
Statements of Financial Position
December 31, 2019 and 2018

ASSETS		2019	2018
Current assets:			
Cash and cash equivalents	$	369,525	353,521
Investments		354,035	556,223
Pledges receivable, current portion		472,839	318,047
Other receivable		2,598	696
Prepaids and other		19,043	29,969
Total current assets		1,218,040	1,258,456
Pledges receivable, net		458,944	28,253
Endowment		81,701	69,771
Video production asset, net		22,167	29,167
Fixed assets, net		47,436	94,872
Total assets	$	1,828,288	1,480,519
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and other liabilities	$	10,103	98,820
Accrued vacation and SIMPLE IRA match		33,267	21,418
Deferred rent		4,611	4,223
Deferred revenue		143,323	153,081
Total liabilities		191,304	277,542
Net assets:			
Without donor retrictions		229,953	468,739
Without donor retrictions, board designated		472,119	397,772
Total net assets without donor restrictions		702,072	866,511
With donor restrictions		934,912	336,466
Total net assets		1,636,984	1,202,977
Total liabilities and net assets	$	1,828,288	1,480,519

See accompanying notes and accountant's report.

PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)
Statements of Activities
Years ended December 31, 2019 and 2018

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and Revenue:		
Contributions	$ 444,903	233,783
Grants	160,304	63,568
Program service fees	453,295	452,145
Special events, net of direct benefits to donors of $70,217 and $65,909	158,607	117,653
In-kind contributions	569,980	564,834
Net investment income	1,598	2,738
Realized and unrealized gain (loss) on investments	(1,671)	(7,826)
Other income	-	205
	1,787,016	1,427,100
Net assets released from restrictions:		
Satisfaction of program restrictions	-	139,132
Satisfaction of time restrictions	247,248	549,354
	247,248	688,486
Total support, revenue, and other support	2,034,264	2,115,586
Expenses:		
Programs	1,654,176	1,578,474
Management and general	298,777	191,862
Fundraising	245,750	247,088
Total expenses	2,198,703	2,017,424
Increase (decrease) in net assets without donor restrictions	(164,439)	98,162
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	833,764	185,890
Unappropriated earnings (loss) on endowment fund	11,930	(5,915)
Net assets released from restrictions	(247,248)	(688,486)
Increase (decrease) in net assets with donor restrictions	598,446	(508,511)
Increase (decrease) in net assets	434,007	(410,349)
Net assets at beginning of year	1,202,977	1,613,326
Net assets at end of year	$ 1,636,984	1,202,977

See accompanying notes and accountant's report.

PROGRAM FOR EARLY PARENT SUPPORT
(A Not For Profit Organization)
Statement of Functional Expenses
Year ended December 31, 2019

	Programs	Management & General	Fundraising	Total
Salaries, taxes, and benefits	$ 660,463	142,717	175,374	978,554
Professional fees	239,336	55,671	48,057	343,064
Rent and other lease expense	53,998	17,889	16,163	88,050
Conferences and education	18,156	7,141	29,301	54,598
Credit card fees	10,690	(768)	5,707	15,629
Equipment	11,922	16,131	10,160	38,213
Insurance	4,150	1,178	1,099	6,427
Memberships	204	1,916	693	2,813
Mileage and parking	4,909	3,423	1,014	9,346
Miscellaneous	3,237	2,074	2,857	8,168
Postage	437	2,666	6,724	9,827
Printing	11,585	427	6,370	18,382
Supplies	4,774	7,733	1,042	13,549
Excise tax	-	11,097	-	11,097
Communications and website	23,766	22,367	1,919	48,052
Depreciation and amortization	37,834	7,115	9,487	54,436
Uncollectible pledges	-	-	-	-
Expenses before in-kind	1,085,461	298,777	315,967	1,700,205
In-kind facilities and services	568,715	-	-	568,715
Total functional expenses	1,654,176	298,777	315,967	2,268,920
Less special event expenses included with support and revenue on the statement of activities	-	-	(70,217)	(70,217)
Total expenses as shown on the statement of activities	$ 1,654,176	298,777	245,750	2,198,703

See accompanying notes and accountant's report.

PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)
Statement of Functional Expenses
Year ended December 31, 2018

	Programs	Management & General	Fundraising	Total
Salaries, taxes, and benefits	$ 564,392	131,387	165,958	861,737
Professional fees	259,677	17,708	47,899	325,284
Rent and other lease expense	51,002	9,904	17,763	78,669
Conferences and education	15,386	3,141	24,313	42,840
Credit card fees	10,841	723	4,476	16,040
Equipment	12,756	1,673	12,518	26,947
Insurance	3,921	905	1,207	6,033
Memberships	509	1,283	589	2,381
Mileage and parking	8,925	351	2,732	12,008
Miscellaneous	4,378	(57)	894	5,215
Postage	2,302	606	3,651	6,559
Printing	9,898	254	5,867	16,019
Supplies	15,193	2,063	5,250	22,506
Excise tax	-	12,020	-	12,020
Communications and website	17,793	2,786	2,629	23,208
Depreciation and amortization	36,667	7,115	9,487	53,269
Uncollectible pledges	-	-	7,764	7,764
Expenses before in-kind	1,013,640	191,862	312,997	1,518,499
In-kind facilities and services	564,834	-	-	564,834
Total functional expenses	1,578,474	191,862	312,997	2,083,333
Less special event expenses included with support and revenue on the statement of activities	-	-	(65,909)	(65,909)
Total expenses as shown on the statement of activities	$ 1,578,474	191,862	247,088	2,017,424

See accompanying notes and accountant's report.

PROGRAM FOR EARLY PARENT SUPPORT

(A Not For Profit Organization)
Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from contributions, grants and fees	$ 1,094,464	1,162,104
Cash received from interest and other sources	2,863	2,941
Cash paid to employees and vendors	(1,711,323)	(1,385,941)
Net cash provided by (used in) operating activities	(613,996)	(220,896)
Cash flows from investing activities:		
Sale of investments	630,000	197,387
Net cash provided by (used in) investing activities	630,000	197,387
Net increase (decrease) in cash	16,004	(23,509)
Cash at beginning of year	353,521	377,030
Cash at end of year	$ 369,525	353,521
Reconciliation of changes in net assets to net cash provided (used) by operating activities:		
Change in net assets	$ 434,007	(410,349)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Net realized and unrealized (gain) loss on investments	1,671	7,826
Depreciation and amortization	54,436	53,269
Receipt of contributed securities	(429,483)	(357,155)
Net unrealized change in endowment fund	(11,930)	5,915
(Increase) decrease in assets:		
Pledges receivable, net	(585,483)	404,153
Other receivables	(1,902)	(196)
Prepaids and other	10,926	(14,594)
Increase (decrease) in liabilities:		
Accounts payable and other liabilities	(88,717)	79,771
Accrued vacation	11,849	4,409
Deferred rent	388	1,939
Deferred revenue	(9,758)	4,116
Total adjustments	(1,048,003)	189,453
Net cash provided (used) by operating activities	$ (613,996)	(220,896)

See accompanying notes and accountant's 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 2019, 348 PEPS Groups supported 4,101 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 2019, 91% of parents say they felt less isolated after participating in PEPS and 76% of PEPS Groups continue to meet regularly after the formal program ends.

PEPS also offers Community Events, which include presentations by subject matter experts for parents, as well as special events for dads and grandparents. In 2019, 264 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 2019, PEPS helped seven Network Partners launch an additional 92 Groups.

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).

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

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.

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.

Investments

Investments consist of investments in mutual funds which are classified as available-for-sale securities carried at fair value. Net unrealized investment gains (losses) related to available-for-sale securities are recorded in the total change in net assets. Interest and dividends earned are reported in interest and other income. Program for Early Parent Support uses quoted market prices or public market information to determine the fair value of its investments. Gains and losses on dispositions are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statement of activities.

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, 2019 and 2018. The capitalized costs are being amortized over an estimated useful life of five years. Amortization expense of $7,000 and $5,833 was recognized in the years ended December 31, 2019 and 2018, respectively. Estimated future amortization is $7,000 in year 2020 through 2022 and $1,167 in 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, 2019 and 2018 was $47,436 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, 2019 and 2018.

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 ending December 31, 2019 and 2018:

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, 2019 and 2018, advertising expense was $9,726 and $11,650, 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, 2019 and 2018 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, 2019 and 2018, the Organization recognized no income tax related interest or penalties.

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

New Accounting Pronouncement

The Organization has adopted ASU 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The change in accounting principle was adopted on a modified prospective basis in 2019. Accordingly, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In May 2014, the FASB issued ASU 2016-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2016-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported, and also had no effect on the revenue reported for the year ended December 31, 2019.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall* (Topic 825-10). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The change in accounting principle was adopted on the retrospective basis which resulted in no change to investment recognition or measurement previously reported, and also had no effect on the investments and related income reported for the year ended December 31, 2019.

Reclassifications

Certain balances in the prior year financial statements may 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.

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 and mutual 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, 2019 and 2018, 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.

2. LIQUIDITY AND AVAILABILITY, continued

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	$ 369,525	353,521
Investments	354,035	556,223
Pledges receivable	931,783	346,300
Other receivable	2,598	696
Total	1,657,941	1,256,740
Less amounts not available for general expenditures within one year:		
Pledges receivable	(458,944)	(28,253)
Board restriction	(472,119)	(397,772)
Total	(931,063)	(426,025)
Financial assets available for general expenditures over the next twelve months	$ 726,878	830,715

3. INVESTMENTS

The following schedule summarizes the Organization's investments, stated at fair value for years ended December 31:

	2019	2018
Money market funds	$ 354,035	556,223
Mutual funds	-	-
	$ 354,035	556,223

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

	2019	2018
Interest and dividends	$ 1,598	2,738
Realized gains (losses)	(1,671)	(2,232)
Unrealized gains (losses)	-	(5,594)
	(73)	(5,088)
Endowment:		
Interest and dividends	-	257
Realized gains (losses)	-	3,397
Unrealized gains (losses)	12,798	(8,808)
Less fees	(868)	(761)
	11,930	(5,915)
	$ 11,857	(11,003)

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.

- Mutual funds: valued at the daily closing price as reported by the fund. These investments are registered with the SEC and are required to publish their daily net asset value (NAV) and to transact at that price.

- 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.

5. PLEDGES RECEIVABLE, continued

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, 2019 and 2018, accordingly.

Pledges receivable include the following at December 31:

	2019	2018
Receivable in less than one year	$ 472,839	318,047
Receivable in one to five years	486,907	36,350
	959,746	354,397
Less allowance for uncollectible accounts	(6,000)	(6,000)
Less net present value discount (2.0% for 2019 and 2.0% for 2018)	(21,963)	(2,097)
Pledges receivable, net	$ 931,783	346,300

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, 2019 and 2018, 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).

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 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.

6. ENDOWMENT, continued

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, 2019 and 2018.

Endowment investment fund composition:

	Without Donor Restrictions	With Donor Restrictions of a Temporary Nature	With Donor Restrictions of a Permanent Nature	Total
December 31, 2019				
Seattle Foundation	$ -	31,609	50,092	81,701
December 31, 2018				
Seattle Foundation	$ -	19,679	50,092	69,771

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, 2018	$ -	25,594	50,092	75,686
Investment return	-	(5,915)	-	(5,915)
Endowment net assets, December 31, 2018	-	19,679	50,092	69,771
Investment return	-	11,930	-	11,930
Endowment net assets, December 31, 2019	$ -	31,609	50,092	81,701

These notes are an integral part of the financial statements.

7. FIXED ASSETS

Fixed assets consisted of the following at December 31:

	2019	2018
Office equipment	$ 7,504	7,504
Furniture	13,125	13,125
Software	237,180	237,180
	257,809	257,809
Less accumulated depreciation	(210,373)	(162,937)
Fixed assets, net	$ 47,436	94,872

8. DEFERRED REVENUE

As of December 31, 2019 and 2018 deferred program fee revenue was $97,741 and $108,499, respectively. Additionally, the Organization recorded deferred revenue associated with the luncheon and other activities of $45,582 and $44,582 at December 31, 2019 and 2018, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

The following schedule summarizes the Organization's net assets with donor restrictions for the years ended December 31, 2019 and 2018:

	2019	2018
Growing Impact project	$ 21,671	21,671
Time restricted (pledges outstanding)	831,540	245,024
Unappropriated earnings on Endowment Fund	31,609	19,679
Endowment	50,092	50,092
Total net assets with donor restrictions	$ 934,912	336,466

10. IN-KIND CONTRIBUTIONS

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

	2019	2018
In-kind services - Newborn Groups Program	$ 347,692	340,482
In-kind facilities - Newborn Groups Program	222,288	224,352
	$ 569,980	564,834

These notes are an integral part of the financial statements.

11. SPECIAL EVENTS

The luncheon is a significant annual event, and the costs related to it are an allocated expense in the statement of functional expenses. Special events revenue for the years ended December 31, 2019 and 2018 were $228,824 and $183,562, respectively.

12. RETIREMENT PLAN

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, 2019 and 2018 were $19,739 and $17,372, respectively.

13. LEASE EXPENSE

The Organization leases office equipment under an operating lease signed February 2016. The lease is for a period of 60 months and ends in 2021. Rental expense for office equipment under lease totaled $8,400 and $8,747 for the years ended December 31, 2019 and 2018, respectively. Scheduled lease payments for the years ending December 31, are as follows:

2020	$	7,080
2021		590
Thereafter		-
	$	7,670

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:

Years ending		
2020	$	58,263
2021		55,062
2022		13,866
	$	127,191

Rental expense for office space totaled $61,930 and $52,330 for the years ended December 31, 2019 and 2018, respectively.

14. CONCENTRATIONS

Of the pledges receivable as of December 31, 2019 and 2018, 95% and 55% of the outstanding balance is composed of pledges made by one individual, respectively.

During the years ended of December 31, 2019 and 2018, respectively, PEPS received $234,678 and $322,941 in pledge collections and contributions recognized in each respective year from the members of the Board of Directors.

15. SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized 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. In response to the pandemic, the Organization moved the Newborn Program to a virtual format and cancelled Little and Baby Peppers Groups. Employees began working remotely. Changes to the operating environment may increase certain operating costs and change revenue sources. Additional impacts may include other than temporary impairment of investments and receivables and the cancellation of in-person fundraising events. The future effects of these issues are unknown.

In April 2020, the Organization applied and was approved for a $177,500 Small Business Administration loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19. The Organization is eligible for loan forgiveness of up to 100% of the loan amount, upon meeting certain requirements. The loan is uncollaterized and fully guaranteed by the federal government.

Subsequent events have been evaluated through July 31, 2020, which is the date the financial statements were available to be issued.