SMITH BUNDAY BERMAN BRITTON, P.S.

STRONGER FAMILIES

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

November 21, 2017

To the Board of Directors
Stronger Families

Independent Auditor's Report

We have audited the accompanying financial statements of Stronger Families (a non-profit corporation), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stronger Families as of December 31, 2016 and 2015, and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith Bunday Berman Britton, P.S.

11808 Northup Way, Suite 240 • Bellevue, Washington 98005-1959
Phone (425) 827-8255 • Fax (425) 827-0641 • www.sbbb.com

STRONGER FAMILIES

STATEMENT OF FINANCIAL POSITION

Assets

	December 31	
Current assets:	2016	2015
Cash and cash equivalents	$739,214	$352,198
Unconditional promises to give - Note 2	26,345	7,800
Grants and contract receivable	116,185	74,424
Prepaid expenses	4,527	32,658
Total current assets	886,271	467,080
Property and equipment, net of accumulated depreciation of $92,748 as of December 31, 2016 and 2015	-	-
Website and software development costs, net of accumulated amortization of $14,715 as of December 31, 2016 and $0 as of December 31, 2015	161,861	-
Other assets	8,198	8,198
Total assets	$1,056,330	$475,278

Liabilities and Net Assets

	2016	2015
Current liabilities:		
Line of credit - Note 3	$0	$0
Accounts payable	28,874	45,498
Accrued vacation	42,606	28,708
Deferred contract revenue	187,875	25,000
Deferred rent	37,210	35,370
Total liabilities	296,565	134,576
Commitments - Note 4		
Net assets:		
Unrestricted	757,415	338,352
Temporarily restricted	2,350	2,350
Total net assets	759,765	340,702
Total liabilities and net assets	$1,056,330	$475,278

The accompanying notes are an integral part of these financial statements.

STRONGER FAMILIES

STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Unrestricted revenues and other support:		
Contributions	$590,430	$524,753
Fee for service income	1,975,672	1,097,127
Sales of books and products	7,320	20,746
Interest income	406	251
Total unrestricted revenues and other support	2,573,828	1,642,877
Expenses:		
Program services:		
Communications	574,745	213,490
Community Strategies	1,347,178	1,175,188
Supporting services:		
Management and general	39,732	31,109
Fundraising	193,110	165,868
Total expenses	2,154,765	1,585,655
Increase in unrestricted net assets	419,063	57,222
Increase in net assets	419,063	57,222
Net assets at beginning of year	340,702	283,480
Net assets at end of year	$759,765	$340,702

The accompanying notes are an integral part of these financial statements.

STRONGER FAMILIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services		Supporting Services		
	Communications	Community Strategies	Management and general	Fundraising	Total
Salaries and wages	$322,319	$500,216	$13,530	$91,708	$927,773
Professional services	62,264	156,203	2,437	23,057	243,961
Payroll taxes and benefits	53,164	161,807	9,305	14,304	238,580
Travel	3,907	222,487	455	1,785	228,634
Rent	15,442	91,257	6,957	6,714	120,370
Materials	-	73,814	-	-	73,814
Facility rental and catering	27,736	4,602	337	27,007	59,682
IT and computer	13,835	30,808	2,009	2,234	48,886
Office expenses	9,027	29,807	2,169	2,897	43,900
Advertising	34,336	4,775	-	-	39,111
Supplies	10,786	15,506	820	7,749	34,861
Postage and shipping	1,480	24,553	173	1,263	27,469
Printing	10,400	7,301	156	9,122	26,979
Amortization	4,098	9,033	263	1,321	14,715
Telephone and internet	2,252	9,589	722	771	13,334
Bank fees	3,668	5,352	398	3,168	12,586
Miscellaneous	31	68	1	10	110
Total expenses	$574,745	$1,347,178	$39,732	$193,110	$2,154,765

The accompanying notes are an integral part of these financial statements.

STRONGER FAMILIES

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services		Supporting Services		
	Communications	Community Strategies	Management and general	Fundraising	Total
Salaries and wages	$77,134	$518,605	$7,464	$53,030	$656,233
Professional services	44,065	120,823	2,642	39,972	207,502
Payroll taxes and benefits	18,789	137,781	9,393	13,932	179,895
Rent	15,606	91,052	6,781	12,101	125,540
Travel	1,445	81,970	286	1,292	84,993
Product development and procurement	-	81,456	-	-	81,456
Facility rental and catering	25,562	5,219	121	25,489	56,391
IT and computer	3,050	32,724	1,448	2,007	39,229
Materials	108	34,496	-	108	34,712
Supplies	5,085	22,696	1,057	4,539	33,377
Printing	12,841	5,175	37	6,700	24,753
Office expenses	1,707	20,334	890	1,172	24,103
Telephone and internet	1,132	7,986	595	824	10,537
Bank fees	2,616	3,939	288	2,467	9,310
Postage and shipping	765	7,515	86	721	9,087
Advertising	2,106	3,450	25	34	5,615
Miscellaneous	1,479	(33)	(4)	1,480	2,922
Total expenses	$213,490	$1,175,188	$31,109	$165,868	$1,585,655

The accompanying notes are an integral part of these financial statements.

STRONGER FAMILIES

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Cash received from contributions	$571,885	$517,123
Cash received from service fee grant income	2,096,786	1,013,741
Cash received from books and products	7,320	20,746
Cash paid to suppliers and employees	(2,112,805)	(1,541,973)
Interest received	406	251
Cash provided by operating activities	563,592	9,888
Cash flows from investing activities:		
Capital expenditures	(176,576)	-
Net cash used in investing activities	(176,576)	-
Cash flows from financing activities:		
Borrowings from line of credit	-	-
Net cash provided by financing activities	-	-
Net increase in cash	387,016	9,888
Cash and cash equivalents at beginning of year	352,198	342,310
Cash and cash equivalents at end of year	$739,214	$352,198

Reconciliation of Change in Net Assets to Net Cash
Used in Operating Activities

	2016	2015
Change in net assets	$419,063	$57,222
Adjustments to reconcile net cash used in operations:		
Allowance for unconditional promises to give	-	(2,140)
Amortization	14,715	-
Change in related asset and liability accounts:		
Increase in promises to give	(18,545)	(5,490)
Increase in grant receivable	(41,761)	(74,424)
Decrease (increase) in prepaid expenses	28,131	(16,039)
Increase in other assets	-	(2,000)
Increase (decrease) in accounts payable	(16,624)	16,336
Increase in accrued expenses	13,898	10,015
Increase (decrease) in deferred revenue	162,875	(8,962)
Increase in deferred rent	1,840	35,370
	144,529	(47,334)
Net cash provided by operating activities	$563,592	$9,888

The accompanying notes are an integral part of these financial statements.

STRONGER FAMILIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Stronger Families (the Organization) is a non-profit, non-partisan research, education, and communications organization dedicated to making Washington State the best place in the world for marriage, children and family life.

Our mission is to bring life-changing skills to marriage and families so they can be strong and thrive.

Our vision is to see healthy marriages and strong families in every community. Today, however, we have an intentional focus on marriages that need additional support, including military (active duty, special operations, wounded, ill and injured), law enforcement and first responder families.

We know that couples are most likely to succeed when they have relationship training and support. Without these two resources, their marriages and families are at greater risk of breaking apart. Our best and most promising contribution to making our vision a reality is to transform marriages at the family level with relationship education and support through our *Oxygen for Your Relationships* program. *Oxygen for Your Relationships* is a marriage-saving program that brings two vital elements to couples—relationship training and long-term support.

We work with each couple to assess their marriage health and identify challenges that may hold them back from a deeper sense of intimacy and fulfillment. Once we've diagnosed the relationship's need, *Oxygen* meets the couple's immediate crisis with live teaching, online support and resources at *Oxygen365.com,* and optional mentorship with their local *Oxygen* facilitator. In short, we come alongside to help them. We succeed when a family succeeds– when a couple experiences a revitalized marriage, and builds a strong and healthy family.

Our primary program services are Community Strategies and Communications. Community Strategies works in communities to form partnerships and coalitions between churches, business, government, schools and civic organizations in order to create and implement effective strategies to promote marriage and reduce family fragmentation. Communications adds support to these efforts through targeted radio broadcasts, print publications and media outreach.

Our support and revenue is provided primarily from fees for services, contributions, special events and grants. We operate from offices in Bellevue, Washington.

The financial statements of the Organization have been presented on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Note 1 - continued:

Financial statement presentation - The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification 958, *Not-for-Profit Entities.* Under the provisions of this statement, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* are net assets that are not subject to donor-imposed restrictions (including board-designated amounts).

- *Temporarily restricted net assets* are net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

- *Permanently restricted net assets* are net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Support and revenue are measured at their fair values and are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Temporary restrictions expire when the donor-stipulated purpose has been fulfilled and/or the donor-stipulated time period has elapsed. Expirations of temporary restrictions result in the reclassification of temporarily restricted net assets to unrestricted net assets and are reported in the statement of activities as net assets are released from restrictions.

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 in bank accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Promises to give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Property and equipment - Property and equipment are recorded at cost if purchased and, if donated, at fair market value at the date of donation. Expenditures for maintenance and repairs are expensed as incurred. Costs of renewals and betterments of a nature considered to materially extend the useful lives of assets in excess of $1,000 are capitalized. Depreciation expense for the years ended December 31, 2016 and 2015 was $0 and $0, respectively.

Note 1 - continued:

Depreciation is provided for in amounts sufficient to relate the cost or donated value of depreciable assets to operations over their estimated useful lives of five to fifteen years, on a straight-line basis.

Website development costs - The Organization accounts for website development costs in accordance with Accounting Standards Codification (ASC) 350-50 "Website Development Costs". Accordingly, all costs incurred in the planning stage are expensed as incurred, costs incurred in the website application and infrastructure development stage that meet specific criteria are capitalized, and capitalized costs incurred in the day to day operation of the website are expensed as incurred. All costs associated with the website are subject to straight-line amortization over a three-year period.

Software development costs - Costs for software developed for internal use are accounted for through the capitalization of those costs incurred in connection with developing or obtaining internal-use software. Capitalized software development costs are amortized over three years.

Costs incurred during the preliminary project along with post-implementation stages of internal use computer software development and costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. During the year ended December 31, 2016, the Company incurred capitalized software development costs of $176,576. Capitalized software is amortized over the software's estimated economic life of 3 years. For the year ended December 31, 2016, amortization expense for capitalized software development was $14,714.

Long-Lived Assets - The Organization reviews long-lived assets and certain identifiable intangibles held and used for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In evaluating the fair value and future benefits of its intangible assets, management performs an analysis of the anticipated undiscounted future net cash flow of the individual assets over the remaining amortization period. The Organization recognizes an impairment loss if the carrying value of the asset exceeds the expected future cash flows.

Deferred rent - When the terms of an operating lease provide for periods of free rent, rent concessions, and/or rent escalations, the Organization establishes a deferred rent liability for the difference between the scheduled rent payment and the straight-line rent expense recognized. This deferred rent liability is amortized over the underlying term on a straight-line basis as reduction of rent expense.

Contributions - All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Note 1 - continued:

Contributions other than cash - Marketable securities received as gifts are recorded at their estimated market values and are held as investments until sold. The Organization's policy is to liquidate all donated marketable securities within thirty days of receipt. Changes in the fair value of contributed marketable securities are recorded as adjustments to contributions.

Contributed materials or property and equipment (gifts in kind) are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Revenue and other - Exchange transactions, such as cost reimbursement and fee-for-service grant contracts, are recorded as revenue when the related expenses are incurred or the services are rendered. Sales of books and products are recognized when title passes and risks of ownership have been transferred to the customer. Title generally passes to the customer upon shipment from the Organization's facility and the risk of loss upon damage, theft or destruction of the product in transit is the responsibility of the Organization's customer. The Organization offers a right of return on its books and product sales. Returns have historically not been significant to the Organization's operating results. Deferred revenue is recognized for cash receipts that do not meet the criterion for revenue recognition.

Income taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's Forms 990, *Return of Organization Exempt from Income Tax,* for the years 2013, 2014, 2015 are open for examination by the IRS, generally for three years after they were filed.

Concentration - Approximately 68% and 64% of the Organization's support was obtained from two and two entities during the years ended December 31, 2016 and 2015, respectively.

Fundraising - Fundraising costs incurred in one period may result in contributions that will be received in future periods. However, fundraising costs are expensed as incurred.

Functional allocation of expenses - The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based upon reasonable and consistent methodologies.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give are comprised of the following as of December 31:

	2016	2015
Receivable in less than one year	$26,345	$7,800
Less: allowance for uncollectible promises	-	-
	$26,345	$7,800

NOTE 3 - LINES OF CREDIT:

The Organization had an unsecured $150,000 line of credit agreement with a bank that was cancelled in December 2016. In addition, the Organization had a $7,500 line of credit for overdraft protection that was also cancelled in December 2016.

NOTE 4 - LEASE AND OTHER COMMITMENTS:

Effective June 1, 2014, the Organization entered into a non-cancellable operating lease agreement for office space with an expiration date of August 31, 2019. This lease was amended on December 1, 2015, extending the lease to March 31, 2021. The lease requires a $6,198 security deposit. The lease contains escalating rents.

On December 1, 2015, the Organization entered into another non-cancellable operating lease agreement for office space commencing on January 1, 2016 and expiring on March 31, 2021. The lease requires $2,000 security deposit and contains escalating rents.

In addition, the Organization has a five-year non-cancellable operating lease on office equipment which will expire in July 2018. This lease was amended on January 13, 2016 extending the lease to December 31, 2020.

Future annual minimum payments under these non-cancellable operating lease obligations are as follows:

2017	$107,744
2018	111,785
2019	113,761
2020	116,771
2021	28,122
	$478,183

The Organization also leases a satellite office on a month to month basis.

Total rent expense was $121,371 and $110,208, respectively, for the years ended December 31, 2016 and 2015.

NOTE 5 - DEFERRED REVENUE:

Deferred revenue is comprised of the following as of December 31:

	2016	2015
Roundtable/Vine & Branches-#2751	$141,294	$25,000
MJ Murdock Charitable Trust	33,381	-
United Service Organizations, Inc.	13,200	-
	$187,875	$25,000

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:

The Organization maintains a SIMPLE IRA plan under which it contributes 3% of eligible employee compensation to separately maintained participant directed accounts. The plan covers substantially all employees. Pension expense was $15,524 and $10,522 for the years ended December 31, 2016 and 2015.

NOTE 7 - ALLOCATION OF JOINT COSTS:

The Organization conducts activities that include both program functions and fundraising activities. The activities are primarily related to a special event and direct mailing campaigns. During the annual special event, significant time is dedicated to providing attendees with relationship education in areas other than the Organization's cause. The costs of conducting those activities in 2016 and 2015 was $386,220 and $331,700, respectively. These joint costs were allocated as follows:

	2016	2015
Fundraising	$193,110	$165,850
Communications	193,110	165,850
	$386,220	$331,700

NOTE 8 - SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through November 21, 2017, the date these financial statements were available to be issued.