Partnership for Families Foundation and Affiliate

Financial Statements

December 31, 2017 and 2016

Partnership for Families Foundation

Table of Contents

Mitchell Wiggins

Certified Public Accountants

Independent Auditor's Report

Board of Directors
Partnership for Families Foundation
Richmond, Virginia

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Partnership for Families Foundation and Affiliate (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Partnership for Families Foundation and Affiliate as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Mitchell Wiggins

Petersburg, Virginia
July 23, 2018

Partnership for Families Foundation

Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets	**2017**	2016
Current Assets		
Cash	**$ 619,693**	$ 430,853
Grants receivable	**168,000**	573,000
Other receivables	**-**	300
Prepaid expenses	**4,076**	21,439
Total current assets	**791,769**	1,025,592
Investments	**117,146**	110,103
Property and Equipment		
Computer equipment	**34,374**	31,983
Vehicle	**51,900**	-
Leasehold improvements	**237,674**	237,674
	323,948	269,657
Less accumulated depreciation	**63,477**	44,126
Total property and equipment, net	**260,471**	225,531
Total assets	**$ 1,169,386**	$ 1,361,226
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 64,376**	$ 40,038
Accrued expenses	**24,845**	19,022
Total current liabilities	**89,221**	59,060
Net Assets		
Unrestricted net assets	**673,932**	605,059
Temporarily restricted net assets	**406,233**	697,107
Total net assets	**1,080,165**	1,302,166
Total liabilities and net assets	**$ 1,169,386**	$ 1,361,226

See Notes to Consolidated Financial Statements

Partnership for Families Foundation

Consolidated Statements of Activities
Year Ended December 31, 2017 (With Comparative Totals for 2016)

	2017			2016
	Unrestricted	**Temporarily Restricted**	**Total**	Total
Revenues and Other Support				
Grants	**$ 437,000**	**$ 168,000**	**$ 605,000**	$ 900,000
Contributions	**283,426**	**193,458**	**476,884**	430,855
In-kind contributions	**103,000**	**-**	**103,000**	103,000
Investment return	**7,207**	**-**	**7,207**	20,367
Total revenues and other support	**830,633**	**361,458**	**1,192,091**	1,454,222
Net assets released from restriction	**652,332**	**(652,332)**	**-**	-
Expenses				
Program services	**1,105,999**	**-**	**1,105,999**	1,175,717
Management and General	**137,701**	**-**	**137,701**	138,477
Fundraising	**170,392**	**-**	**170,392**	166,255
Loss on disposal of property and equipment	**-**	**-**	**-**	2,232
Total expenses	**1,414,092**	**-**	**1,414,092**	1,482,681
Changes in net assets	**68,873**	**(290,874)**	**(222,001)**	(28,459)
Net assets, beginning	**605,059**	**697,107**	**1,302,166**	$ 1,330,625
Net assets, ending	**$ 673,932**	**$ 406,233**	**$ 1,080,165**	$ 1,302,166

See Notes to Consolidated Financial Statements

Partnership for Families Foundation

Consolidated Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support			
Grants	$ 564,000	$ 336,000	$ 900,000
Contributions	170,664	260,191	430,855
In-kind contributions	103,000	-	103,000
Investment return	20,367	-	20,367
Total revenues and other support	858,031	596,191	1,454,222
Net assets released from restriction	641,503	(641,503)	-
Expenses			
Program services	1,175,717	-	1,175,717
Management and General	138,477	-	138,477
Fundraising	166,255	-	166,255
Loss on disposal of property and equipment	2,232	-	2,232
Total expenses	1,482,681	-	1,482,681
Changes in net assets	16,853	(45,312)	(28,459)
Net assets, beginning	588,206	742,419	1,330,625
Net assets, ending	$ 605,059	$ 697,107	$ 1,302,166

See Notes to Consolidated Financial Statements

Partnership for Families Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	Support Services			
	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 240,997	$ 61,164	$ 108,857	$ 170,021	$ 411,018
Payroll taxes	21,027	3,500	9,498	12,998	34,025
Employee health and other benefits	22,781	9,395	8,862	18,257	41,038
Total salaries and related expenses	284,805	74,059	127,217	201,276	486,081
Depreciation	13,546	3,870	1,935	5,805	19,351
Occupancy costs	203,625	30,603	20,303	50,906	254,531
Office expenses	32,596	9,198	8,824	18,022	50,618
Office supplies	5,364	1,067	671	1,738	7,102
Professional fees	51,294	13,204	9,796	23,000	74,294
Program services	514,769	5,700	1,646	7,346	522,115
Total expenses	$ 1,105,999	$ 137,701	$ 170,392	$ 308,093	$ 1,414,092

See Notes to Consolidated Financial Statements

Partnership for Families Foundation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services	Support Services			
	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	$ 211,762	$ 50,506	$ 100,537	$ 151,043	$ 362,805
Payroll taxes	18,476	3,170	8,772	11,942	30,418
Employee health and other benefits	20,533	4,633	8,222	12,855	33,388
Total salaries and related expenses	250,771	58,309	117,531	175,840	426,611
Depreciation	10,146	2,899	1,449	4,348	14,494
Occupancy costs	187,666	28,608	18,308	46,916	234,582
Office expenses	40,153	12,052	10,803	22,855	63,008
Office supplies	5,023	628	628	1,256	6,279
Professional fees	94,832	26,861	13,551	40,412	135,244
Program services	587,126	9,120	3,985	13,105	600,231
Total expenses	$ 1,175,717	$ 138,477	$ 166,255	$ 304,732	$ 1,480,449

See Notes to Consolidated Financial Statements

Partnership for Families Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Changes in net assets	**$ (222,001)**	$ (28,459)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Contributions restricted for long-term purposes	**(41,325)**	-
Depreciation	**19,351**	14,494
Net realized losses on investments	**-**	3,755
Net unrealized gains on investments	**(3,112)**	(17,773)
Loss on disposal of property and equipment	**-**	2,232
Changes in operating assets		
Grants receivable	**405,000**	(129,000)
Other receivables	**300**	4,575
Prepaid expenses	**17,363**	(13,556)
Changes in operating liabilities		
Accounts payable	**24,338**	11,719
Accrued expenses	**5,823**	(3,295)
Net cash provided by (used in) operating activities	**205,737**	(155,308)
Cash Flows from Investing Activities		
Purchase of property and equipment	**(54,291)**	(11,469)
Proceeds from sale of investment securities	**-**	399,908
Purchase of investment securities	**(3,931)**	(5,953)
Net cash provided by (used) in investing activities	**(58,222)**	382,486
Cash Flows from Financing Activities		
Proceeds from contributions restricted for investment in property and equipment	**41,325**	-
Net cash provided by financing activities	**41,325**	**-**
Net change in cash	**188,840**	227,178
Cash, beginning	**430,853**	203,675
Cash, ending	**$ 619,693**	$ 430,853

See Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of activities
Partnership for Families Foundation (the "Organization") is organized to perform and promote programs that will better prepare children in the North Richmond, Virginia area to enter school ready to learn.

The accompanying consolidated financial statements include the resources and financial activities of the Organization and the Partnership for Families, Northside Inc. (the "Affiliate"), a Virginia nonstock corporation, which is organized under Section 501(c)(3) of the Internal Revenue Code. The Organization's sole purpose is to support the charitable and educational activities carried out by the Affiliate.

Principles of consolidation and basis of presentation
The accompanying consolidated financial statements include the accounts of Partnership for Families Foundation and the Affiliate. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting
The Organization and the Affiliate prepare their financial statements in accordance with accounting principles generally accepted in the United States ("GAAP").

Use of estimates
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates.

Cash and cash equivalents
The Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Grants receivable
Grants receivable are recorded as unconditionally awarded to the Organization. Grants receivable due in the next year are reflected as current contributions and grants receivable and are recorded at their net realizable value. Grants receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received. An allowance for uncollectible grants receivable is provided based on management's evaluation of potential uncollectible grants receivable at year-end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

Note 1. Summary of Significant Accounting Policies (Continued)

Concentration of credit risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and grants receivable. The Organization maintains its cash balances at financial institutions in Richmond, Virginia.

At December 31, 2017 and 2016, one grantor accounted for 100% of in-kind contributions. The same grantor accounted for 100% and 89% of gross grants receivable at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, one grantor accounted for 56% and 68% of grant and contribution revenue, respectively.

Investments

Investments in all debt securities and equity securities with readily determinable market values are recorded at fair market value under current accounting standards. Realized gains and losses are recorded on the trade date based upon the specific identification method for cost purposes. Dividends are recorded on the ex-dividend date.

Property and equipment

Property and equipment are stated at cost. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for major improvements are capitalized.

Net assets

The Organization classifies its net assets into three categories: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted funds include funds that impose no restrictions on the Organization as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

Temporarily restricted funds include funds that are primarily restricted for use in a subsequent year or for a specific purpose. All grant funds received are recorded as an increase in temporarily restricted net assets. As the activities are performed, the restrictions on these net assets are released and subsequently reclassified to unrestricted net assets. If the contribution and the activity occur in the same year, the revenue is recorded in unrestricted net assets. As of December 31, 2017 and 2016, temporarily restricted net assets totaled $406,233 and $697,107, respectively, which are mostly for subsequent period operations.

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity with income to be used for spending. There were no permanently restricted net assets at December 31, 2017 and 2016.

Note 1. Summary of Significant Accounting Policies (Continued)

Recognition of contributions and grants
Contributions and grants are recognized when the donor makes a promise to give to the Organization that is in substance unconditional. Contributions and grants that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contribution or grant is recognized. All other donor-restricted contributions and grants are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted.

Donated services and other in-kind contributions
Donated goods and services are recorded at fair market value at the date of the donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
ii) The services enhance or create an asset.

Although the Organization utilizes the services of outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

The Organization has been provided space to use for programming and offices (see Note 3).

Income taxes
Partnership for Families Foundation (the "Organization") and Partnership for Families, Northside, Inc. (the "Affiliate") are exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at December 31, 2017 and 2016. The Organization's income tax returns for years since 2014 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

Note 2. Functional Expenses

Functional expenses for programs and supporting services are determined by assigning expenses to departments and projects.

Note 3. Leases

The Organization leases certain equipment under operating leases that expire in 2020. The Organization recognizes rent expense on a straight-line basis over the life of the related lease. Rent expense associated with these leases amounted to $7,445 and $6,740 for the years ended December 31, 2017 and 2016, respectively.

Year ending	
2018	$ 6,096
2019	6,096
2020	4,572
	$ 16,764

The Organization entered into a year-to-year agreement with a significant donor for the right to use a building for office space and programming. The space is provided at no cost in the form of a grant from the donor, and management estimated its fair value at $103,000 per year. The right to use this space is included in the accompanying consolidated statements of activities as in-kind contributions and occupancy costs of $103,000 for the years ended December 31, 2017 and 2016.

Note 4. Retirement Plan

The Organization has a defined contribution (SIMPLE IRA) plan which allows employees to defer a portion of their compensation. The Organization made a contribution equal to 3% of each eligible employee's salary for 2017 and 2016. The total expense for the plan was $6,461 for 2017 and $5,496 for 2016.

Note 5. Investments

Investments at December 31, 2017 and 2016 consist of the following:

	2017	2016
Investments at fair value:		
Mutual funds	**$117,146**	$110,103

The following schedule summarizes investment return for the years ended December 31, 2017 and 2016:

	2017
Dividends and interest	**$ 4,095**
Net unrealized gains	**3,112**
Total investment return	**$ 7,207**

Note 5. Investments (Continued)

	2016
Dividends and interest	$ 6,349
Net realized losses	(3,755)
Net unrealized gains	17,773
Total investment return	$ 20,367

Note 6. Fair Value Measurements

Financial accounting standards for fair value measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Current accounting standards establish 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 current accounting standards are described below:

Level 1. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2. Valuations for assets and liabilities traded in less active dealer or broker markets, including those where the investee has the ability to redeem its investment at its net asset value per share at the measurement date. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models, and the inputs to those pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically

Note 6. Fair Value Measurements (Continued)

reported trades and broker-dealer quotes. When quoted prices in active markets and observable market inputs in active markets are not available, fair values are determined using unobservable pricing inputs. Unobservable inputs require significant management judgment or estimation. Investments in this category generally include alternative investments, such as ownership interests in pass-through entities.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Mutual funds
Valued at the closing price reported on the active market on which the individual securities are traded.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2017 and 2016:

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds:				
Consumer Defensive	$ 12,567	$ -	$ -	$ 12,567
Intermediate-Term Bond	16,687	-	-	16,687
Large Growth	13,633	-	-	13,633
Multisector Bond	17,862	-	-	17,862
Short-Term Bond	56,397	-	-	56,397
	$ 117,146	$ -	$ -	$ 117,146

Note 6. Fair Value Measurements (Continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Consumer Defensive	$ 11,275	$ -	$ -	$ 11,275
Intermediate-Term Bond	16,051	-	-	16,051
Large Growth	10,676	-	-	10,676
Multisector Bond	16,573	-	-	16,573
Short-Term Bond	55,528	-	-	55,528
	$ 110,103	$ -	$ -	$ 110,103

Note 7. Subsequent Events

Management has evaluated subsequent events through July 23, 2018, the date the financial statements were available for issue.