

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Financial Statements

December 31, 2015 and 2014

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Dispute Resolution Center of Yakima and Kittitas Counties
Yakima, Washington

We have reviewed the accompanying financial statements of Dispute Resolution Center of Yakima and Kittitas Counties (a nonprofit organization) (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's 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.

Accountant's 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 accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Dispute Resolution Center of Yakima
and Kittitas Counties
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Supplementary Information

The supplementary information included in pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors, management, United Way of Central Washington, and other grant sources, and is not intended to be and should not be used by anyone other than these specified parties.

Allegria & Company, P.S.

Yakima, Washington
September 27, 2016

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current assets		
Cash	\$ 150,809	\$ 147,876
Accounts receivable	3,325	3,515
Prepaid expenses	6,181	7,578
Total current assets	<u>160,315</u>	<u>158,969</u>
Property and equipment		
Equipment	40,113	38,375
Furniture	7,861	7,861
Less: accumulated depreciation	44,240	42,476
Net property and equipment	<u>3,734</u>	<u>3,760</u>
Total assets	<u>\$ 164,049</u>	<u>\$ 162,729</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 1,010	\$ 2,634
Accrued liabilities	496	537
Deferred revenue	-	496
Total liabilities	<u>1,506</u>	<u>3,667</u>
Unrestricted net assets	<u>162,543</u>	<u>159,062</u>
Total liabilities and net assets	<u>\$ 164,049</u>	<u>\$ 162,729</u>

See independent accountant's review report and accompanying notes to financial statements.

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Statements of Activities and Changes in Net Assets

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets		
Service revenue	\$ 194,135	\$ 195,894
Direct public support	97,749	97,392
Total service revenue and direct public support	<u>291,884</u>	<u>293,286</u>
Functional expenses		
Program	242,273	228,147
Management and general	29,207	49,992
Fundraising	16,923	18,873
Total functional expenses	<u>288,403</u>	<u>297,012</u>
Net change in unrestricted net assets	3,481	(3,726)
Net assets, beginning of year	<u>159,062</u>	<u>162,788</u>
Net assets, end of year	<u>\$ 162,543</u>	<u>\$ 159,062</u>

See independent accountant's review report and accompanying notes to financial statements.

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Statements of Cash Flows

Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Net change in unrestricted net assets	\$ 3,481	\$ (3,726)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,764	2,474
Bad debt expense	945	1,485
Change in cash due to changes in assets and liabilities		
Accounts receivable	(755)	(3,375)
Prepaid expenses	1,397	(813)
Accounts payable	(1,624)	727
Accrued liabilities	(41)	78
Deferred revenue	(496)	(2,499)
Net cash from operating activities	<u>4,671</u>	<u>(5,649)</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(1,738)</u>	<u>(680)</u>
Net change in cash	2,933	(6,329)
Cash, beginning of year	<u>147,876</u>	<u>154,205</u>
Cash, end of year	<u>\$ 150,809</u>	<u>\$ 147,876</u>

See independent accountant's review report and accompanying notes to financial statements.

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies

Nature of Business

Dispute Resolution Center of Yakima and Kittitas Counties (the Organization), is a nonprofit corporation formed in June of 1992, and its primary place of business is Yakima County. The purpose of the Organization is to provide dispute resolution services to Yakima and Kittitas County residents.

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.

Accounts Receivable

The Organization's accounts receivable consist of fees for services which are due from customers located in Yakima and Kittitas counties and are generally not secured.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is determined by the Organization based on past collection experience applied to ongoing evaluations of its receivables and its assessment of the risks of repayment. Management has determined that an allowance for doubtful accounts is not necessary. As of December 31, 2015 and 2014, management has written off all receivables that it determined to be uncollectible. For the years ended December 2015 and 2014, the Organization wrote off \$945 and \$1,485 of bad debts, respectively.

Property and Equipment

Property and equipment is stated at cost. Donated assets are recorded at fair market value at the date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to seven years.

Revenue Recognition

Revenues are recognized when services are performed. The Organization records grant revenue received as a deferred revenue liability until the Organization completes the associated grant work and then records the actual amount earned as revenue.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$916 and \$1,435 for the years ended December 31, 2015 and 2014, respectively.

Federal Income Tax

The Organization is a tax-exempt organization under the provisions of the Internal Revenue Service Code section 501(c)(3) and is not a private foundation.

See independent accountant's review report.

DISPUTE RESOLUTION CENTER OF
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Notes to Financial Statements

December 31, 2015 and 2014

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to audits by taxing authorities, however, there are currently no audits for any periods in progress. Interest and penalties related to taxes are reported in administration expenses when incurred.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classes of net assets are based on the existence or absence of donor-imposed restrictions. There were no restricted net assets as of December 31, 2015 and 2014.

Reclassifications

Certain items have been reclassified in the prior year to conform to current year presentation.

(2) Lease Commitments

The Organization leases office space in Yakima and has entered into a three-year triple net lease, which expires on September 30, 2016 with the option to renew for two additional one year terms. The lease calls for monthly payments of \$1,710 with an annual increase of 4% on September 30th of each year.

The Organization leases office space in Ellensburg on a month-to-month basis for \$110 per month. As of January 2016, the lease increased to \$300 per month on a month-to-month basis.

In addition to the minimum base rent, the lease agreements require reimbursements of the Organization's share of property taxes, premises casualty insurance, and other services. Total rental expense was \$26,043 and \$24,715 for the years ended December 31, 2015 and 2014, respectively.

(3) Employee Benefit Plans

The Organization has a defined contribution retirement plan under section 408(p) of the Internal Revenue Code to provide eligible employees with retirement benefits. Eligible employees are those employees who are reasonably expected to receive at least \$5,000 in compensation for the current calendar year and who have received at least \$5,000 in compensation during any one calendar year proceeding the current calendar year. The Organization contributes 2% of eligible compensation to the plan. Total contributions made by the Organization were \$1,476 for each of the years ended December 31, 2015 and 2014.

See independent accountant's review report.

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Notes to Financial Statements

December 31, 2015 and 2014

(4) Subsequent Events

The Organization has evaluated subsequent events through September 27, 2016, which is the date the financial statements were available to be issued.

See independent accountant's review report.

SUPPLEMENTARY INFORMATION

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Statement of Functional Expenses

Year ended December 31, 2015

	Program	Management & general	Fundraising	Total
Compensation of others	\$ 117,160	\$ 6,840	\$ 2,660	\$ 126,660
Compensation of management	34,909	12,468	2,493	49,870
Office rent and utilities	31,267	3,464	939	35,670
Employee benefits	16,946	2,168	591	19,705
Office expenses	7,687	347	9,533	17,567
Payroll taxes	13,431	1,718	469	15,618
Conferences/convention	6,951	366	-	7,317
Accounting fees	4,405	563	154	5,122
Insurance	2,996	126	32	3,154
Travel	2,160	-	-	2,160
Depreciation expense	1,764	-	-	1,764
Bad debt	-	945	-	945
Advertising	870	37	9	916
Dues	764	98	26	888
Equipment rental and maintenance	659	28	7	694
Board training and expenses	304	39	10	353
Total functional expenses	<u>\$ 242,273</u>	<u>\$ 29,207</u>	<u>\$ 16,923</u>	<u>\$ 288,403</u>

See independent accountant's review report.

DISPUTE RESOLUTION CENTER OF
YAKIMA AND KITTITAS COUNTIES

Statement of Functional Expenses

Year ended December 31, 2014

	Program	Management & general	Fundraising	Total
Compensation of others	\$ 105,864	\$ 19,761	\$ 2,695	\$ 128,320
Compensation of management	31,944	14,743	2,457	49,144
Office rent and utilities	29,924	5,468	1,058	36,450
Office expenses	8,719	1,452	11,648	21,819
Employee benefits	16,469	3,334	404	20,207
Payroll taxes	12,872	2,606	316	15,794
Conferences/convention	5,422	957	-	6,379
Accounting fees	3,631	735	89	4,455
Travel	4,313	-	-	4,313
Insurance	2,482	455	94	3,031
Depreciation expense	2,474	-	-	2,474
Bad debt	1,485	-	-	1,485
Advertising	1,151	225	59	1,435
Dues	583	107	22	712
Equipment rental and maintenance	446	82	17	545
Board training and expenses	368	67	14	449
Total functional expenses	<u>\$ 228,147</u>	<u>\$ 49,992</u>	<u>\$ 18,873</u>	<u>\$ 297,012</u>

See independent accountant's review report.