

**OPEN ARMS PERINATAL SERVICES**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2019 (AUDITED)  
DECEMBER 31, 2018 (REVIEWED)**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Open Arms Perinatal Services  
Seattle, Washington

We have audited the accompanying financial statements of Open Arms Perinatal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 Open Arms Perinatal Services as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The December 31, 2018 financial statements were reviewed by us, and our report thereon, dated August 20, 2019, stated that we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as of and for the year ended December 31, 2018.

*Jones & Associates PLLC, CPAs*

Jones & Associates PLLC, CPAs  
August 5, 2020

**OPEN ARMS PERINATAL SERVICES  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

	<u>2019</u> <u>(Audited)</u>	<u>2018</u> <u>(Reviewed)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,606,628	\$ 408,388
Accounts receivable	356,886	142,161
Pledges receivable	113,992	80,426
Prepaid expenses	18,845	14,991
	<u>\$ 2,096,351</u>	<u>\$ 645,966</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 30,769	\$ 13,828
Accrued payroll and related	105,739	80,975
Grants payable	39,450	-
Unearned income	2,850	1,178
Total liabilities	<u>178,808</u>	<u>95,981</u>
 <b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	272,244	226,090
Board designated	600,000	150,000
	<u>872,244</u>	<u>376,090</u>
With Donor Restrictions	1,045,299	173,895
Total net assets	<u>1,917,543</u>	<u>549,985</u>
	<u>\$ 2,096,351</u>	<u>\$ 645,966</u>

**OPEN ARMS PERINATAL SERVICES  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019 (AUDITED)**

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
<b>SUPPORT AND REVENUE</b>				
Government contracts	\$ 499,181	\$ -	\$ 1,928,542	\$ 2,427,723
Private grants	846,715	-	169,400	1,016,115
Special events, net of costs	161,584	-	48,250	209,834
Contributions	107,314	-	7,256	114,570
Donated services and goods	80,780	-	-	80,780
Program income	37,154	-	-	37,154
Interest and other income	1,302	-	-	1,302
	<u>1,734,030</u>	<u>-</u>	<u>2,153,448</u>	<u>3,887,478</u>
Net asset releases/transfers:				
Board designated transfers	(450,000)	450,000	-	-
Purpose restrictions met	1,206,110	-	(1,206,110)	-
Time restrictions met	75,934	-	(75,934)	-
	<u>832,044</u>	<u>450,000</u>	<u>(1,282,044)</u>	<u>-</u>
Total support and revenue	<u>2,566,074</u>	<u>450,000</u>	<u>871,404</u>	<u>3,887,478</u>
<b>EXPENSES</b>				
Program services	2,042,870	-	-	2,042,870
Management and general	171,987	-	-	171,987
Fundraising	305,063	-	-	305,063
Total expenses	<u>2,519,920</u>	<u>-</u>	<u>-</u>	<u>2,519,920</u>
CHANGE IN NET ASSETS	46,154	450,000	871,404	1,367,558
<b>NET ASSETS</b>				
Beginning of the year	<u>226,090</u>	<u>150,000</u>	<u>173,895</u>	<u>549,985</u>
End of the year	<u>\$ 272,244</u>	<u>\$ 600,000</u>	<u>\$ 1,045,299</u>	<u>\$ 1,917,543</u>

**OPEN ARMS PERINATAL SERVICES  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018 (REVIEWED)**

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board Designated		
<b>SUPPORT AND REVENUE</b>				
Government contracts	\$ 751,528	\$ -	\$ 2,091	\$ 753,619
Private grants	339,786	-	296,254	636,040
Special events, net of costs	118,914	-	-	118,914
Contributions	76,029	-	65,426	141,455
Donated services and goods	82,290	-	-	82,290
Program income	6,628	-	-	6,628
Interest and other income	434	-	-	434
	<u>1,375,609</u>	<u>-</u>	<u>363,771</u>	<u>1,739,380</u>
Net asset releases/transfers:				
Board designated transfers	(150,000)	150,000	-	-
Purpose restrictions met	327,413	-	(327,413)	-
	<u>177,413</u>	<u>150,000</u>	<u>(327,413)</u>	<u>-</u>
 Total support and revenue	 <u>1,553,022</u>	 <u>150,000</u>	 <u>36,358</u>	 <u>1,739,380</u>
 <b>EXPENSES</b>				
Program services	1,115,109	-	-	1,115,109
Management and general	135,457	-	-	135,457
Fundraising	192,613	-	-	192,613
Total expenses	<u>1,443,179</u>	<u>-</u>	<u>-</u>	<u>1,443,179</u>
 CHANGE IN NET ASSETS	 109,843	 150,000	 36,358	 296,201
 <b>NET ASSETS</b>				
Beginning of the year	116,247	-	137,537	253,784
End of the year	<u>\$ 226,090</u>	<u>\$ 150,000</u>	<u>\$ 173,895</u>	<u>\$ 549,985</u>

**OPEN ARMS PERINATAL SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019 (AUDITED)**

	Program Services							Support Services		
	Breastfeeding							Management and General	Fundraising	Total
	Outreach Doula	Birth Doula Services	Prenatal Collaborative	Peer Counseling	General	Fiscal Sponsorships	Total			
Salaries and wages	\$ 619,138	\$ 217,000	\$ 57,542	\$ 33,262	\$ 164,188	\$ -	\$ 1,091,130	\$ 110,059	\$ 160,099	\$ 1,361,288
Professional services	18,229	208,932	16,798	45,142	59,589	39,703	388,393	38,605	111,159	538,157
Pass-through grants	-	-	236,705	-	-	-	236,705	-	-	236,705
In-kind	3,950	74,450	-	-	2,080	-	80,480	-	300	80,780
Travel and meetings	34,252	5,792	352	5,679	6,827	15,114	68,016	1,179	377	69,572
Rent	22,893	10,755	3,973	3,296	9,298	2,120	52,335	5,786	5,231	63,352
Supplies	2,323	2,738	35,030	235	4,617	3,044	47,987	1,856	5,472	55,315
Equipment and repair	17,211	2,524	1,214	8,420	6,299	4,113	39,781	3,999	2,982	46,762
Other	3,489	2,546	131	-	4,038	1,611	11,815	7,184	6,554	25,553
Telephone and internet	1,581	2,527	-	-	4,827	2,406	11,341	971	595	12,907
Insurance	-	2,940	-	-	5,882	-	8,822	1,856	134	10,812
Printing and postage	3,560	131	-	-	873	46	4,610	92	3,091	7,793
Bad debts	-	-	-	-	-	-	-	-	6,955	6,955
Marketing and advertising	-	-	-	-	250	-	250	-	1,784	2,034
Dues and membership	-	-	-	-	535	670	1,205	400	330	1,935
Total functional expenses	726,626	530,335	351,745	96,034	269,303	68,827	2,042,870	171,987	305,063	2,519,920
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	27,878	27,878
Total expenses	\$ 726,626	\$ 530,335	\$ 351,745	\$ 96,034	\$ 269,303	\$ 68,827	\$ 2,042,870	\$ 171,987	\$ 332,941	\$ 2,547,798

*See accompanying notes to financial statements.*

**OPEN ARMS PERINATAL SERVICES  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018 (REVIEWED)**

	Program Services					Support Services		
	Outreach Doula	Birth Doula Services	General	Fiscal Sponsorships	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 529,221	\$ 144,752	\$ 65,533	\$ -	\$ 739,506	\$ 102,477	\$ 121,627	\$ 963,610
Professional services	27,089	101,627	16,774	24,929	170,419	11,824	34,515	216,758
In-kind	-	82,290	-	-	82,290	-	2,163	84,453
Travel and meetings	29,677	1,825	3,152	7,985	42,639	1,010	1,222	44,871
Rent	17,100	1,450	10,320	-	28,870	4,170	4,027	37,067
Supplies	1,123	606	2,369	1,335	5,433	2,270	2,776	10,479
Equipment and repair	6,846	2,082	4,810	125	13,863	3,809	1,803	19,475
Other	37	107	1,149	5,207	6,500	4,411	4,763	15,674
Telephone and internet	3,266	2,315	744	1,567	7,892	1,380	513	9,785
Insurance	823	3,753	1,182	-	5,758	2,682	1,234	9,674
Printing and postage	31	450	365	84	930	248	3,769	4,947
Bad debts	-	-	-	-	-	-	12,934	12,934
Marketing and advertising	-	-	-	-	-	-	1,064	1,064
Dues and membership	10,000	-	695	17	10,712	-	-	10,712
Depreciation	-	-	297	-	297	1,176	203	1,676
Total functional expenses	625,213	341,257	107,390	41,249	1,115,109	135,457	192,613	1,443,179
Cost of direct benefits to donors	-	-	-	-	-	-	17,982	17,982
Total expenses	\$ 625,213	\$ 341,257	\$ 107,390	\$ 41,249	\$1,115,109	\$ 135,457	\$ 210,595	\$1,461,161

*See accompanying notes to financial statements.*



**OPEN ARMS PERINATAL SERVICES  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

	2019 (Audited)	2018 (Reviewed)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from contributions	\$ 1,306,433	\$ 840,744
Cash received from government grants and program fees	2,251,824	746,914
Cash received from interest and other income	1,302	434
Cash paid to employees and suppliers	(2,361,319)	(1,351,947)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,198,240	236,145
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of the year	408,388	172,243
End of the year	\$ 1,606,628	\$ 408,388
<b>Supplemental Cash Flow Information</b>		
Non-cash investing activities		
Disposal of fully depreciated assets	\$ 13,477	\$ -

**OPEN ARMS PERINATAL SERVICES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Open Arms Perinatal Services (the Organization) is a nonprofit organization whose mission is to provide community-based support during pregnancy, birth, and early parenting to nurture strong foundations that last a lifetime. Support and revenue are generated primarily from government and private grants and contributions.

The primary programs include:

*Outreach Doula* – This community-based program improves health outcomes related to pregnancy, childbirth and the early postpartum period for pregnant people and their babies through culturally and linguistically matched doulas providing multiple monthly home visits up to the child’s second birthday. This program also improves parent-child attachment and the early development and learning of young children to be ready for kindergarten success.

*Birth Doula Services* – This program improves health outcomes related to pregnancy, childbirth and the early postpartum period for pregnant people and their babies by providing doula support and individual case management prenatally, during birth and for at least three months following childbirth.

*Prenatal Collaborative Program* - The goal of this program is to harness the knowledge and interest in perinatal health and breastfeeding among Black, API, Native and indigenous individuals and perinatal professionals and to create, evaluate and refine human rights and evidence-informed, culturally responsive models of care that meet the needs of our communities and are sustainable. Bringing together individuals from communities of color with doulas, midwives and breastfeeding counselors, will serve two purposes: 1) to educate a cohort of individuals on prenatal and postpartum wellness, immediately increasing access to care for marginalized communities, and 2) to encourage organic relationships between and among individuals and perinatal professionals so that long-term disparities and health challenges can be addressed with innovative solutions by and for our communities.

*Breastfeeding Peer Counseling Program* -- The Breastfeeding Peer Counseling Program provides free home-based and place-based lactation support, prioritizing the African American/Black, American Indian/Alaska Native, and Pacific Islander communities. Families who enroll into this program are culturally matched with a breastfeeding peer counselor who will provide home-based prenatal breastfeeding education to prepare them for their breastfeeding journey. Families will also receive support within 24 hours of birth and will continue to receive care for the baby’s 1st year of life.

*Fiscal Sponsorships* – These programs work with Queer & Trans People of Color, the Birthwerk Project, Native American Women in Dialogue on Infant Mortality, and Equal Start Community Coalition.

**OPEN ARMS PERINATAL SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting and Presentation** – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no perpetually restricted net assets at December 31, 2019 and 2018.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2019 and 2018, cash and cash equivalents consist of checking and money market accounts. The Organization maintains certain 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.

**Accounts Receivable** – Accounts receivable consist primarily of grants from government agencies. Accounts receivable are stated at the amount management expects to collect from the outstanding balances and are due within one year. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

**Pledges Receivable** – Pledges receivable from private grantors and individual donors are recognized as revenues or gains in the period to which they are committed and as assets, decreases of liabilities, or expenses depending on the form of benefits received. All pledges receivable outstanding at December 31, 2019 and 2018 are due within one year. No allowance for uncollectible balances has been established by management based upon the Organization’s historical experience in the collection of balances due.

**Property and Equipment** – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of three to five years. The Organization follows a policy whereby it capitalizes purchases of property and equipment with a value in excess of \$1,000 that provide future benefits over a period longer than one year. Property and equipment consist of \$6,687 and \$20,164 of computers and software as of December 31, 2019 and 2018, respectively. All capitalized property and equipment are fully depreciated at December 31, 2019 and 2018.

**OPEN ARMS PERINATAL SERVICES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition** – Revenue is recognized when earned. Contributions and private grants are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Revenue from government grants and contracts are recognized based on billings submitted for reimbursement and are subject to audit and retroactive adjustments made by the funding agencies. There were no adjustments resulting from government audits during the years ended December 31, 2019 and 2018. Amounts received in advance are deferred to the applicable period in which the related expenditures incurred.

Revenue from program service revenue is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services provided. Amounts received in advance are deferred to the applicable period in which the related services are performed.

Revenue from performance obligations satisfied over time consists of advocacy and research services. For related performance obligations, control transfers to the customer over a period of time. Payment is typically due in full monthly, the contracts do not have a significant financing component, and the consideration amount is not variable. As such, the Organization records revenue over the period services are performed.

**Donated Services and Goods** – Donated supplies are recognized as revenue and corresponding expense at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received \$70,500 in donated programmatic doula services, \$300 in donated fundraising services and \$9,980 in donated program supplies during the year ended December 31, 2019. The Organization received \$81,300 in donated programmatic doula services and \$990 in donated program supplies during the year ended December 31, 2018.

**Functional Allocation of Expenses** – The statements of functional expenses present expenses by function and natural classification. Certain categories of expenses are attributed to more than one program or supporting function and have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort spent.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**OPEN ARMS PERINATAL SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Income Tax Status** – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**New Accounting Pronouncement** – The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates (ASUs) that will affect the Organization’s revenue recognition.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, and all subsequently-issued clarifying ASUs, replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 effective January 1, 2019, using the modified retrospective approach. There was no cumulative effect from the initial application recognized as an adjustment to opening net assets as a result of the adoption, and the adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides guidance in evaluating whether transactions should be accounted for as nonexchange or exchange transactions. In addition, ASU 2018-08 provides guidance for the identification and recognition of conditional nonexchange transactions. The Organization adopted ASU 2018-08 effective January 1, 2019, using the modified prospective approach. The adoption did not have a significant impact on the financial statements for the year ended December 31, 2019.

**Note 2 – Liquidity and Availability**

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	2019	2018
Financial Assets		
Cash and cash equivalents	\$ 1,606,628	\$ 408,388
Accounts and pledges receivables	470,878	222,587
Total financial assets	2,077,506	630,975
Less those unavailable for general expenditures within one year:		
Board designated reserve	(600,000)	(150,000)
Financial assets available within one year	\$ 1,477,506	\$ 480,975

**OPEN ARMS PERINATAL SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

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**Note 2 – Liquidity and Availability (Continued)**

Financial asset levels may vary during the year due to timing of contract payments. The Organization maintains a cash flow forecast and monitors assets available to meet future obligations. Amounts not available include board-designated reserve fund. The reserve is dedicated to help to ensure the long-term financial stability of the Organization. The Executive Director may access up to \$150,000 for approved purposes, as long as sufficient accounts receivable are available to repay such usage within three months.

**Note 3 – Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Breastfeeding Peer Counseling	\$ 394,363	\$ -
Perinatal Collaborative	361,751	-
Fiscal sponsorship projects	112,382	83,203
Birth Doula Services	68,227	-
Other time restricted promises to give	45,992	80,426
2020 Luncheon	39,757	-
Outreach Doula Services	12,403	-
Postpartum doula services	4,545	5,175
MotherWoman	3,000	3,000
Doulas for All	2,879	-
Expansion of services to specific ethnic populations	-	2,091
	<u>\$ 1,045,299</u>	<u>\$ 173,895</u>

**Note 4 – Special Events**

Special events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the years ended December 31:

	2019	2018
Gross special events revenue	\$ 237,712	\$ 136,896
Less cost of direct donor benefits	(27,878)	(17,982)
	<u>\$ 209,834</u>	<u>\$ 118,914</u>

**OPEN ARMS PERINATAL SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

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**Note 5 - Line of Credit**

The Organization has an unsecured line of credit of \$50,000 with a bank. The line of credit matures June, 2020. No balance is outstanding at December 31, 2019.

**Note 6 – Conditional Government Grants**

During year ending December 31, 2019, the Organization received conditional government grant awards of \$4,324,217. The grants are contingent on completion of detailed milestones or billings submitted for reimbursement. The Organization recognized \$2,427,723 in revenues related to these government grants for the year ending December 31, 2019. As the \$1,896,494 remainder represents a conditional promise to give, this portion of the award will not be recognized as revenue until the grantor conditions are met. Payments are expected in 2020.

**Note 7 – Lease Commitment**

In April 2019, the Organization entered into an agreement to sub-lease space expiring October 31, 2020. The Organization also leases office space under a noncancelable agreement which expires on December 31, 2020. Rent expense under these leases were \$59,395 and \$37,067 for the years ended December 31, 2019 and 2018, respectively. Future minimum rent expense under these leases is \$65,977 for the year ending December 31, 2020.

**Note 8 – Employee Benefit Plan**

The Organization has a qualified deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under this plan, employees may elect to defer from their salary, subject to IRS limits. The Organization has no matching requirement and has not made any contributions into this plan for the years ended December 31, 2019 and 2018.

**OPEN ARMS PERINATAL SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 (AUDITED) AND 2018 (REVIEWED)**

**Note 9 – Fiscal Sponsorship Activity**

The Organization serves as a fiscal sponsor for various related projects. As a fiscal sponsor, the Organization is responsible for ensuring funds are properly spent to achieve the projects’ goals. As a condition to this arrangement, such goals must align with and further the Organization’s mission. The statement of activities separated between fiscal sponsorship and non-fiscal sponsorship activity is as follows for the year ended December 31, 2019:

	Non-Fiscal Sponsorship	Fiscal Sponsorship	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 112,964	\$ 1,606	\$ 114,570
Government contracts	2,427,723	-	2,427,723
Private grants	919,715	96,400	1,016,115
Special events, net of costs	209,834	-	209,834
Donated services and goods	80,780	-	80,780
Program income	37,154	-	37,154
Interest and other income	1,302	-	1,302
Total support and revenue	<u>3,789,472</u>	<u>98,006</u>	<u>3,887,478</u>
<b>EXPENSES</b>			
Program services	2,042,870	-	2,042,870
Management and general	171,987	-	171,987
Fundraising	305,063	-	305,063
Total expenses	<u>2,519,920</u>	<u>-</u>	<u>2,519,920</u>
CHANGE IN NET ASSETS	1,269,552	98,006	1,367,558
<b>NET ASSETS</b>			
Beginning of the year	<u>466,782</u>	<u>83,203</u>	<u>549,985</u>
End of the year	<u>\$ 1,736,334</u>	<u>\$ 181,209</u>	<u>\$ 1,917,543</u>



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**Note 9 – Fiscal Sponsorship Activity (Continued)**

The statement of activities separated between fiscal sponsorship and non-fiscal sponsorship activity is as follows for the year ended December 31, 2018:

	Non-Fiscal Sponsorship	Fiscal Sponsorship	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 72,201	\$ 69,254	\$ 141,455
Government contracts	753,619	-	753,619
Private grants	636,040	-	636,040
Special events, net of costs	118,914	-	118,914
Donated services and goods	82,290	-	82,290
Program income	6,628	-	6,628
Interest and other income	434	-	434
Total support and revenue	<u>1,670,126</u>	<u>69,254</u>	<u>1,739,380</u>
<b>EXPENSES</b>			
Program services	1,073,860	41,249	1,115,109
Management and general	135,457	-	135,457
Fundraising	192,613	-	192,613
Total expenses	<u>1,401,930</u>	<u>41,249</u>	<u>1,443,179</u>
CHANGE IN NET ASSETS	268,196	28,005	296,201
<b>NET ASSETS</b>			
Beginning of the year	198,586	55,198	253,784
End of the year	<u>\$ 466,782</u>	<u>\$ 83,203</u>	<u>\$ 549,985</u>

**Note 10 – Subsequent Activity**

Subsequent events were evaluated through August 5, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared an outbreak of COVID-19 to be a global pandemic, leading to stay-at-home orders from the Governor of Washington and ceasing most in-person activities at Open Arms as of March 7, 2020. The extent of the impact of COVID-19 on the Organization's operations will depend on certain developments, including the duration and spread of the outbreak and the impact to funding sources, clients and employees, all of which are uncertain and cannot be determined.

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**Note 10 – Subsequent Activity (Continued)**

The Organization expects a 10% decline in contributions in 2020 as a result of the COVID-19 outbreak due to the economic downturn and changes to donor giving capacity. The Organization received a Payroll Protection Program loan from the SBA in the amount of \$275,654 to cover the shortfall. The loan will be used towards payroll, rent and utilities between June and December 2020. The loan has a maturity date of 2 years and an interest rate of 1%. Loan forgiveness can be up to the full principal amount of the loan and accrued interest, if the funds are used for payroll, rent, mortgage interest or utilities.