



Report of Independent Auditors
and Consolidated Financial Statements

Akin

June 30, 2024

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Report of Independent Auditors

The Board of Directors
Akin

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Akin, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of operating revenue and expenses without donor restrictions, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Akin as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Akin and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Akin's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Akin's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Akin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Seattle, Washington
February 27, 2025

Consolidated Financial Statements

Akin

Consolidated Statement of Financial Position

June 30, 2024

	Akin	Akin Foundation	CHSW LLC	Eliminating Entries	Consolidated Total
ASSETS					
CURRENT ASSETS					
Cash and equivalents	\$ 6,408,002	\$ 784,469	\$ 262,975	\$ -	\$ 7,455,446
Accounts receivable	5,466,987	-	-	-	5,466,987
Pledges receivable	2,280,934	-	-	-	2,280,934
Intercompany receivable	-	3,985,432	-	(3,985,432)	-
Prepaid expenses and other	1,086,378	-	-	-	1,086,378
Property held for sale	40,189	-	-	-	40,189
Total current assets	15,282,490	4,769,901	262,975	(3,985,432)	16,329,934
Operating lease right-of-use asset	478,687	-	-	-	478,687
Property and equipment, net	24,577,785	-	9,034,756	-	33,612,541
Investments	-	51,909,714	-	-	51,909,714
Investment in CHSW LLC	1,704,265	-	-	(1,704,265)	-
Beneficial interest in perpetual trusts	5,988,801	-	-	-	5,988,801
Total assets	\$ 48,032,028	\$ 56,679,615	\$ 9,297,731	\$ (5,689,697)	\$ 108,319,677
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 1,918,749	\$ -	\$ -	\$ -	\$ 1,918,749
Accrued liabilities	4,564,221	-	48,176	-	4,612,397
Deferred revenue	186,514	-	-	-	186,514
Current portion of mortgage payable	-	-	79,987	-	79,987
Current portion of operating lease liability	406,861	-	-	-	406,861
Intercompany payable	1,582,132	-	2,403,300	(3,985,432)	-
Total current liabilities	8,658,477	-	2,531,463	(3,985,432)	7,204,508
Operating lease liability, net of current portion	80,493	-	-	-	80,493
Mortgage payable	-	-	7,420,013	-	7,420,013
Total liabilities	8,738,970	-	9,951,476	(3,985,432)	14,705,014
NET ASSETS					
Without donor restrictions					
Undesignated	28,402,676	-	(653,745)	(1,704,265)	26,044,666
Designated by the Board for general operating quasi-endowment	-	40,008,714	-	-	40,008,714
Designated by the Board for operations	-	10,156,968	-	-	10,156,968
Total without donor restrictions	28,402,676	50,165,682	(653,745)	(1,704,265)	76,210,348
With donor restrictions	10,890,382	6,513,933	-	-	17,404,315
Total net assets	39,293,058	56,679,615	(653,745)	(1,704,265)	93,614,663
Total liabilities and net assets	\$ 48,032,028	\$ 56,679,615	\$ 9,297,731	\$ (5,689,697)	\$ 108,319,677

See accompanying notes.

Akin
Consolidated Statement of Operating Revenue and
Expenses Without Donor Restrictions
Year Ended June 30, 2024

	Akin	Akin Foundation	CHSW LLC	Eliminating Entries	Consolidated Total
OPERATING REVENUE					
Private support and revenue					
Direct support – contributions	\$ 1,579,110	\$ 5,000,000	\$ -	\$ -	\$ 6,579,110
Net assets released from restrictions	1,094,539	-	-	-	1,094,539
In-kind contribution for services from Akin	-	926,659	-	(926,659)	-
Program service fees	139,773	-	-	-	139,773
Investment return	1,152,526	(30,836)	-	-	1,121,690
Rental income and miscellaneous	397,584	-	548,940	(307,633)	638,891
Total private support and revenue	<u>4,363,532</u>	<u>5,895,823</u>	<u>548,940</u>	<u>(1,234,292)</u>	<u>9,574,003</u>
Revenue from governmental agencies					
Federal revenue	16,169,100	-	-	-	16,169,100
State revenue	5,975,004	-	-	-	5,975,004
County and local revenue	11,860,006	-	-	-	11,860,006
Total revenue from governmental agencies	<u>34,004,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,004,110</u>
Transfers between entities					
Contributions transferred	2,213,162	(2,213,162)	-	-	-
Total transfers between entities	<u>2,213,162</u>	<u>(2,213,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenue	<u>40,580,804</u>	<u>3,682,661</u>	<u>548,940</u>	<u>(1,234,292)</u>	<u>43,578,113</u>
OPERATING EXPENSES					
Program services					
Early childhood care education	14,403,845	-	-	-	14,403,845
Child and family counseling	8,355,442	-	-	-	8,355,442
Family support and parent education	5,452,212	-	-	-	5,452,212
Policy and innovation	1,783,543	-	-	-	1,783,543
Total program services	<u>29,995,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,995,042</u>
Supporting services					
General and administrative	9,972,472	-	686,533	(307,633)	10,351,372
Office building management	-	-	1,030,786	-	1,030,786
Fund development	1,596,910	926,659	-	(926,659)	1,596,910
Total supporting services	<u>11,569,382</u>	<u>926,659</u>	<u>1,717,319</u>	<u>(1,234,292)</u>	<u>12,979,068</u>
Total operating expenses	<u>41,564,424</u>	<u>926,659</u>	<u>1,717,319</u>	<u>(1,234,292)</u>	<u>42,974,110</u>
NET OPERATING INCOME (LOSS)	<u>\$ (983,620)</u>	<u>\$ 2,756,002</u>	<u>\$ (1,168,379)</u>	<u>\$ -</u>	<u>\$ 604,003</u>

See accompanying notes.

Akin

Consolidated Statement of Changes in Net Assets

Year Ended June 30, 2024

	Akin	Akin Foundation	CHSW LLC	Eliminating Entries	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Operating activity-change in net assets without donor restrictions	\$ (983,620)	\$ 2,756,002	\$ (1,168,379)	\$ -	\$ 604,003
Quasi-endowment investment return	-	1,601,606	-	-	1,601,606
Other transfers between entities	(23,901,781)	23,901,781	-	-	-
Board designated investment return	-	247,526	-	-	247,526
Contribution received in merger with Childhaven	41,316,686	-	-	-	41,316,686
Change in net assets without donor restrictions	16,431,285	28,506,915	(1,168,379)	-	43,769,821
NET ASSETS WITH DONOR RESTRICTIONS					
Direct support – contributions	2,998,448	-	-	-	2,998,448
Endowment investment return	-	323,962	-	-	323,962
Net assets released from restrictions	(1,094,539)	-	-	-	(1,094,539)
Net change in value of beneficial interest in perpetual trusts	339,424	-	-	-	339,424
Other transfers	(3,749,775)	3,749,775	-	-	-
Contribution received in merger with Childhaven	5,621,189	-	-	-	5,621,189
Change in net assets with donor restrictions	4,114,747	4,073,737	-	-	8,188,484
Total change in net assets	20,546,032	32,580,652	(1,168,379)	-	51,958,305
NET ASSETS, BEGINNING OF YEAR	18,747,026	24,098,963	514,634	(1,704,265)	41,656,358
NET ASSETS, END OF YEAR	\$ 39,293,058	\$ 56,679,615	\$ (653,745)	\$ (1,704,265)	\$ 93,614,663

See accompanying notes.

Akin
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				Supporting Services				
	Early Childhood Care Education	Child and Family Counseling	Family Support and Parent Education	Policy and Innovation	Total Programs	General and Administrative	Office Building Management	Fund Development	2024 Total
Akin and CHSW LLC									
Salaries	\$ 7,981,256	\$ 5,320,407	\$ 3,133,912	\$ 601,925	\$ 17,037,500	\$ 4,978,538	\$ -	\$ 988,326	\$ 23,004,364
Employee benefits and taxes	2,350,817	1,508,687	915,839	175,977	4,951,320	1,278,982	-	252,727	6,483,029
	10,332,073	6,829,094	4,049,751	777,902	21,988,820	6,257,520	-	1,241,053	29,487,393
Professional fees	1,918,573	579,818	201,273	884,594	3,584,258	2,255,702	146,906	164,957	6,151,823
Other expenses	1,078,164	581,354	415,220	84,476	2,159,214	1,442,961	375,654	164,857	4,142,686
Occupancy	669,969	299,849	234,785	27,589	1,232,192	457,452	333,447	18,630	2,041,721
Specific assistance to individuals	196,543	7,271	317,350	3,920	525,084	14,825	8,638	2,672	551,219
In-kind donations	327	-	197,924	-	198,251	-	-	1,616	199,867
Depreciation	208,196	58,056	35,909	5,062	307,223	230,545	166,141	3,125	707,034
Total Akin and CHSW LLC expenses	14,403,845	8,355,442	5,452,212	1,783,543	29,995,042	10,659,005	1,030,786	1,596,910	43,281,743
Akin Foundation									
In-kind support services	-	-	-	-	-	-	-	926,659	926,659
Total Akin Foundation expenses	-	-	-	-	-	-	-	926,659	926,659
ELIMINATIONS	-	-	-	-	-	(307,633)	-	(926,659)	(1,234,292)
Total expenses	\$ 14,403,845	\$ 8,355,442	\$ 5,452,212	\$ 1,783,543	\$ 29,995,042	\$ 10,351,372	\$ 1,030,786	\$ 1,596,910	\$ 42,974,110

See accompanying notes.

Akin
Consolidated Statement of Cash Flows
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 51,958,305
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	707,034
Noncash lease expense	403,908
Contribution received in merger with Childhaven, net of cash acquired	(43,443,828)
Net realized and unrealized gains	(2,381,890)
Gain on beneficial interest in perpetual trusts	(339,424)
Net operating changes in	
Accounts and pledges receivable, net	8,906
Prepaid expenses and other assets	(169,745)
Accounts payable	(864,073)
Accrued liabilities	2,262,756
Deferred revenue	84,049
Operating lease liability	(403,908)
	<u>7,822,090</u>
Net cash provided by operating activities	<u>7,822,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	15,442,287
Purchases of investments	(11,350,489)
Purchases of property and equipment	(8,106,027)
	<u>(4,014,229)</u>
Net cash used in investing activities	<u>(4,014,229)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>3,807,861</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,647,585</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 7,455,446</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW	
Cash received in acquisition of Childhaven	\$ 3,494,047
Cash paid for interest	\$ 260,775

See accompanying notes.

Akin

Notes to Consolidated Financial Statements

Note 1 – Organization

Akin is organized for the purpose of helping children to thrive and become viable members of society through programs designed to provide support by strengthening families. Akin's programs are provided through regional locations in various communities throughout the state of Washington. Akin was formed on January 1, 2024, through the merger of Children's Home Society of Washington (CHSW) and Childhaven (see Note 8).

The Akin Foundation was established to manage the long-term funds and endowments on behalf of Akin. The Akin Foundation is dedicated to ensuring the prudent investment and stewardship of these assets to support Akin's mission and objectives over the long term.

CHSW Holdings Northwest, LLC (CHSW LLC) was formed on November 12, 2021, as a limited liability company, of which Akin is the sole member. CHSW LLC was formed for the purpose of purchasing and operating Akin's Potter Building, including both the related land and office building.

Note 2 – Significant Accounting Policies

Principles of consolidation – These financial statements consolidate the statements of Akin, Akin Foundation, and CHSW LLC (collectively, Akin). Inter-organization and affiliated organization accounts and transactions have been eliminated in the consolidation.

Programs – Major programs and services offered to the community include the following:

Early childhood care education – Supporting healthy growth and development and offering families the information and resources they need to give children a strong foundation during the first five years of life.

Child and family counseling – Helping children and parents communicate effectively, manage stress, identify and address problems, and find solutions that strengthen the entire family.

Family support and parent education – Working with families early in their children's development and assisting them in securing needed services and developing support systems that enable them to prevent unmanageable crises or family dysfunction later on.

Policy and innovation – Working with policy makers, researchers, and philanthropy to improve the well-being of children and families in Washington State and beyond.

Basis of presentation – Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Akin and changes therein are classified and reported as follows:

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restriction also include Board-designated net assets.

Akin

Notes to Consolidated Financial Statements

Net assets with donor restriction – Included in net assets subject to donor-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.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Akin has adopted a policy to classify donor-restricted contributions as net assets without donor restriction to the extent that donor restrictions were met in the year the contribution was received.

Use of estimates – The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash in excess of daily requirements is generally invested in interest-bearing instruments. Interest-bearing deposits with initial maturities of three months or less are considered cash equivalents. However, cash and equivalents associated with Akin's investment portfolio are considered investments since the intent is to reinvest them in longer-term instruments when appropriate.

Investments – Investments in money market funds are stated at cost which approximates fair value. Investments in debt securities and equity securities with readily determinable market values are recorded at fair value. The fair value of investments in securities traded on national securities exchanges is valued at the closing price on the last day of the fiscal year. Unrealized and realized gains and losses on these investments are reported in the consolidated statement of changes in net assets. It is Akin's policy to invest in short and intermediate term debt and equity mutual funds, emphasizing preservation and safety of capital and diversification of risk. Although these investments can be liquidated within one year, it is Akin's policy to consider these investments as long-term for financial reporting purposes.

Property and equipment – Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation, if donated. Property and equipment are depreciated using straight-line methods over estimated useful lives ranging from three to forty years. Akin capitalizes all items and leasehold improvements over \$5,000.

Accounting Standards Codification (ASC) 360 requires that certain long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended June 30, 2024.

Akin

Notes to Consolidated Financial Statements

Accounts and pledges receivable – Accounts and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. As of July 1, 2023, net accounts and pledges receivable were \$3,925,552 and \$285,042, respectively.

At each consolidated statement of financial position date, Akin also evaluates and recognizes an expected allowance for credit losses as necessary. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of Akin's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecast regarding future events, and any other factors deemed relevant by Akin.

Akin writes off receivables when there is information that indicates the payor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery, in accordance with Akin's accounting policy election. The amount of write-offs was immaterial to the consolidated financial statements as a whole for the year ended June 30, 2024.

Leases – Akin recognizes an operating lease liability and right-of-use (ROU) asset for all leases, including operating leases with an expected term greater than 12 months, on its consolidated statement of financial position in accordance with Financial Accounting Standards Board (FASB) ASC 842, *Leases*. The operating lease ROU asset and liability are recognized on the consolidated statement of financial position at commencement date, which is the date that Akin gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using an incremental borrowing rate in effect at the time of lease commencement. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized over a straight-line basis over the lease term. Certain option renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended. Beginning on July 1, 2022, Akin adopted ASC 842, which requires all leases longer than 12 months to be recorded as assets and liabilities on the consolidated statement of net position.

Akin has elected the package of practical expedients, which permits Akin not to reassess prior conclusions about lease identification, lease classification, and initial direct costs. In addition, Akin has elected a short-term lease exemption policy that permits Akin to not apply the recognition requirements of the new lease standard to leases with a term of 12 months or less. Akin has also elected an accounting policy to not separate lease and nonlease components for certain classes of leases and to not recognize an operating lease ROU asset and lease liability when total lease payments are less than \$5,000.

Rental income – In December 2021, Akin purchased the office building that it had originally leased for its headquarters. Akin has entered into operating lease agreements with several building tenants to rent out office space, expiring through February 2035. Total rental income under operating leases was \$645,286 for the year ended June 30, 2024.

Akin

Notes to Consolidated Financial Statements

Revenue recognition

Capitation revenue – Akin provides counseling services to subscribing participants under prepaid health plan agreements. Akin's performance obligation is to stand ready to provide counseling services to subscribing participants at any time during the term of the contract. The transaction price is a standard daily per participant rate, based on the level of acuity established for each participant upon joining the plan. Akin recognizes the revenue over time (daily) as it stands ready to provide services. Revenue, related to capitation revenue under prepaid health plans, totaling \$6,832,634 are included in revenue from governmental agencies on the consolidated statement of operating revenue and expenses without donor restrictions at June 30, 2024. Accounts receivable, related to capitation revenue under prepaid health plans, totaling \$866,414 are included in accounts and pledges receivable on the consolidated statement of financial position at June 30, 2024.

Program service fees – Akin provides counseling services directly to clients. Client service revenue is reported at the amount that reflects the consideration to which Akin expects to be entitled in exchange for providing services. These amounts are due from third-party payers (including health insurers and government programs) and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Akin bills the third-party payers monthly, for the services performed. Revenue is recognized over time (daily) as performance obligations are satisfied. Revenue, related to program services fees, totaling \$2,518,460 are included in revenue from governmental agencies on the consolidated statement of operating revenue and expenses without donor restrictions at June 30, 2024 respectively. Accounts receivable, related to program service fee revenue, totaling \$229,535 are included in accounts and pledges receivable on the consolidated statement of financial position at June 30, 2024.

All revenue from contracts with customers was recognized over time as services were rendered or costs were incurred, as applicable. Receivables from contracts with customers are reported within accounts and pledges receivable on the consolidated statement of financial position. Management determined an allowance for credit losses adjustment was not necessary at June 30, 2024.

Revenue from the Medicaid programs accounted for approximately 32% of Akin's total operating support and revenue for the year ended June 30, 2024. Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Grants and contribution revenue – Akin recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received in accordance with ASC 958-605, *Not-for-Profit Entities, Revenue Recognition*. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Certain grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At June 30, 2024, Akin had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of \$4,324,512. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Akin

Notes to Consolidated Financial Statements

In-kind contributions – Donated materials, property, and equipment are recorded at fair value when received. A substantial number of corporations and volunteers donate significant amounts of time and services in Akin's operations. Such contributed services and the related expenses are only recorded in the accounts to the extent that specific professional expertise is provided, or a capitalized asset is constructed, in accordance with accounting principles generally accepted in the United States of America (GAAP). These volunteers, whose time has not been recognized in the consolidated financial statements, contributed approximately 31,900 hours (unaudited) of their time valued at \$1,046,175 (unaudited) during the year ended June 30, 2024, respectively.

For the year ended June 30, 2024, in-kind support recorded consisted entirely of in-kind materials/assets of \$216,031.

Other transfers – The consolidated statement of changes in net assets includes other transfer amounts between entities. For the year ended June 30, 2024, \$27,651,556 was transferred between Akin and Akin Foundation related to investments acquired as part of the business combination with Childhaven.

Income tax exemption – Both Akin and Akin Foundation (the 'Organizations') are not subject to income tax, as they are tax-exempt organizations under the Internal Revenue Code Section 501(c)(3). However, income from certain activities not related to Akin and Akin Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Organizations recognize the tax benefit from uncertain tax positions only if it is more likely than not the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organizations recognize interest and penalties related to income tax matters in operating expenses. The Organization had no unrecognized tax benefits at June 30, 2024. No interest or penalties were accrued for the year ended June 30, 2024. Income tax returns are generally subject to examination for three years after they are filed. CHSW LLC is a disregarded entity for tax purposes.

Functional expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are directly charged to the functions they benefit. Occupancy and other costs are allocated to each function based on employee time utilized by the function.

Operating vs. nonoperating – The consolidated statement of changes in net assets includes certain nonoperating activities. Investment return from endowment accounts, board designated investments, contribution received in merger with Childhaven, and perpetual trusts are considered nonoperating activity, as well as gains or losses on sale of property and equipment. All other activity is considered operating activity.

Akin

Notes to Consolidated Financial Statements

New accounting pronouncements – In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13 *Financial Instruments – Credit Losses* (Topic 326), which significantly changed how the entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by Akin subject to the guidance in Topic 326 were accounts receivable. Akin adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new/enhanced disclosures only.

Note 3 – Accounts and Pledges Receivable

Accounts and pledges receivable consisted of the following at June 30:

Government agencies	\$ 3,419,068
Patient services	709,651
Claim receivable	351,110
Other accounts receivable	1,270,278
Pledges	<u>2,280,934</u>
	8,031,041
Less allowance for credit losses	<u>(283,120)</u>
	<u><u>\$ 7,747,921</u></u>

All pledge receivables are expected to be satisfied within one year from the reporting date.

Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30, 2024:

Building and improvements	\$ 17,189,017
Land	11,553,179
Construction in progress	9,963,234
Furniture, fixtures, vehicles, and equipment	<u>5,007,027</u>
	43,712,457
Less accumulated depreciation	<u>(10,099,916)</u>
	<u><u>\$ 33,612,541</u></u>

Depreciation expense was \$707,034 for the year ended June 30, 2024.

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As of June 30, 2024, two properties held by Akin were classified as held for sale on the consolidated statement of financial position. The properties are valued at their net book value and management expects each to sell within the next year.

Note 5 – Investments

The aggregate carrying amount of the investments by major type consisted of the following:

Cash and money market accounts	\$ 1,876,160
Domestic debt mutual funds	20,645,759
Domestic equity mutual funds	9,160,714
Global equity mutual funds	5,793,928
Exchange-traded funds	4,643,688
U.S. government agency securities	3,905,937
Corporate bonds	2,557,222
Domestic equity securities	1,849,142
Private equity	595,870
Real estate	501,223
Infrastructure	<u>380,071</u>
Total	<u><u>\$ 51,909,714</u></u>

Investment return on investments and cash and money market accounts was comprised of the following for the year ended June 30, 2024:

Net realized and unrealized gains	\$ 2,381,890
Interest and dividend income	952,363
Investment management fees	<u>(39,469)</u>
Total	<u><u>\$ 3,294,784</u></u>

Note 6 – Fair Value Measurements

Investments – Akin records financial instruments at estimated fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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The ASC describes three levels of inputs that may be used to measure fair value:

Level 1 – This level consists of quoted prices in active markets for identical assets or liabilities.

Level 2 – This level consists of observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – This level consists of unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the assets held at June 30 that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
Cash and money market accounts	\$ 1,876,160	\$ 1,876,160	\$ -	\$ -
Domestic debt mutual funds	20,645,759	20,645,759	-	-
Domestic equity mutual funds	9,160,714	9,160,714	-	-
Global equity mutual funds	5,793,928	5,793,928	-	-
Exchange-traded funds	4,643,688	4,643,688	-	-
U.S. government agency securities	3,905,937	-	3,905,937	-
Corporate bonds	2,557,222	-	2,557,222	-
Domestic equity securities	1,849,142	1,849,142	-	-
Beneficial interest in perpetual trusts	5,988,801	-	-	5,988,801
Investments, in the fair value hierarchy	56,421,351	<u>\$ 43,969,391</u>	<u>\$ 6,463,159</u>	<u>\$ 5,988,801</u>
Alternative investments	<u>1,477,164</u>			
Investment, at fair value	<u>\$ 57,898,515</u>			

The fair value of the beneficial interests in perpetual trusts is based on the quoted market prices of the underlying investments of the trusts and Akin's proportional beneficial interests in the trusts.

The fair value of the alternative investments has been established by the Investment Manager utilizing the net asset values reported to the Fund by the underlying investment partnerships. Redemptions are allowed only with the consent of the Fund Investment Manager.

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Notes to Consolidated Financial Statements

Note 7 – Beneficial Interest in Perpetual Trusts

Akin is named as a beneficiary in numerous trusts held for the benefit of Akin and other local nonprofit agencies. The trusts, which are held in perpetuity, are administered by financial institutions, the majority of which provide for earnings distributions on a regular basis to Akin. One perpetual trust in which Akin is the sole beneficiary has earnings distributions on a discretionary basis which are determined by the Trustee in response to specific requests for funds from Akin. These trusts are recognized in the consolidated financial statements of Akin at the fair value of Akin's share as of the end of the reporting period. Akin received \$202,730 in earnings distributions from the trusts during the year ended June 30, 2024. The earnings are available for general operating purposes. Akin's interest in net gains or (losses), in the trusts of \$339,424 for the year ended June 30, 2024, are recognized in the consolidated statement of changes in net assets as donor-restricted endowment activities.

Note 8 – Business Combination

On January 1, 2024, CHSW and Childhaven completed a merger of their operations, with CHSW as the surviving entity. As a result of the merger, the combined organization was renamed to Akin.

The transaction was accounted for as a business combination using the acquisition method of accounting, which requires the assets acquired and liabilities assumed to be recorded at their respective estimated fair values at the acquisition date. The acquisition allowed for synergies between its current and intended future programs to build long-term and accessible services and facilities for youth and their caregivers. No consideration was paid in the transaction. The net assets acquired represent an inherent contribution received by Akin, which is included in the consolidated statement of changes in net assets. The net assets acquired were classified based on the existence or absence of restrictions imposed by donors on the net assets prior to the acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date:

Assets acquired	
Cash and equivalents	\$ 3,494,047
Accounts and pledges receivable	3,419,846
Investments	30,851,729
Property and equipment	9,811,132
Prepays and other assets	353,438
Total asset acquired	<u>47,930,192</u>
Liabilities assumed	
Accounts payable	289,650
Accrued liabilities	503,458
Deferred revenue	199,209
Total liabilities assumed	<u>992,317</u>
Net assets acquired	<u>46,937,875</u>
Contribution received in merger with Childhaven	<u><u>\$ 46,937,875</u></u>

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Notes to Consolidated Financial Statements

Note 9 – Long-Term Obligations

Long-term obligations consisted of the following at June 30:

Mortgage note payable to a bank in the original amount of \$7,500,000. Secured by deed of trust on real property. Fixed interest rate of 3.42%. Monthly interest only payments due beginning February 1, 2022, for the first 36 months. Beginning February 1, 2025, monthly payments of principal and interest in the amount of \$37,422, with all remaining unpaid principal and interest due at maturity on January 1, 2037.

	\$ 7,500,000
Total	7,500,000
Less current portion	<u>(79,987)</u>
	<u><u>\$ 7,420,013</u></u>

Future maturities on long-term obligations are as follows:

Years Ending June 30,	
2025	\$ 79,987
2026	194,839
2027	201,703
2028	208,150
2029	216,143
Thereafter	<u>6,599,178</u>
	<u><u>\$ 7,500,000</u></u>

Note 10 – Benefit Plan

Akin sponsors a defined contribution profit-sharing pension plan covering all employees meeting minimum age and service requirements. Participants employed on or before July 31, 2009, are fully vested in the plan immediately upon participation. Participants hired August 1, 2009, and thereafter have the following vesting schedule: 1 year – 25%, 2 years – 50%, 3 years – 100%. Effective April 1, 2013, the plan was amended to allow for employee contributions to the plan through a 401(k) plan. The investment of such contributions is directed by each employee based on the investment options available under the plan. In January 2014, Akin declared a match on the first 3% of eligible contributions. Total employer contributions for the year ended June 30, 2024, were \$622,863.

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Notes to Consolidated Financial Statements

Note 11 – Contingencies and Concentrations

Concentration of credit risk – Akin is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure and accreditations. Management has adopted policies and procedures to ensure compliance, and believes that Akin is in compliance, with fraud and abuse laws, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions known or unasserted at this time.

Akin receives fees and grants from federal, state, county, and municipal governments. The receipt of governmental funding is generally subject to audit by various governmental agencies, the outcome of which is not known until the audit is completed. Revenue from governmental agencies represents the following percentages of total consolidated operating support and revenue without donor restrictions before transfers, for the year ended June 30:

Federal	37.1%
State	13.7%
County and local	<u>27.2%</u>
Total government support	<u><u>78.0%</u></u>

Akin's history has been a mix of public and private funding. Due to Akin's national reputation for high-quality early learning, Akin continues to be awarded federal Early Head Start/Head Start dollars. Akin's foundation was created in 2014 to increase private dollar revenue in order to mitigate the vulnerability of overweighting the budget with public dollars and to maintain Akin's historical diversified funding base.

At times, cash deposits and investments exceeded federally insured amounts.

Litigation – At times, Akin is subject to litigation arising in the normal course of business. Management does not believe any ongoing matters would have a material adverse effect to Akin's future financial position or results from operations. As of June 30, 2024, Akin had accrued a liability related to ongoing legal matters totaling \$351,110 at June 30, 2024, which is included in accounts payable on the consolidated statement of financial position. Akin also recorded a receivable balance for the related insurance proceeds totaling \$351,110 at June 30, 2024, which included in accounts receivable on the consolidated statement of financial position.

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Notes to Consolidated Financial Statements

Note 12 – Net Assets Without Donor Restriction

The board has designated net assets for the following purposes at June 30:

Net assets without donor restrictions or designations	\$ 26,044,666
Board-designated endowments	
General operations quasi-endowment	40,008,714
Operating reserve	<u>10,156,968</u>
Total net assets without donor restrictions	<u><u>\$ 76,210,348</u></u>

The Board of Directors of Akin has several standing board policies that affect the presentation of board designations on net assets. In 2014, the Board designated \$10,200,000 from the sale of property to establish a quasi-endowment fund. Bequests without donor restrictions are also designated for long-term investment in the quasi-endowment. Any use of board-designated funds must be approved by the Board of Directors of Akin, except for appropriations of the quasi-endowment which are subject to the endowment policy.

Note 13 – Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following purposes at June 30:

	Akin	Akin Foundation	Total
Subject to the passage of time or expenditure for specified purpose			
Unappropriated endowment earnings	\$ 77,456	\$ 710,125	\$ 787,581
Other programs	<u>4,808,625</u>	<u>56,471</u>	<u>4,865,096</u>
Total subject to the passage of time or expenditure for specified purpose	<u>4,886,081</u>	<u>766,596</u>	<u>5,652,677</u>
Endowment Corpus			
Original gifts and required retained earnings (corpus)			
Second century campaign	-	2,943,405	2,943,405
Endowment to prevent child abuse and neglect	-	828,886	828,886
Lovsted	-	541,870	541,870
Hugh Cannon staff scholarship fund	15,500	445,848	461,348
General endowment	-	244,534	244,534
Other endowments for various operating purposes	<u>-</u>	<u>742,794</u>	<u>742,794</u>
	15,500	5,747,337	5,762,837
Beneficial interest in perpetual trusts	<u>5,988,801</u>	<u>-</u>	<u>5,988,801</u>
Total endowment funds and beneficial interests	<u>6,004,301</u>	<u>5,747,337</u>	<u>11,751,638</u>
Total net assets with donor restrictions	<u><u>\$ 10,890,382</u></u>	<u><u>\$ 6,513,933</u></u>	<u><u>\$ 17,404,315</u></u>

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Notes to Consolidated Financial Statements

Net assets with donor restrictions were released from restrictions for the following purposes during the year ended June 30:

Releases from program restrictions	
Endowment earnings appropriated	\$ 268,708
Program releases	<u>825,831</u>
Total net assets released from restrictions	<u>\$ 1,094,539</u>

Note 14 – Endowments

Akin's endowment consists of several funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Directors of Akin has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, Akin classifies as net assets with donor restriction to be held in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditure by Akin in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, Akin considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of Akin and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of Akin; and
- The investment policies of Akin.

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Notes to Consolidated Financial Statements

As of June 30, 2024, endowment net assets consisted of the following:

	Without Donor Restriction	With Donor Restriction	Total
Second century campaign	\$ -	\$ 2,969,405	\$ 2,969,405
Endowment to prevent child abuse and neglect	-	1,005,354	1,005,354
Hugh Cannon staff scholarship fund	-	639,700	639,700
Lovsted	-	560,086	560,086
General endowment	-	522,083	522,083
Other endowments for various operating purposes	-	838,290	838,290
Total donor restricted endowment funds	-	6,534,918	6,534,918
Board designated quasi-endowment	40,008,714	-	40,008,714
Endowment Net Assets	<u>\$ 40,008,714</u>	<u>\$ 6,534,918</u>	<u>\$ 46,543,632</u>

Changes to endowment net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ 12,379,262	\$ 2,277,446	\$ 14,656,708
Endowment investment return	1,601,606	323,962	1,925,568
Appropriation of expenditure	(4,954,804)	(195,376)	(5,150,180)
Contributions	<u>30,982,650</u>	<u>4,128,886</u>	<u>35,111,536</u>
Endowment net assets, June 30, 2024	<u>\$ 40,008,714</u>	<u>\$ 6,534,918</u>	<u>\$ 46,543,632</u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires Akin to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new endowment contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2024.

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Return objectives and risk parameters – Akin has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Akin must hold in perpetuity or for a donor-specified period as well as board-designated funds as approved by the Board of Directors. The endowment assets are invested in accordance with a board approved investment policy, which has structured the fund as a diversified balanced fund. Its primary investment objective is long-term growth of capital on a total return basis. Thus, it is managed to provide consistent inflation-adjusted support to Akin's operating budget in perpetuity.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, Akin relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Akin targets a diversified asset allocation that balances return and risk through prudent management and investment allocations.

Spending policy and how the investment objectives relate to spending policy – Akin has a policy of appropriating for distribution up to 3% of the 36 month trailing average or up to 3% of the average since inception, whichever is less, of the investment fund's value at the end of the previous year to which the distribution is planned for both the board designated and donor restricted endowment, unless otherwise specified by donors for the donor restricted endowments. In establishing this policy, Akin considered the long-term expected return on its endowment. Accordingly, over the long term, Akin expects the current spending policy to allow its endowment to grow at an average of 2.5% annually. This is consistent with Akin's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 – Liquidity and Availability of Financial Assets

Akin receives funding for programs through a blend of public funding and private contributions, some of which is restricted either contractually or by donors. Akin considers funding restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for program general expenditures. Akin manages its liquidity by maintaining cash on hand to cover at least one month of personnel expenses.

The endowment funds include several donor-restricted endowments. Unless otherwise specified by the donor, the endowment is subject to an annual spending rate of up to 3% and restricted to donor-specified uses. Donor-restricted endowment funds are not available for general expenditure.

Akin's board-designated quasi-endowment is subject to an annual spending rate of up to 3%. Although Akin does not intend to spend from the quasi-endowment in excess of the spending rate or from the facilities fund for purposes other than those it is designated for, additional amounts could be made available if necessary.

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The following reflects Akin's financial assets as of year-end reduced by the amounts not available for general use within one year due to donor-imposed restrictions or internal designations as of June 30:

Cash and cash equivalents	\$ 7,455,446
Accounts receivable, net, to be collected in less than one year	7,747,921
Investments	<u>51,909,714</u>
 Total financial assets, excluding noncurrent receivables	 <u>67,113,081</u>
 Contractual or donor-imposed restrictions	
Endowment fund investments	(6,534,918)
Add back amount to be appropriated for following year	117,000
 Internal designations	
Quasi-endowments	(40,008,714)
Add back amount to be appropriated for following year	<u>3,324,000</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 24,010,449</u></u>

Note 16 – Subsequent Events

Subsequent events are events or transactions that occur after the date of the consolidated statement of financial position but before the consolidated financial statements are available to be issued. Akin recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. Akin's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the date of the consolidated statement of financial position and before the consolidated financial statements are available to be issued.

Akin evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 27, 2025, the date the consolidated financial statements are available to be issued.

