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# **HOPESOURCE**

A WASHINGTON NON-PROFIT ORGANIZATION

Consolidated Financial Statements

For the Year Ended December 31, 2019  
With Comparative Totals for 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
HOPE SOURCE  
Ellensburg, WA

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HOPE SOURCE (the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of December 31, 2019, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information on pages 20-22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2020 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.



Aiken & Sanders, Inc., PS  
Certified Public Accountants  
& Management Consultants

July 15, 2020

# HOPESOURCE

## Consolidated Statement of Financial Position

December 31, 2019 (With Comparative Totals for 2018)	2019	2018
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 443,060	\$ 525,811
Accounts Receivable	637,029	771,738
Weatherization Inventory	13,771	14,996
Commodities Inventory	5,266	4,203
Prepaid Expenses & Other Current Assets	7,629	68,822
<b>Total Current Assets</b>	<b>1,106,755</b>	<b>1,385,570</b>
<b>Property &amp; Equipment</b>		
Land & Building, net	3,030,857	2,965,462
Leasehold Improvements, net	14,442	15,208
Construction in Progress	500,000	50,082
Equipment, net	191,232	201,870
Vehicles, net	77,305	46,532
<b>Total Property &amp; Equipment</b>	<b>3,813,836</b>	<b>3,279,154</b>
<b>Other Assets</b>		
Investment in Windsor Park LLC	88,218	81,289
Investment in Hopesource II Rural Pres. Assoc. LLLP	269,881	(29)
Investment	9,130	8,385
Due from Hopesource II Rural Pres. Assoc. LLLP	196,240	269,516
Due from Windsor Park LLC	24,677	23,948
Operating & Replacement Reserves	67,131	76,516
Security Deposits	12,160	12,009
<b>Total Other Assets</b>	<b>667,437</b>	<b>471,634</b>
<b>Total Assets</b>	<b>\$ 5,588,028</b>	<b>\$ 5,136,358</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 362,239	\$ 231,103
Accrued Expenses	69,308	146,928
Deferred Revenue	100,158	514,969
Tenant Security Deposits Payable	12,160	12,559
Loan Payable Current	38,952	20,025
<b>Total Current Liabilities</b>	<b>582,817</b>	<b>925,584</b>
<b>Long Term Liabilities</b>		
Loan Payable	1,954,825	1,940,108
Less Unamortized Debt Issuance Costs	(5,314)	(5,477)
Less Loan Payable Current	(38,952)	(20,025)
<b>Total Long Term Liabilities</b>	<b>1,910,559</b>	<b>1,914,606</b>
<b>Net Assets</b>		
Without Donor Restrictions	3,085,856	2,287,120
With Donor Restrictions	8,796	9,048
<b>Total Net Assets</b>	<b>3,094,652</b>	<b>2,296,168</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,588,028</b>	<b>\$ 5,136,358</b>

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

## HOPESOURCE

### Consolidated Statement of Activities and Change In Net Assets

Year Ended December 31, 2019 <i>(With Comparative Totals for 2018)</i>	2019	2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	TOTAL
<b>Support &amp; Revenue</b>				
Grants	\$ 6,493,594	\$ -	\$ 6,493,594	\$ 5,688,977
Contributions	351,632	9,574	361,206	279,614
Program Income	233,136	-	233,136	188,933
Other Income	50,155	-	50,155	29,552
Rent Income	181,754	-	181,754	168,138
Inkind Revenue	211,610	-	211,610	114,919
Release of Program Restrictions	9,826	(9,826)	-	-
<b>Total Support &amp; Revenues</b>	<b>7,531,707</b>	<b>(252)</b>	<b>7,531,455</b>	<b>6,470,133</b>
<b>Expenses</b>				
Program Services:				
Housing Services	1,168,324	-	1,168,324	1,093,428
Nutrition Services	278,755	-	278,755	172,433
Transportation Services	1,584,676	-	1,584,676	1,509,096
Weatherization Services	529,234	-	529,234	535,022
Energy Services	782,388	-	782,388	779,971
Block Grants	204,950	-	204,950	218,528
Veterans Grant	1,286,259	-	1,286,259	1,099,779
Corporate	318,272	-	318,272	527,542
	6,152,858	-	6,152,858	5,935,799
Administration	634,282	-	634,282	536,346
<b>Total Expenses</b>	<b>6,787,140</b>	<b>-</b>	<b>6,787,140</b>	<b>6,472,145</b>
<b>Other Revenue &amp; Expenses</b>				
Investment Income (Loss)	7,584	-	7,584	114
<b>Total Other Revenue &amp; Expenses</b>	<b>7,584</b>	<b>-</b>	<b>7,584</b>	<b>114</b>
INCREASE (DECREASE) IN NET ASSETS	752,151	(252)	751,899	(1,898)
NET ASSETS, BEGINNING OF YEAR	2,287,120	9,048	2,296,168	2,298,066
Prior Period Adjustment	46,585	-	46,585	-
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,085,856</b>	<b>\$ 8,796</b>	<b>\$ 3,094,652</b>	<b>\$ 2,296,168</b>

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

**HOPESOURCE****Consolidated Statement of Functional Expenses****Year Ended December 31, 2019 (With Comparative Totals for 2018)**

	<b>Housing Services</b>	<b>Nutrition Services</b>	<b>Transportation Services</b>	<b>Weatherization Services</b>	<b>Energy Services</b>	<b>Block Grants</b>
Salaries	\$ 280,493	\$ 14,150	\$ 689,750	\$ 117,483	\$ 85,953	\$ 101,340
Benefits	149,272	7,911	345,719	61,345	42,657	58,394
Subcontractors Expense	40,565	-	-	-	-	-
Supplies	2,099	522	28,165	1,597	849	1,339
Vehicle Expenses	6,247	696	251,363	4,291	337	240
Professional Services	29,499	3,218	67,134	17,967	9,836	6,832
Communication	5,320	2,444	3,700	1,572	1,342	1,060
Travel	8,351	577	6,911	2,954	2,850	6,717
Advertising	120	97	599	110	-	40
Rent	34,314	6,090	40,242	13,459	9,206	14,535
Insurance	17,944	2,627	36,371	4,704	1,066	746
Utilities	81,628	2,754	5,095	1,745	1,609	2,500
Repair & Maintenance	69,440	10,706	20,418	3,173	2,939	2,944
Printing & Publication	1,812	268	2,511	889	423	187
Miscellaneous	11,688	13,292	2,670	429	280	1,126
Inkind Expenses	-	162,527	-	-	-	-
Conference & Training Fees	2,670	682	2,810	2,596	358	3,717
Client Expenses	290,494	49,418	217	293,211	622,441	1,522
Depreciation Expense	99,092	-	-	-	-	-
Capital Outlay	8,127	776	81,001	1,709	242	1,711
Interest Expense	29,149	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 1,168,324</b>	<b>\$ 278,755</b>	<b>\$ 1,584,676</b>	<b>\$ 529,234</b>	<b>\$ 782,388</b>	<b>\$ 204,950</b>

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

		2019		2018	
Veterans Grant	Corporate	Total Programs	Administration	Total	Total
\$ 318,877	\$ 91,002	\$ 1,699,048	\$ 276,943	\$ 1,975,991	\$ 1,732,879
163,709	48,113	877,120	133,971	1,011,091	913,456
274,119	11,500	326,184	39,113	365,297	302,211
5,305	2,523	42,399	13,314	55,713	54,085
42,739	9,380	315,293	3,794	319,087	214,954
21,011	(52,243)	103,254	61,586	164,840	230,068
8,082	1,024	24,544	7,503	32,047	30,222
13,334	2,461	44,155	28,472	72,627	60,417
663	737	2,366	239	2,605	3,361
37,281	6,018	161,145	17,191	178,336	190,248
10,348	1,969	75,775	4,611	80,386	83,319
3,415	628	99,374	2,130	101,504	77,187
9,206	15,652	134,478	5,367	139,845	106,368
1,918	425	8,433	3,805	12,238	9,158
1,304	7,145	37,934	15,149	53,083	39,691
-	-	162,527	-	162,527	92,108
539	7,116	20,488	16,201	36,689	63,390
364,507	42,335	1,664,145	(4,222)	1,659,923	1,677,993
2,689	54,704	156,485	-	156,485	149,087
6,283	63,899	163,748	9,115	172,863	407,346
930	3,884	33,963	-	33,963	34,597
<b>\$ 1,286,259</b>	<b>\$ 318,272</b>	<b>\$ 6,152,858</b>	<b>\$ 634,282</b>	<b>\$ 6,787,140</b>	<b>\$ 6,472,145</b>

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

**HOPESOURCE**

**Consolidated Statement of Cash Flows**

Year Ended December 31, 2019 (With Comparative Totals for 2018)	2019	2018
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 751,899	\$ (1,898)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) (Used) by Operating Activities:		
Depreciation	156,485	149,087
Amortization of Debt Issuance Costs	163	163
Loss on Disposal of Assets	5,041	-
Forgiveness of Debt	(3,600)	(3,600)
Unrealized (Gain) Loss	(745)	(114)
Gain from Windsor Park LLC	(6,929)	(11,837)
Loss from Hopesource II Rural Pres. Assoc. LLLP	90	23
 (Increase) Decrease in --		
Accounts Receivable	134,709	(258,404)
Due from Hopesource II Rural Pres. Assoc. LLLP	73,276	4,417
Due from Windsor Park LLC	(729)	(12,000)
Inventories	162	266
Operating & Replacement Reserves	9,385	72,207
Security Deposits	(151)	(120)
Prepaid Expenses & Other Current Assets	61,193	27,236
 Increase (Decrease) in --		
Accounts Payable	131,136	85,934
Accrued Expenses	(77,620)	(26,646)
Deferred Revenue	(414,811)	431,452
Tenant Security Deposits Payable	(399)	670
 <b>Net Cash Provided (Used) by Operations</b>	<b>818,555</b>	<b>456,836</b>
<b>Cash Flows From Investing Activities</b>		
Net Activity for Investments	(269,820)	(5,441)
Purchase of Property & Equipment	(649,803)	(72,391)
 <b>Net Cash Provided (Used) by Investing</b>	<b>(919,623)</b>	<b>(77,832)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Loans	415,886	-
Payments on Loans	(397,569)	(115,908)
 <b>Net Cash Provided (Used) by Financing</b>	<b>18,317</b>	<b>(115,908)</b>
Net Increase (Decrease) in Cash	(82,751)	263,096
Cash, at Beginning of Year	525,811	262,715
 <b>Cash, at End of Year</b>	<b>\$ 443,060</b>	<b>\$ 525,811</b>

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

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

HOPESOURCE is a non-profit entity exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not a private foundation. HOPESOURCE operates primarily as the sponsoring agency of various federal, state, and locally funded programs aimed at providing various types of aid to the underprivileged who reside in Kittitas County, state of Washington. As a community action agency (community action agencies were founded under the Economic Opportunity Act of 1964) HOPESOURCE is a locally controlled organization and is administered with the "maximum feasible participation" of the poor. This essential element distinguishes it from other non-profit human service providers. The maximum feasible participation emphasis begins with the board of directors which, by law, must be comprised of representatives from three major elements of the community: 1/3 of low-income residents or their representatives, 1/3 of local public officials or their designees, and the remaining 1/3 of members from the private sector.

Westview Villa Holdings, LLC (the LLC) is a Washington limited liability company which was formed on January 2, 2017. Originally, it was formed as a Washington Limited Partnership in 1995 to construct, own, and operate the Westview Villa Apartments, a 26-unit apartment project (the Project) located in Cle Elum, Washington. The general partner, HOPESOURCE, owned .01% in the Partnership. HOPESOURCE purchased and became 100% owner on January 2, 2017.

The Partnership had received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code, administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Project is subject to monitoring of tenant eligibility by WSHFC. In addition, the LLC executed a land use restriction agreement, which requires the Project to be in compliance with IRC Section 42 for a minimum of thirty-seven years.

The summary of significant accounting policies of HOPESOURCE and its affiliate, Westview Villa Holdings, LLC, collectively the Organization, is presented to assist in understanding the Organization's financial statements. The consolidated financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. All interagency accounts and transactions have been eliminated in the consolidation. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the consolidated financial statements.

#### Concentration of Revenue

The Organization receives a substantial amount of its annual support in the form of government grants. A significant reduction in the level of this support, if it were to occur, might have a significant effect on the Organization's programs and activities.

#### Accounting Basis

The Organization maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as without donor restrictions or with donor restrictions as provided in the particular terms of the respective grant contracts. However, if the restrictions on grant funds are met in the same year the funds are awarded, it is the Organization's policy to report the grant funds as without donor restrictions on the statement of activities and changes in net assets.

# HOPE SOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

#### Liquidity and Availability

The Organization has \$1,080,089 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$443,060 and accounts receivable of \$637,029 as of December 31, 2019. The Organization has \$1,297,549 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$525,811 and accounts receivable of \$771,738 as of December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization has ongoing grants and contracts that will reimburse the Organization allowable expenditures for that grant or contract. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization also has investments of \$9,130 and \$8,385, as of December 31, 2019 and 2018, respectively, that the Organization can draw on to help pay for expenditures. See note 8.

The Organization has replacement reserves that can be used for the LLC. See note 3.

#### Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Items of less than \$5,000 per unit cost are charged to expense as minor equipment or supplies.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of property and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

Straight-line depreciation is provided over the estimated useful lives of the assets as follows:

Buildings & Improvements	15 - 40 years
Furniture & Equipment	5 - 10 years
Vehicles	5 to 6 years

#### Recognition of Contribution Revenue

The Organization reports gifts of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restrictions support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on restricted contributions are met in the same year the gift is received, it is the Organization's policy to report the contribution as without donor restrictions on the statement of activities and changes in net assets.

# HOPE SOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

#### Recognizing Revenue from Contracts with Customers

The Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The standard will be effective for annual periods beginning after December 15, 2018. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization follows these principles. The guidance will initially be applied retrospectively. There was no changes in receivables and deferred revenue for 2019.

Upon receipt of rent payments from tenants that is for the next month and advances from grants and contracts from the funding sources, the Organization recognizes deferred revenue in the amount of the advance for its performance obligation to perform services in the future. At December 31, 2019 and 2018, the Organization has recorded deferred revenue of \$100,158 and \$514,969, which the Organization expects to recognize as revenue in the following month for the rent and the following year from grants and contracts, when it performs those services and, therefore, satisfies its performance obligation to the customers.

The balance of accounts receivable and deferred revenue are as follows as of December 31, 2019 and 2018:

	2019	2018
Accounts Receivable	\$634,142	\$771,738
Deferred Revenue	\$100,158	\$514,969

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Advertising Costs

It is the Organization's policy to expense all advertising costs as incurred.

#### Allocation of Indirect Costs

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Payroll and related costs are allocated based on time spent on each function. Photocopy, telephone, postage and travel costs are allocated among the program and supporting services on the basis of benefits received. Occupancy costs are allocated based on square footage. Technology costs are allocated by number of computers for each department.

### **NOTE 2: CASH**

During 2019 and 2018, the Organization, at times, had deposits in accounts which exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). Management does not believe the Organization is at any significant risk of loss on these accounts.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 3: RESERVE ACCOUNTS**

The LLC has the following reserve accounts:

#### **Replacement Reserve:**

The Agreement stipulates that a replacement reserve be created and funded initially in the amount of \$30,000; thereafter deposits are to be made at the rate of \$200 per unit per year (or \$5,200). This reserve shall be used to fund major repairs, capital expenditures and replacement of capital items in the Project. The reserve is to be established in an interest bearing account. The balance in the account at December 31, 2019 and 2018 totaled \$67,131 and \$76,477, respectively.

#### **Operating Reserve:**

The Agreement stipulates that an operating reserve be created and funded initially in the amount of \$85,000. HOPESOURCE shall fund the operating reserve from Cash Flow as defined in the Agreement in order to maintain, to the extent possible, a balance at all times of at least \$85,000. Beginning in 2018, this requirement is no longer required. The balance in the account at December 31, 2019 and 2018 totaled \$0 and \$39, respectively.

### **NOTE 4: SUPPLEMENTAL DISCLOSURES - STATEMENT OF CASH FLOWS**

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

Cash paid during the years ended December 31, 2019 and 2018, for interest was \$45,601 and \$57,600, respectively. For 2019 and 2018, the interest paid that was capitalized was \$11,638 and \$30,575, respectively.

### **NOTE 5: ACCOUNTS RECEIVABLE**

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial and therefore no allowance for doubtful accounts has been established. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2019 and 2018, there were bad debts of \$3,276 and \$2,925, respectively. As of December 31, 2019, management estimated that all accounts receivable were collectible.

Past due trade receivables are those on which no payments have been received within 90 days following the month in which they originated. No interest is charged on past due trade receivables. As of December 31, 2019, all receivables are current.

### **NOTE 6: INVENTORY**

Inventories of USDA surplus commodities are shown at the cost value provided by the USDA. The cost of inventory of USDA Surplus Commodities at December 31, 2019 and 2018, is \$5,266 and \$4,203, respectively.

At December 31, 2019 and 2018, the Organization had inventory of insulation and windows for use in the Weatherization program. The cost of the inventory as of December 31, 2019 and 2018, is \$13,771 and \$14,996, respectively.

## HOPE SOURCE

### Notes to the Financial Statements

Year Ended December 31, 2019

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#### **NOTE 7: PROPERTY, EQUIPMENT AND ACCUMULATED DEPRECIATION**

Property and equipment consist of the following:

<u>Asset</u>	<u>Method</u>	<u>Life</u>	
Land			\$ 905,731
Building & Improvements	S/L	15 - 40 yrs	3,727,143
Accumulated Depreciation			(1,602,017)
			<u>\$ 3,030,857</u>
Leasehold Improvements	S/L	30 yrs	\$ 22,970
Accumulated Depreciation			(8,528)
			<u>\$ 14,442</u>
Furniture & Equipment	S/L	5 - 10 yrs	\$ 414,231
Accumulated Depreciation			(222,999)
			<u>\$ 191,232</u>
Vehicles	S/L	5 - 6 yrs	\$ 159,000
Accumulated Depreciation			(81,695)
			<u>\$ 77,305</u>

Accumulated depreciation as of December 31, 2018, was \$1,780,935.

As of December 31, 2019 and 2018, construction in progress was \$500,000 and \$50,082, respectively, which includes capitalized interest of \$42,213 and \$30,575, respectively.

#### **NOTE 8: INVESTMENTS & FAIR VALUE MEASUREMENTS**

As of December 31, 2019 and 2018, the Organization investments are in a mutual fund with a cost basis of \$5,608 and \$6,737, respectively. As of December 31, 2019 and 2018, the investments had a fair market value of \$9,130 and \$8,385, respectively. Unrealized gain (loss) for the years ended December 31, 2019 and 2018, were \$745 and \$114, respectively.

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

### NOTE 8: INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

**Level 2:** Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Windsor Park LLC and Hopesource II Rural Preservation Associates LLLP: Direct capitalization under the income approach observable by the entity's financial statements. The Organization considers the measurement to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values reported by the Project's, there has been no appraisal on the Project's assets and liabilities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Mutual Fund: Based on net asset values (NAV) at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019 and comparative totals for 2018:

	2019				2018
	Level 1	Level 2	Level 3	Total	Total
Windsor Park LLC	\$ -	\$ -	\$ 88,218	\$ 88,218	\$ 81,289
Hopesource II Rural Preservation Assoc. LLLP	-	-	269,881	269,881	(29)
Mutual Funds	9,130	-	-	9,130	8,385
	\$ 9,130	\$ -	\$ 358,099	\$ 367,229	\$ 89,645

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 8: INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)**

#### **Changes in Level 3 Assets:**

The following table sets forth a summary of changes in the fair value of HOPESOURCE'S level 3 assets for the year ended December 31, 2019:

	Windsor Park LLC	Hopesource II Rural Preservation Assoc. LLLP
	<u>                    </u>	<u>                    </u>
Balance, December 31, 2018	\$ 81,289	\$ (29)
Capital Contribution	-	270,000
Realized Gains (Losses)	6,929	(90)
Balance, December 31, 2019	<u>\$ 88,218</u>	<u>\$ 269,881</u>

Net activity for level 3 assets for the year ended December 31, 2018, was \$11,814.

### **NOTE 9: WINDSOR PARK LLC**

HOPESOURCE is the Managing General Partner in the Windsor Park LLC. HOPESOURCE has an ownership interest of 5.0%. The purpose of the LLC is to acquire, rehabilitate, and operate three low to moderate income housing projects located in Ellensburg, Cle Elum, and Roslyn, Washington. There are a total of 98 units. The project is a qualified tax credit project with financing being provided by Washington Community Reinvestment Corporation and Rural Housing Service. The units are rented to families with moderate to low incomes.

At December 31, 2019 and 2018, the LLC owed the Organization development fees of \$24,677 and \$23,948, respectively.

### **NOTE 10: HOPESOURCE II RURAL PRESERVATION ASSOCIATES LLLP**

During 2016, HOPESOURCE became the Managing General Partner in the Hopesource II Rural Preservation Associates LLLP. HOPESOURCE has an ownership interest of .01%. The purpose of the LLC is to acquire, own, develop, construct, rehabilitate, lease, manage and operate six low to moderate income housing projects located in Ellensburg, Leavenworth, Cashmere, and Selah, Washington. There are a total of 146 units. The project is a qualified tax credit project with financing being provided by Department of Commerce, Churchill Mortgage Investment, LLC and USDA Rural Development. The units are rented to families with moderate to low incomes.

At December 31, 2019 and 2018, the LLLP owed the Organization development fees of \$196,240 and \$269,516, respectively.

### **NOTE 11: DEFERRED REVENUES**

Deferred revenue is recognized for program (grant) advances received by the Organization that are in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

# HOPE SOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 12: COMPENSATED ABSENCES**

The Organization provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Unused annual leave is payable to employees in cash upon their termination. Annual leave is cumulative up to a maximum of 80 hours.

At December 31, 2019 and 2018, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2019</u>	<u>2018</u>
Annual Leave	<u>\$ 48,029</u>	<u>\$ 36,446</u>

### **NOTE 13: LOANS PAYABLE**

As of December 31, 2019, long-term debt consisted of the following:

	<u>2019</u>
Loan payable to Cashmere Valley Bank in monthly installments of \$3,154 including interest at 3.25% maturing February 25, 2020. Secured by property.	\$ 649,874
Department of Commerce - Housing Trust Fund Program. Secured by real estate (See Below)	84,000
Loan payable to Cashmere Valley Bank in monthly installments of \$2,174 including interest at 1.75% plus 2.25 points (currently at 4%) maturing August 25, 2029. Secured by property.	288,812
Loan payable to Cashmere Valley Bank in monthly installments of \$906 including interest at 1.75% plus 2.25 points (currently at 4%) maturing September 25, 2029. Secured by property.	120,938
Department of Commerce (See Below)	<u>811,201</u>
	<u>\$ 1,954,825</u>

Long-term debt as of December 31, 2018, was \$1,940,108.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### NOTE 13: LOANS PAYABLE (CON'T)

Maturity of debt due within 5 years:

2020	\$	38,952
2021		43,070
2022		44,541
2023		46,068
2024		47,573
Thereafter		<u>1,734,621</u>
	\$	<u><u>1,954,825</u></u>

During 2003, HOPESOURCE entered into an agreement with Department of Commerce for funds used to pay off existing debt. The promissory note and deed of trust for \$144,000, with no interest, will be forgiven \$3,600 per year until May 1, 2043. The loan is secured by the emergency shelter triplex. In the event that the property is sold, or the property is not used as required by the Contract during the term of the loan, HOPESOURCE would be liable to the Department of Commerce for any unpaid balance of the promissory note plus an amount representing the prorated, appreciated value of the property as defined in the Contract. An imputed interest rate of 8.19% is used to calculate interest expense and contribution revenue for each year.

The note payable to the State of Washington Department of Commerce (the Department) in the amount of \$811,201 is non-interest bearing and is secured by a deed of trust on the property and a Housing Finance Unit Contract. A balloon payment for the full principal amount of \$811,201 is due and payable on or before April 1, 2052. The Housing Finance Unit Contract commits the LLC to renting twenty five (25) project units to households with gross annual income of less than fifty percent (50%) of the local area median income for Kittitas County, Washington. Under the agreement, if the Project is sold, refinanced, changes use, changes ownership, or is destroyed prior to the commitment term of 50 years, and the proceeds generated by such premature termination are not timely reinvested in housing for low or very low-income persons, the Department will share in the appreciated value of the property based on the Department's contingent interest as specified in the agreement. At December 31, 2019, the loan balance totaled \$811,201. Given the unique nature of the LLC's secured debt, management has determined that, as of December 31, 2019, it is not practicable to make a reasonable estimate of fair value of the mortgage note payable.

The Organization classifies debt issuance costs as a reduction to underlying loan obligations and recognizes interest expense on these costs over the life of the underlying loans. The Organization recognized \$163 in interest expense for these costs in 2019 and 2018, respectively. Composition of debt issuance costs is the following:

		<u>2019</u>
Debt Issuance Costs	\$	8,112
Less: Interest Recognized		<u>(2,798)</u>
Net Debt Issuance Costs	\$	<u><u>5,314</u></u>

# HOPE SOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 14: WITH DONOR RESTRICTION NET ASSETS**

The with donor restriction net assets are donor-restricted contributions that have not been expended for the donor specified purposes as of December 31, 2019 and 2018.

### **NOTE 15: RENT INCOME**

The Organization leases part of the Moses Lake office to another organization. Rent income for the next 5 years is as follows:

2020	\$	18,000
2021		18,000
2022		18,000
2023		18,000
2024		12,000
	\$	<u>84,000</u>

### **NOTE 16: IN-KIND CONTRIBUTIONS**

Volunteers contribute services toward the fulfillment of programs sponsored by the Organization. The contributed services are not recorded in the financial statements because they do not meet the requirements. During the years ended December 31, 2019 and 2018, the estimated fair value of volunteer services was \$34,153 and \$37,536, respectively.

The Organization receives donated equipment, supplies and food that are used in the programs sponsored by the Organization. The donated equipment, supplies and food are recorded as in-kind revenue at estimated fair market value when they are received. Equipment exceeding \$5,000 in value are capitalized while donated supplies and food, when used, are expensed. Donated equipment, supplies and food for the years ended December 31, 2019 and 2018 were \$211,610 and \$114,919, respectively.

### **NOTE 17: LEASE COMMITMENTS**

The Organization leases facilities and vehicles to be used in their programs. The leases for facilities and vehicles are classified as operating leases. Lease expense for the years ended December 31, 2019 and 2018, were \$178,336 and \$190,248, respectively.

Future minimum payments under operating leases at December 31, 2019, are:

2020	\$	197,268
2021		166,913
2022		169,531
2023		172,201
2024		174,925
	\$	<u>880,838</u>

# HOPE SOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

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### **NOTE 18: CONTINGENCIES**

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

### **NOTE 19: SUBSEQUENT EVENTS**

The Organization did not have any subsequent events through July 15, 2020, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2019.

### **NOTE 20: UNCERTAIN TAX POSITIONS**

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2016. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2019 and 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2019 and 2018, the Organization recognized \$0 in interest and penalties. The Organization recognized \$0 for the payment of interest and penalties accrued at December 31, 2019 and 2018.

### **NOTE 21: PRIOR PERIOD ADJUSTMENT**

During the year ended December 31, 2019, it was noted that the administrative fee payable was understated by \$46,585 for the LLC. In the financial records, payables were increased and net assets decreased by the \$46,585.

### **NOTE 22: SCHEDULE OF NON-FEDERAL AWARDS**

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2019, are as follows:

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2019

### NOTE 22: SCHEDULE OF NON-FEDERAL AWARDS (CON'T)

<u>Agency</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Amount</u>
Dept of Transportation	UCB1457	State Paratransit	\$ 153,087
Dept of Transportation	PTD0033	Transportation	228,062
Dept of Commerce	S17-92401-415	Matchmaker	95,035
Dept of Commerce	S19-92401-415	Matchmaker	50,313
Dept of Commerce	17-46108-16	Consolidated Homeless Housing	87,963
Dept of Commerce	20-46108-16	Consolidated Homeless Housing	110,020
Dept of Commerce	S18-32100-213	State Community Services Block Grant	3,456
Dept of Commerce	S20-32100-213	State Community Services Block Grant	7,457
Dept of Commerce	17-46108-16	Housing and Essential Needs	60,310
Dept of Commerce	20-46108-16	Housing and Essential Needs	45,123
Puget Sound Energy	None	Energy Assist.	214,271
Puget Sound Energy	None	Energy Assist. WAP	144,103
City of Ellensburg	None	Transportation	741,098
City of Ellensburg	None	Weatherization	7,449
Kittitas County	HH2009-001	Senior Rent Assistance	130,234
Kittitas County	None	Evergreen	19,343
City of Ellensburg	None	Dial Ride	107,776
Polaris	2010-001	Homeless Housing Program	32,100
Polaris	HH2018-003	Affordable Housing Program	95,971
Emergency Food Assist	K667	EFAP	12,385
Miscellaneous	None	Miscellaneous	771,668
PUD	None	Energy & Weatherization Assistance	15,720
			\$ <u><u>3,132,944</u></u>

# HOPESOURCE

## Consolidating Statement of Financial Position

**As of December 2019**

	<u>HOPESOURCE</u>	<u>WESTVIEW VILLA HOLDINGS LLC</u>	<u>ELIMINATING ENTRIES</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>				
<b>Current Assets</b>				
Cash	\$ 433,565	\$ 9,495	\$ -	\$ 443,060
Accounts Receivable	660,837	1,777	(25,585)	637,029
Weatherization Inventory	13,771	-	-	13,771
Commodities Inventory	5,266	-	-	5,266
Prepaid Expenses & Other Current Assets	2,887	4,742	-	7,629
<b>Total Current Assets</b>	<b>1,116,326</b>	<b>16,014</b>	<b>(25,585)</b>	<b>1,106,755</b>
<b>Property &amp; Equipment</b>				
Land & Building, net	1,332,235	1,698,622	-	3,030,857
Leasehold Improvements, net	14,442	-	-	14,442
Construction in Progress	500,000	-	-	500,000
Equipment, net	172,509	18,723	-	191,232
Vehicles, net	77,305	-	-	77,305
<b>Total Property &amp; Equipment</b>	<b>2,096,491</b>	<b>1,717,345</b>	<b>-</b>	<b>3,813,836</b>
<b>Other Assets</b>				
Investment in Windsor Park LLC	88,218	-	-	88,218
Investment in Westview	959,705	-	(959,705)	-
Investment in Hopesource II Rural Pres. Assoc. LLLP	269,881	-	-	269,881
Investment	9,130	-	-	9,130
Due from Hopesource II Rural Pres. Assoc. LLLP	196,240	-	-	196,240
Due from Windsor Park LLC	24,677	-	-	24,677
Operating & Replacement Reserves	-	67,131	-	67,131
Security Deposits	-	12,160	-	12,160
<b>Total Other Assets</b>	<b>1,547,851</b>	<b>79,291</b>	<b>(959,705)</b>	<b>667,437</b>
<b>Total Assets</b>	<b>\$ 4,760,668</b>	<b>\$ 1,812,650</b>	<b>\$ (985,290)</b>	<b>\$ 5,588,028</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 355,547	\$ 6,692	\$ -	\$ 362,239
Accrued Expenses	68,793	515	-	69,308
Deferred Revenue	98,052	2,106	-	100,158
Tenant Security Deposits Payable	-	12,160	-	12,160
Due to Hopesource	-	25,585	(25,585)	-
Loan Payable Current	38,952	-	-	38,952
<b>Total Current Liabilities</b>	<b>561,344</b>	<b>47,058</b>	<b>(25,585)</b>	<b>582,817</b>
<b>Long Term Liabilities</b>				
Loan Payable	1,143,624	811,201	-	1,954,825
Less: Unamortized Debt Issuance Costs	-	(5,314)	-	(5,314)
Less: Loan Payable Current	(38,952)	-	-	(38,952)
<b>Total Long Term Liabilities</b>	<b>1,104,672</b>	<b>805,887</b>	<b>-</b>	<b>1,910,559</b>
<b>Net Assets</b>				
Without Donor Restrictions	3,085,856	959,705	(959,705)	3,085,856
With Donor Restrictions	8,796	-	-	8,796
<b>Total Net Assets</b>	<b>3,094,652</b>	<b>959,705</b>	<b>(959,705)</b>	<b>3,094,652</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,760,668</b>	<b>\$ 1,812,650</b>	<b>\$ (985,290)</b>	<b>\$ 5,588,028</b>

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

# HOPESOURCE

## Consolidating Statement of Activities and Changes in Net Assets

**Year Ended December 31, 2019**

	<u>HOPESOURCE</u>	<u>WESTVIEW VILLA HOLDINGS LLC</u>	<u>ELIMINATING ENTIRES</u>	<u>TOTAL</u>
<b>Support &amp; Revenue</b>				
Grants	\$ 6,493,594	\$ -	\$ -	\$ 6,493,594
Contributions	361,206	-	-	361,206
Program Income	233,136	-	-	233,136
Other Income	(18,714)	3,754	72,699	57,739
Rent Income	-	181,754	-	181,754
Inkind Revenue	211,610	-	-	211,610
Release of Program Restrictions	-	-	-	-
<b>Total Support &amp; Revenues</b>	<b><u>7,280,832</u></b>	<b><u>185,508</u></b>	<b><u>72,699</u></b>	<b><u>7,539,039</u></b>
<b>Expenses</b>				
Program Services:				
Housing Services	984,807	183,517	-	1,168,324
Nutrition Services	278,755	-	-	278,755
Transportation Services	1,584,676	-	-	1,584,676
Weatherization Services	529,234	-	-	529,234
Energy Services	782,388	-	-	782,388
Block Grants	204,950	-	-	204,950
Veterans Grant	1,286,259	-	-	1,286,259
Corporate	318,272	-	-	318,272
	5,969,341	183,517	-	6,152,858
Administration	595,592	38,690	-	634,282
<b>Total Expenses</b>	<b><u>6,564,933</u></b>	<b><u>222,207</u></b>	<b><u>-</u></b>	<b><u>6,787,140</u></b>
INCREASE (DECREASE) IN NET ASSETS	715,899	(36,699)	72,699	751,899
NET ASSETS, BEGINNING OF YEAR	2,378,753	1,016,404	(1,098,989)	2,296,168
Distribution	-	(20,000)	20,000	-
Prior Period Adjustment	-	-	46,585	46,585
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 3,094,652</u></b>	<b><u>\$ 959,705</u></b>	<b><u>\$ (959,705)</u></b>	<b><u>\$ 3,094,652</u></b>

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

# HOPESOURCE

## Consolidating Statement of Functional Expenses

**Year Ended December 31, 2019**

	<u>HOPESOURCE</u>	<u>WESTVIEW VILLA HOLDINGS LLC</u>	<u>ELIMINATING ENTIRES</u>	<u>TOTAL</u>
Salaries	\$ 1,943,999	\$ 31,992	\$ -	\$ 1,975,991
Benefits	1,002,019	9,072	-	1,011,091
Subcontractors Expense	365,297	-	-	365,297
Supplies	55,713	-	-	55,713
Vehicle Expenses	319,087	-	-	319,087
Professional Services	145,986	18,854	-	164,840
Communication	29,785	2,262	-	32,047
Travel	72,192	435	-	72,627
Advertising	2,456	149	-	2,605
Rent	178,336	-	-	178,336
Insurance	72,956	7,430	-	80,386
Utilities	60,446	41,058	-	101,504
Repair & Maintenance	108,616	31,229	-	139,845
Printing & Publication	12,238	-	-	12,238
Miscellaneous	46,507	6,576	-	53,083
Inkind Expenses	162,527	-	-	162,527
Conference & Training Fees	35,889	800	-	36,689
Client Expenses	1,659,923	-	-	1,659,923
Depreciation Expense	84,298	72,187	-	156,485
Capital Outlay	172,863	-	-	172,863
Interest Expense	33,800	163	-	33,963
<b>Total</b>	<b>\$ 6,564,933</b>	<b>\$ 222,207</b>	<b>\$ -</b>	<b>\$ 6,787,140</b>

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

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019					
Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures		Total
			From Pass-Through Awards	From Direct Awards	
<b>Department of Health and Human Services</b>					
Passed Through State Department of Commerce:					
Community Services Block Grant	93.569	F20-32101-013	\$ 142,185	\$ -	\$ 142,185
LIHEAP Weatherization Assistance Program	93.568	F20-53101-415	49,028	-	49,028
LIHEAP Weatherization Assistance Program	93.568	F19-53101-415	81,734	-	81,734
LIHEAP	93.568	F19-32606-066	17,330	-	17,330
LIHEAP	93.568	F20-32606-066	617,363	-	617,363
Passed Through Yakima County:					
Special Programs for the Aging-Title III Part B	93.044	2019-HS	26,729	-	26,729
			<u>934,369</u>	<u>-</u>	<u>934,369</u>
<b>Department of Housing &amp; Urban Development</b>					
Youth Homelessness Demonstration Program - SSO	14.276	None	-	30,608	30,608
Youth Homelessness Demonstration Program - RRH	14.276	None	-	47,417	47,417
Passed Through State Department of Commerce:					
Supportive Housing Program	14.235	WA00298LOT011703	24,238	-	24,238
Supportive Housing Program	14.235	WA00298LOT011804	25,771	-	25,771
Youth Homelessness Demonstration Program - TH	14.276	20-46306-009	3,599	-	3,599
Community Development Block Grant	14.228	20-62210-008	46,061	-	46,061
Community Development Block Grant	14.228	19-62210-008	32,864	-	32,864
			<u>132,533</u>	<u>78,025</u>	<u>210,558</u>
<b>Department of Agriculture</b>					
Rural Community Development Initiative	10.446	None	-	40,758	40,758
Rural Community Development Initiative	10.446	None	-	104,476	104,476
Passed Through State Department of General Administration:					
Emergency Food Assistance Program (Commodities)	10.569	None	25,858	-	25,858
Food Assistance - TMP (Commodities)	10.178	None	23,225	-	23,225
Passed Through USDA Rural Development:					
USDA Housing Preservation	10.433	None	35,328	-	35,328
			<u>84,411</u>	<u>145,234</u>	<u>229,645</u>
<b>Department of Energy</b>					
Passed Through State Department of Commerce:					
Weatherization Assistance	81.042	F19-53103-415	19,932	-	19,932
Weatherization Assistance	81.042	F18-53103-415	27,435	-	27,435
			<u>47,367</u>	<u>-</u>	<u>47,367</u>
<b>Bonneville Power Administration</b>					
Passed Through State Department of Commerce:					
BPA Weatherization	81.999	F20-53104-415	14,827	-	14,827
BPA Weatherization	81.999	F19-53104-415	38,601	-	38,601
			<u>53,428</u>	<u>-</u>	<u>53,428</u>
<b>Department of Transportation</b>					
Passed Through State of Washington Dept. of Transportation:					
Elderly & Persons with Disabilities Program	20.513	PTD 0033	217,132	-	217,132
Elderly & Persons with Disabilities Program	20.513	UCB 1457	182,607	-	182,607
			<u>399,739</u>	<u>-</u>	<u>399,739</u>
<b>Department of Veterans Affairs</b>					
VA Supportive Services for Veteran Families	64.033	20-WA-338	-	354,484	354,484
VA Supportive Services for Veteran Families	64.033	19-WA-338	-	1,079,275	1,079,275
			<u>-</u>	<u>1,433,759</u>	<u>1,433,759</u>
			<u>\$ 1,651,847</u>	<u>\$ 1,657,018</u>	<u>\$ 3,308,865</u>

## **HOPESOURCE**

### **Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2019**

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#### **NOTE 1: BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the HOPESOURCE'S financial statements. The HOPESOURCE uses the accrual basis of accounting.

#### **NOTE 2: DE-MINIMIS COST RATE**

The HOPESOURCE did not use the 10% de-minimis cost rate.

#### **NOTE 3: SUB RECIPIENTS**

Included in the Department of Veterans Affairs VA Supportive Services for Veteran Families program, are amounts passed on to sub recipients of \$274,119.

**HOPESOURCE**

**Summary Schedule of Prior Audit Findings**

**Year Ended December 31, 2019**

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No prior year findings.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
HOPE SOURCE  
Ellensburg, WA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HOPE SOURCE (the Agency), 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, and have issued our report thereon dated July 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Aiken & Sanders".

Aiken & Sanders, Inc., PS  
Certified Public Accountants  
& Management Consultants

July 15, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

To the Board of Directors  
HOPESOURCE  
Ellensburg, WA

**Report on Compliance for Each Major Federal Program**

We have audited HOPESOURCE (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2019. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

**Report on Internal Control over Compliance**

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Aiken & Sanders, Inc., PS  
Certified Public Accountants  
& Management Consultants

July 15, 2020

HOPESOURCE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

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**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unmodified

**Internal control over financial reporting:**

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

**Federal Awards**

**Internal control over major programs:**

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): No

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
64.033	VA Supportive Services for Veteran Families

**Dollar threshold used to distinguish between Type A and Type B programs:** \$750,000

**Auditee qualified as low-risk auditee:** Yes

**Section II – Financial Statement Findings:**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs:**

No matters were reported.