



Consolidated Financial Statements

For the Year Ended December 31, 2021

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Independent Auditor's Report

To the Board of Directors
HopeSource
Ellensburg, Washington

Opinion

We have audited the financial statements of HopeSource and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of HopeSource as of December 31, 2021, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 HopeSource 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.

Other Matter

The financial statements of HopeSource for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statement from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HopeSource's ability to continue as a going concern for one year after the date that the 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 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 and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 HopeSource'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HopeSource'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.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 18 through 21 are presented for purposes of additional analysis and is not a required part of the 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 August 23, 2022 on our consideration of HopeSource'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 solely 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 the effectiveness of the HopeSource's 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 HopeSource's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
August 23, 2022

HOPESOURCE AND SUBSIDIARY

Statement of Financial Position

December 31, 2021

(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 950,290	\$ 417,060
Accounts and grants receivable, net	2,031,046	1,076,827
Prepaid expenses and other current assets	<u>107,790</u>	<u>85,077</u>
Total Current Assets	3,089,126	1,578,964
Investments in marketable securities	11,851	10,700
Investments in affordable housing entities (Note 4)	545,460	362,138
Receivables from related parties (Note 4)	1,252,528	706,908
Restricted reserves (Note 3)	46,073	66,698
Property and equipment, net (Note 5)	<u>5,756,476</u>	<u>4,797,573</u>
Total Assets	<u>\$ 10,701,514</u>	<u>\$ 7,522,981</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 527,727	\$ 249,892
Accrued liabilities and other current liabilities	351,807	299,886
Current portion of long-term debt (Note 6)	<u>93,567</u>	<u>57,487</u>
Total Current Liabilities	973,101	607,265
Long-term debt, less current portion (Note 6)	<u>3,540,339</u>	<u>3,036,213</u>
Total Liabilities	4,513,440	3,643,478
Net Assets:		
Without donor restrictions	6,098,491	3,879,503
With donor restrictions (Note 9)	<u>89,583</u>	<u></u>
Total Net Assets	<u>6,188,074</u>	<u>3,879,503</u>
Total Liabilities and Net Assets	<u>\$ 10,701,514</u>	<u>\$ 7,522,981</u>

See accompanying notes.

HOPESOURCE AND SUBSIDIARY

**Statement of Activities
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Without Donor Restriction	With Donor Restriction	2021 Total	2020 Total
Operating Activities				
Operating Public Support and Revenue:				
Public support-				
Governmental fees and grants	\$ 14,884,221	\$ 89,583	\$ 14,973,804	\$ 9,548,066
Contributions	991,416		991,416	773,200
In-kind contributions	372,499		372,499	265,440
Total public support	16,248,136	89,583	16,337,719	10,586,706
Program income	404,651		404,651	124,187
Investment and other income	50,818		50,818	340,411
Rental income	315,311		315,311	263,730
Total Operating Public Support and Revenue	17,018,916	89,583	17,108,499	11,315,034
Expenses:				
Program services-				
Housing services	6,045,729		6,045,729	2,905,432
Nutrition services	374,036		374,036	386,560
Transportation services	2,565,760		2,565,760	2,002,049
Weatherization services	817,847		817,847	877,482
Energy services	1,260,252		1,260,252	955,644
Block grants	241,889		241,889	281,625
Veteran services	2,025,679		2,025,679	2,001,084
Corporate	272,921		272,921	241,364
Total program services	13,604,113		13,604,113	9,651,240
Supporting services-				
Management and general	1,132,741		1,132,741	824,767
Fundraising	63,074		63,074	54,176
Total supporting services	1,195,815		1,195,815	878,943
Total Expenses	14,799,928		14,799,928	10,530,183
Change in Net Assets	2,218,988	89,583	2,308,571	784,851
Net assets, beginning of year	3,879,503		3,879,503	3,094,652
Net Assets, End of Year	\$ 6,098,491	\$ 89,583	\$ 6,188,074	\$ 3,879,503

See accompanying notes.

HOPESOURCE AND SUBSIDIARY

**Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,308,571	\$ 784,851
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	342,083	208,303
Financing cost amortization	163	162
Loss on disposal of property and equipment	10,500	
Forgiveness of long-term debt	(3,600)	(3,600)
Realized and unrealized gains on investments in marketable securities	(1,151)	(1,570)
Pass-through earnings from investments in affordable housing entities	(3,522)	(4,039)
Change in operating assets and liabilities:		
Accounts and grants receivable	(954,219)	(439,798)
Receivables from related parties	(260,620)	14,009
Prepaid expenses and other current assets	(22,713)	(58,408)
Accounts payable	277,835	(112,349)
Accrued liabilities and other current liabilities	51,921	118,261
Net Cash Provided by Operating Activities	1,745,248	505,822
Cash Flows From Investing Activities:		
Issuance of notes receivable to related parties	(285,000)	
Capital contribution in affordable housing entities	(179,800)	
Payments to acquire property and equipment	(1,311,486)	(1,692,043)
Net Cash Used in Investing Activities	(1,776,286)	(1,692,043)
Cash Flows From Financing Activities:		
Proceeds from long-term debt	644,100	1,200,000
Principal payments on long-term debt	(100,457)	(52,372)
Net Cash Provided by Financing Activities	543,643	1,147,628
Net Change in Cash and Cash Equivalents	512,605	(38,593)
Cash, cash equivalents and restricted cash balance beginning of year	483,758	522,351
Cash, Cash Equivalents and Restricted Cash Balance End of Year	\$ 996,363	\$ 483,758
Cash, Cash Equivalents and Restricted Cash on the Statement of Financial Position:		
Cash and cash equivalents	\$ 950,290	\$ 417,060
Restricted reserves	46,073	66,698
Total Cash, Cash Equivalents and Restricted Cash Balance	\$ 996,363	\$ 483,758
Supplementary Disclosures:		
Cash paid during the year for interest	\$ 92,493	\$ 53,803

See accompanying notes.

HOPESOURCE AND SUBSIDIARY

**Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	Housing Services	Nutrition Services	Transportation Services	Weatherization Services	Energy Services	Block Grants	Veteran Services	Corporate and Others	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021 Total	2020 Total
Salaries	\$ 1,068,952	\$ 38,623	\$ 890,508	\$ 153,248	\$ 137,588	\$ 146,274	\$ 485,710	\$ 38,645	\$ 2,959,548	\$ 478,851	\$ 34,133	\$ 512,984	\$ 3,472,532	\$ 2,593,680
Employee benefits and payroll taxes	534,183	15,938	475,487	77,494	64,052	82,168	258,605	21,484	1,529,411	267,746	20,028	287,774	1,817,185	1,297,234
Total Salaries and Related Expenses	1,603,135	54,561	1,365,995	230,742	201,640	228,442	744,315	60,129	4,486,959	746,597	54,161	800,758	5,289,717	3,890,914
Direct assistance	3,218,583	76,225	36	540,045	1,026,482	9,244	721,164	66,232	5,658,011	2,593		2,593	5,660,604	3,498,461
Subcontractors	262,869						267,992	22,670	553,531	34,564		34,564	588,095	593,570
Capital outlay	23,077	9,331	512,459	171	2,483	147	10,568	1,567	559,803	8,425		8,425	568,228	621,150
Professional services	102,492	13,335	97,602	9,043	5,801	507	44,989	22,673	296,442	89,490	8,913	98,403	394,845	308,997
Vehicle	2,000	702	307,046	3,844	388		55,265	3,753	372,998	2,997		2,997	375,995	286,313
Repairs and maintenance	166,822	5,453	47,696	3,757	2,409		18,327	32,886	277,350	7,796		7,796	285,146	109,660
Rent	62,442	10,896	41,322	10,286	6,915		50,841		182,702	20,842		20,842	203,544	187,367
In-kind expense		178,553						612	179,165				179,165	179,660
Conference and training fees	21,488	694	5,257	3,509	1,721		5,702	8,711	48,838	126,816		126,816	175,654	30,838
Utilities	139,716	3,556	4,725	1,328	1,186	1,756	5,277	75	155,863	2,434		2,434	158,297	119,682
Supplies	32,863	3,476	59,477	1,337	2,797	705	10,253	941	111,849	27,555		27,555	139,404	150,250
Miscellaneous	49,567	9,809	3,815	1,577	1,417	475	8,627	2,609	77,896	23,998		23,998	101,894	45,721
Insurance	17,373	3,236	33,846	4,276	2,393		18,857		79,981	10,705		10,705	90,686	113,088
Interest	86,401						6,092		92,493				92,493	53,819
Communication	23,468	2,291	7,147	2,788	1,206	282	21,722		58,904	8,707		8,707	67,611	44,926
Printing and publication	10,119	1,568	1,848	4,170	1,057	277	18,619	95	37,753	2,460		2,460	40,213	24,808
Travel	3,350	330	2	874	83	54	3,264	234	8,191	15,901		15,901	24,092	34,748
Advertising	14,347	20	2,225	100	2,274		365		21,301	861		861	22,162	27,908
Depreciation	205,617		75,262				13,440	47,764	342,083				342,083	208,303
Total Expenses	\$ 6,045,729	\$ 374,036	\$ 2,565,760	\$ 817,847	\$ 1,260,252	\$ 241,889	\$ 2,025,679	\$ 272,921	\$ 13,604,113	\$ 1,132,741	\$ 63,074	\$ 1,195,815	\$ 14,799,928	\$ 10,530,183

See accompanying notes.

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 1 - Organization and Operations

HopeSource is a nonprofit 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 nonprofit 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.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation - The accompanying financial statements include the accounts of HopeSource and its wholly-owned subsidiary. Intra-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Organization in the notes to the consolidated financial statements.

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. The Organization did not have net assets with donor restrictions required to be held in perpetuity as of December 31, 2021 and 2020.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset 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 restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of time or purpose restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the revenue is recognized.

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as net assets with donor restriction when not expended in that same year; otherwise they are treated as net assets without donor restriction. When the long-lived assets are placed in service, HopeSource reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid instruments with an original maturity of three months or less. Cash balances on deposit at banks do, at times, exceed federally insured limits.

Investments in Marketable Securities - Investments in marketable securities are reported at fair value. Unrealized and realized gains on these investments are reported in the consolidated statement of activities.

Investments in Affordable Housing Entities - The Organization's investments in Windsor Park LLC, HopeSource II Rural Preservation Associates LLLP, and Spurling Court Apartments LLLP, and are accounted for using the equity method of accounting (Note 4). In determining the accounting treatment for these investments, management considers various factors such as the amount of ownership interest, voting rights, and ability to influence decisions. Equity method investments are initially recorded at cost and are subsequently adjusted for the Organization's share of the funds' earnings or losses, and for cash contributions and distributions. The Organization evaluates the realization of equity investments if circumstances indicate that the Organization's investment is other than temporarily impaired.

Pledges Receivable - Unconditional promises to give (pledges), less an allowance for uncollectible amounts, are recorded in the year the promise is received from the donor or grantor.

Accounts and Grants Receivable - Accounts and grants 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. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable.

Inventory - Inventory consists of donated food as well as inventory related to weatherization services. Food inventory is stated at the cost value provided by the United States Department of Agriculture. Weatherization inventories are stated at cost.

Property and Equipment - Purchases of land, buildings, improvements and non-computer equipment are capitalized if greater than \$5,000. Significant donations of fixed assets are recorded at fair value at the date of donation.

HopeSource provides for depreciation and amortization using the straight-line method over the following estimated lives:

Buildings and improvements	15 - 40 years
Automotive equipment	5 - 6 years
Furniture and equipment	5 - 10 years
Leasehold improvements	Shorter of lease term or useful life of the improvements

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Financing Costs - Financing costs are recorded as a deduction to the related debt liability on the statement of financial position. Financing costs are amortized over the term of the applicable debt using straight-line method. Accounting principles generally accepted in the United States of America (U.S. GAAP) require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs is included as a component of interest expenses on the statement of functional expenses.

In-Kind Contributions - In-kind goods, including food donations, are recorded at estimated fair values at the date of receipt. Donated services are recognized if the services received (i) create or enhance nonfinancial assets or (ii) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation.

For the year ended December 31, 2021 in-kind contribution revenue included the following:

Vehicles	\$	103,908
Food		252,846
Other		<u>15,745</u>
	\$	<u><u>372,499</u></u>

Fees and Grants From Governmental Agencies - A substantial portion of the Organization's revenue is derived from governmental and private grant awards that are restricted to specific programs or project support. Revenue is recognized when donor-imposed conditions, if any, are met by incurring liabilities or expenditures in connection with fulfilling the specific restricted purpose of the award. Cash received in excess of grant expenditures is accounted for as deferred revenue. Expenses incurred which are not yet reimbursed, are accounted for as accounts and grants receivable. The total amount of unrecognized conditional grants was \$21,937,235 at December 31, 2021. The unrecognized amounts of these grants will be recognized as revenue in future periods when, and if, the related conditions are met.

Earned and Other Revenue - The Organization operates affordable housing properties. Rental revenue is recognized for apartment rentals as it accrues. A portion of the Organization's rental revenue is received in the form of governmental rental subsidy payments. Contract terms allow for monthly billings in the same or following month after services are provided. Revenue is recognized on the date the services are provided. Other earned revenue is recognized in the period the service is provided.

Allocation of Functional Expenses - The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on proportion use.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 2 - Continued

Federal Income Tax - The Organization has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Accordingly, no provision for income tax is reflected in these financial statements.

Westview Villa LLC has no provision for or benefit from income taxes included in these consolidated financial statements since taxable income or losses passes through to, and is reported by, each partner or member individually.

Comparative Totals - The financial statements include certain summarized comparative information for the year ended December 31, 2020 in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Reclassifications - Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. The reclassifications had no impact on total assets, liabilities, net assets, or change in net assets presented for 2020.

Subsequent Events - The Organization has evaluated subsequent events through August 23, 2022, the date on which the financial statements were available to be issued.

Note 3 - Restricted Reserves

HopeSource is required to set aside cash amounts in accordance with certain grant and loan agreements. These restricted deposits are to be held in separate interest-bearing cash accounts and are generally not available for operating purposes. As of December 31, 2021 and 2020, the restricted reserves balance was \$46,073 and \$66,698, respectively.

Note 4 - Investments in Affordable Housing Entities

Investments accounted for using the equity method consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
HopeSource II Rural Preservation Associates LLLP	\$ 269,919	\$ 269,791
Windsor Park LLC	95,891	92,347
Spurling Court Apartments LLLP	<u>179,650</u>	
	<u>\$ 545,460</u>	<u>\$ 362,138</u>

HopeSource II Rural Preservation Associates LLLP - During 2016, HopeSource became the general partner in the HopeSource II Rural Preservation Associates LLLP (HopeSource II). HopeSource has an ownership interest of 0.01%. The purpose of HopeSource II 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.

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

Windsor Park LLC - HopeSource is the managing member in the Windsor Park LLC (Windsor). HopeSource has an ownership interest of 5.00%. The purpose of Windsor 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.

Spurling Court Apartments LLLP - HopeSource is the sole member of Spurling Court Associates GP LLC. Spurling Court Associates GP LLC is the general partner in the Spurling Court Apartments LLLP (Spurling). Spurling Court Associates GP LLC has an ownership interest of 0.01%. The purpose of Spurling is to acquire, rehabilitate, and operate a low income housing project located in Ellensburg, Washington. There are a total of 49 units. The project is a qualified tax credit project with financing being provided by Washington State Department of Commerce. The units are rented to families with moderate to low incomes.

Development Services - The Organization provides or previously provided development related services to HopeSource II, Windsor, and Spurling. Fees earned and recognized as revenue by the Organization totaled \$283,500 during the year ended December 31, 2021. These fees were capitalized as part of construction by Spurling during the year ended December 31, 2021.

Administration Fees - The Organization as the general partner or managing member is responsible for the administration of HopeSource II, Windsor, and Spurling. The Organizations personnel provide administrative services relating to management of the partnerships' and companies' assets. During the year ended December 31, 2021 the Organization earned administration fees totaling \$45,272.

Related Party Payables and Receivables - The Organization has two sponsor loans receivable from Spurling in original amounts of \$285,000 and \$530,000. Each note bears interest at 8.00% compounded annually which accrues beginning October 1, 2021. Payments are contingent on cash flow as agreed upon in Spurling's Partnership Agreement. Both loans mature on September 30, 2061.

Amounts receivable from HopeSource II, and Spurling for the fees described above and notes receivable from related parties that are included in receivables from related parties on the consolidated statement of financial position are as follows at December 31, 2021:

	<u>HopeSource II</u>	<u>Spurling</u>	<u>Total</u>
Notes receivable	\$ -	\$ 815,000	\$ 815,000
Developer fee receivable	147,293	252,094	399,387
Administrative fee receivable	<u>30,750</u>	<u>7,391</u>	<u>38,141</u>
Total Related Party Receivables	<u>\$ 178,043</u>	<u>\$ 1,074,485</u>	<u>\$ 1,252,528</u>

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 4 - Continued

The following is a summary of the financial position of each equity method investment as of December 31, 2021:

	<u>HopeSource II</u>	<u>Windsor</u>	<u>Spurling</u>
Cash and cash equivalents	\$ 126,696	\$ 86,619	\$ 94,484
Restricted cash	1,930,233	1,024,963	36,139
Accounts Receivable	117,614	49,441	64,165
Fixed assts, net of accumulated depreciation	11,526,806	6,018,920	11,734,429
Other assets	<u>38,568</u>	<u>104,021</u>	<u>106,058</u>
Total Assets	<u>\$ 13,739,917</u>	<u>\$ 7,283,964</u>	<u>\$ 12,035,275</u>
Liabilities	\$ 10,832,960	\$ 5,418,208	\$ 3,118,471
Partners' or Member Equity	<u>2,906,957</u>	<u>1,865,756</u>	<u>8,916,804</u>
Total Liabilities and Equity	<u>\$ 13,739,917</u>	<u>\$ 7,283,964</u>	<u>\$ 12,035,275</u>

The following is a summary of the results of operations of each equity method investment as of and for the year ended December 31, 2021:

	<u>HopeSource II</u>	<u>Windsor</u>	<u>Spurling</u>
Revenues	\$ 1,279,742	\$ 1,214,877	\$ 202,600
Net income (loss)	(86,901)	142,832	(214,411)

Note 5 - Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,741,772	\$ 1,025,138
Buildings	5,558,296	5,135,129
Automotive equipment	331,002	257,532
Furniture and equipment	534,163	461,736
Leasehold improvements	<u>22,970</u>	<u>22,970</u>
	8,188,203	6,902,505
Less accumulated depreciation and amortization	<u>(2,431,727)</u>	<u>(2,104,932)</u>
	<u>\$ 5,756,476</u>	<u>\$ 4,797,573</u>

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 6 - Long-Term Debt

Long-term debt consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Loan payable to Cashmere Valley Bank in monthly installments of \$3,179 including interest at 3.25% with a lump sum payment of \$455,547 at maturity; maturing in February 2030; secured by property.	\$ 605,727	\$ 623,404
Loan payable to Cashmere Valley Bank; monthly payments of principal and interest beginning September 25, 2019 totaling \$2,174 with interest at a fixed rate of 4.00% for the first 60 months; payments of \$2,178 with interest at the 5 year SWAP Rate plus 2.250 beginning September 25, 2024 through maturity; lump sum payment of \$120,332 due at maturity date of August 25, 2029.	258,762	274,165
Loan Payable to Cashmere Valley Bank in monthly installments of \$5,847 including interest at 1.75% plus 2.25 points (currently at 4%) maturing October 20, 2030. Secured by property.	1,163,183	1,195,002
Loan payable to Cashmere Valley Bank; monthly payments of principal and interest beginning October 25, 2019 totaling \$906 with interest at a fixed rate of 4.00% for the first 60 months; payments of \$908 with interest at the 5 year SWAP Rate plus 2.250 beginning October 25, 2024 through maturity; lump sum payment of \$50,138 due at maturity date of September 25, 2029.	108,282	114,681
Loan payable to Banner Bank; monthly payments of principal and interest beginning April 30, 2021 totaling \$2,591 with interest at a discounted rate of 3.50% for the first 60 months; payments of \$2,596 with interest at the bullet rate for the 5-year FHLB Fixed Rate Advance plus 2.340 beginning April 30, 2026 through maturity; lump sum payment of \$50,138 due at maturity date of March 31, 2031.	415,440	
Note payable to the State of Washington Department of Commerce (the Department); non-interest bearing; secured by a deed of trust on the property and a Housing Finance Unit Contract; loan matures April 2052; lump sum payment due upon sale or change in use of the property or at maturity.	811,201	811,201

HOPESOURCE AND SUBSIDIARY

**Notes to Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

Note 6 - Continued

	<u>2021</u>	<u>2020</u>
Loan payable to the Washington State Department of Commerce; noninterest bearing; principal will be forgiven \$3,600 per year until May 1, 2043, if used for the purposes specified in the regulatory agreement; secured by Deed of Trust on property; an amount representing the prorated, appreciated value of the property due upon sale or change in use of the property.	76,800	80,400
Note payable to Shelter Resources, Inc.; interest at 8.00% compounded annually; payment to be made based on cash receipts on related note receivable to Spurling Court; any unpaid principal and interest due at maturity on September 30, 2061.	<u>199,500</u>	
	3,638,895	3,100,873
Less unamortized financing costs	<u>(4,989)</u>	<u>(5,153)</u>
	3,633,906	3,095,720
Less current portion of long-term debt	<u>(93,567)</u>	<u>(57,487)</u>
Noncurrent Portion of Long-Term Debt	<u>\$ 3,540,339</u>	<u>\$ 3,038,233</u>

Principal payments on long-term debt for future years ending December 31, 2021 are as follows:

For the Year Ending December 31,

2022	\$ 93,567
2023	96,658
2024	99,719
2025	103,332
2026	106,885
Thereafter	<u>3,138,734</u>
	3,638,895
Less unamortized discount on long-term debt	<u>(4,989)</u>
Total Long-Term Debt	<u>\$ 3,633,906</u>

Interest expense totaled \$92,493 and \$53,819 for the years ended December 31, 2021 and 2020, respectively. Interest has not been imputed on any of the above loans that carry below-market rate loans as they are payable to governmental entities that set the interest rates and carry legal restrictions. The restrictions require the Organization to use the property for low-income housing, as defined by the mortgages' regulatory agreement.

HOPESOURCE AND SUBSIDIARY

Notes to Financial Statements For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

Note 7 - Operating Revenue Concentration

The Organization receives fees and grants from federal, state, county, and municipal governments. For the year ended December 31, 2021, approximately 57% and 49% of total public support and revenue was received from Federal government sources. For the year ended December 31, 2020, approximately 35% of total accounts and grants receivable were from three grantors.

Note 8 - Operating Leases

The Organization leases facilities and equipment under various operating lease agreements expiring through December 2025. The future minimum lease payments under lease agreements with remaining terms greater than one year at December 31, 2021, are as follows for the years ending December 31:

For the Year Ending June 30,

2022	\$	211,110
2023		147,762
2024		138,925
2025		<u>141,704</u>
	\$	<u><u>639,501</u></u>

Total rental expense under all operating lease agreements was approximately \$203,544 and \$187,295 for the years ended December 31, 2021 and 2020, respectively.

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2021</u>	<u>2020</u>
Transportation	\$ 39,583	\$ -
Senior rent assistance	<u>50,000</u>	<u>-</u>
	<u><u>\$ 89,583</u></u>	<u><u>\$ -</u></u>

Note 10 - Liquidity and Availability of Financial Assets

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.

HOPESOURCE AND SUBSIDIARY

**Notes to Financial Statements
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

Note 10 - Continued

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general expenditures because of internal, contractual or donor-imposed restrictions that limit the use of the financial assets to uses other than program expenditures to be incurred in the normal course of operations within one year of the statement of financial position date.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 950,290	\$ 417,060
Investments in marketable securities	11,851	10,700
Accounts and grants receivable	<u>2,031,046</u>	<u>1,076,827</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,993,187</u>	<u>\$ 1,504,587</u>

SUPPLEMENTARY INFORMATION

HOPESOURCE AND SUBSIDIARY

**Consolidating Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)**

	2021				2020
	HopeSource	Westview Villa LLC	Eliminations	Total	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 936,170	\$ 14,120	\$ -	\$ 950,290	\$ 417,060
Investments in marketable securities	11,851			11,851	10,700
Accounts and grants receivable, net	2,026,293	4,753		2,031,046	1,076,827
Prepaid expenses and other current assets	103,665	4,125		107,790	85,077
Total Current Assets	3,077,979	22,998		3,100,977	1,589,664
Investments in affordable housing entities (Note 4)	1,382,830		(837,371)	545,460	362,138
Receivables from related parties (Note 4)	1,252,528			1,252,528	706,908
Restricted reserves (Note 3)	(1,880)	47,953		46,073	66,698
Property and equipment, net (Note 5)	4,184,584	1,571,892		5,756,476	4,797,573
Total Assets	\$ 9,896,041	\$ 1,642,843	\$ (837,371)	\$ 10,701,514	\$ 7,522,981
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable	\$ 487,474	\$ 40,253	\$ -	\$ 527,727	\$ 249,892
Accrued liabilities and other current liabilities	340,973	10,834		351,807	299,886
Current portion of long-term debt (Note 6)	93,567			93,567	57,487
Total Current Liabilities	922,014	51,087		973,101	607,265
Long-term debt, less current portion (Note 6)	2,733,611	806,727		3,540,339	3,036,213
Total Liabilities	3,655,625	857,814		4,513,440	3,643,478
Net Assets:					
Without donor restrictions	6,150,833	785,029	(837,371)	6,098,491	3,879,503
With donor restrictions (Note 9)	89,583			89,583	
Total Net Assets	6,240,416	785,029	(837,371)	6,188,074	3,879,503
Total Liabilities and Net Assets	\$ 9,896,041	\$ 1,642,843	\$ (837,371)	\$ 10,701,514	\$ 7,522,981

See independent auditor's report.

HOPESOURCE AND SUBSIDIARY

Consolidating Statement of Activities For the Year Ended December 31, 2021 (With Comparative Totals for 2020)

	2021			2020 Total
	HopeSource	Westview Villa LLC	Eliminations	
Unrestricted Activity				
Operating Public Support and Revenue:				
Public support-				
Governmental fees and grants	\$ 14,884,221	\$ -	\$ -	\$ 14,884,221
Contributions	991,416			991,416
In-kind contributions	372,499			372,499
Total public support	16,248,136			16,248,136
Program income	404,651			404,651
Investment and other income	48,774	44	2,000	50,818
Rental income	106,828	208,483		315,311
Total Operating Public Support and Revenue	16,808,389	208,527	2,000	17,018,916
Expenses:				
Program services-				
Housing services	5,784,863	302,866	(42,000)	6,045,729
Nutrition services	374,036			374,036
Transportation services	2,565,760			2,565,760
Weatherization services	817,847			817,847
Energy services	1,260,252			1,260,252
Block grants	241,889			241,889
Veteran grant	2,025,679			2,025,679
Corporate	272,921			272,921
Total program services	13,343,247	302,866	(42,000)	13,604,113
Supporting services-				
Management and general	1,132,741			1,132,741
Fundraising	63,074			63,074
Total supporting services	1,195,815			1,195,815
Total Expenses	14,539,062	302,866	(42,000)	14,799,928
Change in Net Assets Without Donor Restrictions	2,269,327	(94,339)	44,000	2,218,988
Donor-Restricted Activity				
Governmental fees and grants	89,583			89,583
Change in Net Assets With Donor Restrictions	89,583			89,583
Total Change in Net Assets	2,358,910	(94,339)	44,000	2,308,571
Net assets, beginning of year	3,881,506	879,368	(881,371)	3,879,503
Net Assets, End of Year	\$ 6,240,416	\$ 785,029	\$ (837,371)	\$ 6,188,074

See independent auditor's report.

HOPESOURCE AND SUBSIDIARY

**Consolidating Statement of Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	HopeSource	Westview Villa LLC	Eliminations	Total
Salaries	\$ 3,455,357	\$ 17,175	\$ -	\$ 3,472,532
Employee benefits and payroll taxes	1,813,155	4,030		1,817,185
Total Salaries and Related Expenses	5,268,512	21,205		5,289,717
Direct assistance	5,660,604			5,660,604
Subcontractors	588,095			588,095
Capital outlay	568,228			568,228
Professional services	387,485	49,360	(42,000)	394,845
Vehicle	375,995			375,995
Repairs and maintenance	215,936	69,210		285,146
Rent	203,544			203,544
In-kind expense	179,165			179,165
Conference and training fees	175,303	351		175,654
Utilities	89,980	68,317		158,297
Supplies	136,930	2,474		139,404
Miscellaneous	85,054	16,840		101,894
Insurance	90,686			90,686
Interest	92,330	163		92,493
Communication	64,931	2,680		67,611
Printing and publication	40,186	27		40,213
Travel	24,092			24,092
Advertising	22,110	52		22,162
Depreciation	269,896	72,187		342,083
Total Expenses	\$ 14,539,062	\$ 302,866	\$ (42,000)	\$ 14,799,928

See independent auditor's report.

HOPESOURCE AND SUBSIDIARY

**Schedule of State Financial Assistance
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

<u>Granting Agency</u>	<u>Program Name</u>	<u>Contract Number</u>	<u>Total</u>
WA Dept. of Transportation	State Paratransit Special SN- Dial Ride		\$ 367,743
WA Dept. of Transportation	State Paratransit Special SN- Dial Ride	PTD0033	500,763
WA Dept. of Transportation	State Capital	PTD0086	55,419
WA Dept. of Transportation	State Paratransit Special SN- KCC	PTD0033	369,411
Department of Commerce	Community Services Block Grant		8,143
Department of Commerce	Community Services Block Grant	S20-32101-213	2,162
Department of Commerce	Energy Matchmaker	S19-92401-415	12,705
Department of Commerce	Energy Matchmaker		180,882
Department of Commerce	Energy Matchmaker	S17-92401-415	16,853
WA State Department of Agriculture	Emergency Food Assistance Program (Administrative)		17,904
WA State Department of Agriculture	Emergency Food Assistance Program (Administrative)	K667	4,354
Department of Commerce	Coordinated Entry Diversion Pilot Program		72,812
Department of Commerce	Enhanced Shelter		644,400
Department of Commerce	Enhanced Shelter		272,143
Department of Commerce	Emergency Solutions Grant- COVID-19		142,858
Department of Commerce	Emergency Shelter Grant		202,498
Department of Commerce	Low-Income Community Solar Deployment	#21-92201-016	4,927
Department of Commerce	Consolidated Homeless Housing Program	20-46108-16	122,224
Department of Commerce	Consolidated Homeless Housing Program		61,741
Department of Commerce	Consolidated Homeless Housing Program	316-46108-16	67,428
Department of Commerce	Housing and Essential Needs		198,016
Department of Commerce	Housing and Essential Needs	20-46108-16	173,909
Total State Assistance			<u><u>\$ 3,499,295</u></u>

See independent auditor's report.



Single Audit Reports

For the Year Ended December 31, 2021

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**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***

Independent Auditor's Report

**To the Board of Directors
HopeSource
Ellensburg, Washington**

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 HopeSource and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2021, 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 August 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered HopeSource's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HopeSource's internal control. Accordingly, we do not express an opinion on the effectiveness of HopeSource'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 or significant deficiencies may exist that were not identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether HopeSource’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 financial statements. 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 HopeSource’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.

Clark Nuber P.S.

Certified Public Accountants
August 23, 2022

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**To the Board of Directors
HopeSource
Ellensburg, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited HopeSource and subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of HopeSource's major federal programs for the year ended December 31, 2021. HopeSource's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, HopeSource complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of HopeSource and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of HopeSource's compliance with the compliance requirements referred to above.



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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to HopeSource's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on HopeSource's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about HopeSource's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 HopeSource's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of HopeSource's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 HopeSource's internal control over compliance. Accordingly, no such opinion is expressed.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of HopeSource as of and for the year ended December 31, 2021, and have issued our report thereon dated August 23, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
August 23, 2022

HOPESOURCE

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients **	Federal Expenditures
U.S. Department of Energy:				
Weatherization Assistance for Low-Income Persons	81.042	21-53103-415	\$ -	\$ 19,111
Weatherization Assistance for Low-Income Persons	81.042	19-53103-415		53,235
Total U.S. Department of Energy and Assistance Listing Number 81.042				72,346
U.S. Department of Health and Human Services:				
Passed through the State of Washington Department of Commerce-				
Community Development Block Grants/Entitlement Grants	14.228	21-62210-008		35,788
Community Development Block Grants/Entitlement Grants	14.228	20-6221C-115		24,731
Community Development Block Grants/Entitlement Grants	14.228	20-62210-008		51,109
Community Development Block Grants/Entitlement Grants	14.228	19-62210-008		6,292
Subtotal 14.228				117,920
Low-Income Home Energy Assistance	93.568	21-32607-066		23,832
Low-Income Home Energy Assistance	93.568	22-32607.066		337,437
Low-Income Home Energy Assistance	93.568	21-32606-066		588,455
Low-Income Home Energy Assistance	93.568	20-32606-066		195,365
Low-Income Home Energy Assistance	93.568	F21-5310C-415		770
Low-Income Home Energy Assistance	93.568	F20-5310C-415		13,554
Low-Income Home Energy Assistance	93.568	F19-53101-415		201,728
Subtotal 93.568				1,361,141
Community Services Block Grant	93.569	F21-3210C-013		113,200
Community Services Block Grant	93.569	F20-3210C-013		68,564
Community Services Block Grant	93.569	F20-32101-013		6,948
Subtotal 477 Cluster				188,712
Passed through Yakima County-				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2021-HS		26,607
Total U.S. Department of Health and Human Services				1,694,380
Bonneville Power Administration:				
Passed through the State of Washington Department of Commerce-				
BPA Weatherization	81.999	F21-53104-415		12,188
BPA Weatherization	81.999	F19-53104-415		44,700
Total Bonneville Power Administration				56,888
U.S. Department of Veterans Affairs:				
Supportive Services for Veteran Families Program	64.033	2020-WA-338-C2	291,686	1,404,547
Supportive Services for Veteran Families Program	64.033	2020-WA-338-20		828,682
Total U.S. Department of Veterans Affairs and Assistance Listing Number 64.033			291,686	2,233,229

* Denotes an outstanding loan.

See independent auditor's reports and notes to schedule of expenditures of federal awards.

HOPESOURCE

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients **	Federal Expenditures
U.S. Department of Justice:				
Second Chance Act Reentry Initiative	16.812	2020-CY-BX-0023		142,906
Total U.S. Department of Justice and Assistance Listing Number 16.812				142,906
U.S. Department of Transportation:				
Passed through Washington State Department of Transportation-				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0189		33,065
Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0033		206,638
Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0086		280,883
Formula Grants for Rural Areas and Tribal Transit Program	20.509	PTD0033		152,346
Total U.S. Department of Transportation and Assistance Listing Number 20.509				672,932
U.S. Department of Housing and Urban Development:				
Continuum of Care Program	14.267	WA0298LOT012006		18,569
Continuum of Care Program	14.267	WA0298LOT011905		27,945
Continuum of Care Program	14.267	WA0435YOT012001	44,513	113,386
Continuum of Care Program	14.267	WA0437YOT012001	23,828	63,739
Continuum of Care Program	14.267	WA0440YOT012001		48,906
Subtotal 14.267			68,341	272,545
Passed through the State of Washington Department of Commerce-				
Emergency Solutions Grant Program	14.231	20-4613C-114		331,140
Youth Homelessness Demonstration Program	14.276	WA0435YOT011700	125,975	252,379
Youth Homelessness Demonstration Program	14.276	WA0437YOT011700	52,534	122,010
Youth Homelessness Demonstration Program	14.276	WA0440YOT011700		208,150
Youth Homelessness Demonstration Program	14.276	21-46306-009	4,643	9,286
Youth Homelessness Demonstration Program	14.276	20-46306-009	14,091	56,196
Subtotal 14.276			197,243	648,021
Total U.S. Department of Housing and Urban Development			265,584	1,251,706
U.S. Department of Agriculture:				
Passed through USDA Rural Development-				
Rural Housing Preservation Grants	10.433	Unknown		64,111
Rural Housing Preservation Grants	10.433	Unknown		2,115
Subtotal 10.433				66,226
Rural Community Development Initiative	10.446	RCDI 2018	22,670	43,218
Passed through Washington State Department of Agriculture-				
Emergency Food Assistance Program (Food Commodities)	10.569	Unknown		70,243
Total U.S. Department of Agriculture			22,670	179,687

See independent auditor's reports and notes to schedule of expenditures of federal awards.

HOPESOURCE

**Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients **	Federal Expenditures
U.S. Department of the Treasury:				
Passed through the State of Washington Department of Commerce-				
COVID-19 - Coronavirus Relief Fund	21.019	21-4614C-114	244	290,943
COVID-19 - Coronavirus Relief Fund	21.019	21-4614C-200		<u>65,626</u>
Subtotal 21.019			244	356,569
COVID-19 - Emergency Rental Assistance Program	21.023	21-4616C-108		273,582
COVID-19 - Emergency Rental Assistance Program	21.023	21-4616C-114	<u>216</u>	<u>1,407,981</u>
Subtotal 21.023			216	1,681,563
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	21-4619C-114	7,695	888,147
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	21-4619C-108		<u>174,090</u>
Subtotal 21.027			<u>7,695</u>	<u>1,062,237</u>
Total U.S. Department of the Treasury			<u>8,155</u>	<u>3,100,369</u>
Total Expenditures of Federal Awards			<u>\$ 588,095</u>	<u>\$ 9,404,443</u>

* Denotes an outstanding loan.

See independent auditor's reports and notes to schedule of expenditures of federal awards.

HOPESOURCE AND SUBSIDIARY

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of HopeSource under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of HopeSource, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of HopeSource.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. HopeSource has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HOPESOURCE AND SUBSIDIARY

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

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 2 CFR 200 516(a)?

Yes No

Identification of Major Federal Programs

Assistance Listing Numbers

21.027
21.023
21.019
93.568

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds
Emergency Rental Assistance Program
Coronavirus Relief Fund
Low-Income Home Energy Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

HOPESOURCE AND SUBSIDIARY

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021**

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.