

HOPESOURCE

A WASHINGTON NON-PROFIT ORGANIZATION

Consolidated Financial Statements

For the Year Ended December 31, 2020
With Comparative Totals for 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HopeSource
Ellensburg, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of HopeSource, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of December 31, 2020, 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.

Report on Summarized Comparative Information

A predecessor auditor has audited HopeSource in 2019, and expressed an unmodified audit opinion on those audited financial statements. In their opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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 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. 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 September 19, 2021, 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 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 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 HopeSource's internal control over financial reporting and compliance.

Clarke Whitney, CPA, Inc.

Clarke Whitney, CPA, Inc.
Bremerton, Washington
November 3, 2021

HOPESOURCE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ 417,060	\$ 443,060
Accounts receivable	1,076,827	637,029
Weatherization inventory	13,127	13,771
Commodities inventory	29,301	5,266
Prepaid expenses and other current assets	<u>42,646</u>	<u>7,629</u>
Total current assets	1,578,961	1,106,755
Property and equipment		
Land and building, net	4,414,046	3,030,857
Leasehold improvements, net	20,279	14,442
Construction in progress	500,000	500,000
Equipment, net	205,218	191,232
Vehicles, net	<u>158,032</u>	<u>77,305</u>
Total property and equipment	5,297,575	3,813,836
Other assets		
Investment in Windsor Park LLC	92,347	88,218
Investment in Hopesource II Rural Pres. Assoc. LLLP	269,791	269,881
Investment	10,700	9,130
Due from Hopesource II Rural Pres. Assoc. LLLP	182,459	196,240
Due from Windsor Park LLC	24,449	24,677
Replacement reserves	46,956	67,131
Security deposits	<u>19,742</u>	<u>12,160</u>
Total other assets	<u>646,444</u>	<u>667,437</u>
Total assets	<u>\$ 7,522,980</u>	<u>\$ 5,588,028</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 249,890	362,239
Accrued liabilities	263,672	69,308
Deferred revenue	3,722	100,158
Tenant security deposits payable	32,493	12,160
Current portion of long-term debt	<u>57,487</u>	<u>38,952</u>
Total current liabilities	607,264	582,817
Long-term liabilities		
Loan payable	3,098,853	1,954,825
Less unamortized debt issuance costs	(5,152)	(5,314)
Less current portion of long-term debt	<u>(57,487)</u>	<u>(38,952)</u>
Total long-term liabilities	3,036,214	1,910,559
Net assets		
Without donor restrictions	3,879,503	3,085,856
With donor restrictions	<u>-</u>	<u>8,796</u>
Total net assets	<u>3,879,503</u>	<u>3,094,652</u>
Total liabilities and net assets	<u>\$ 7,522,981</u>	<u>\$ 5,588,028</u>

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

HOPESOURCE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and revenue				
Grants	\$ 9,548,066	\$ -	\$ 9,548,066	\$ 6,493,594
Contributions	773,200	-	773,200	361,206
Program income	124,187	-	124,187	233,136
Other income	362,178	-	362,178	50,155
Rental income	240,933	-	240,933	181,754
In-kind revenue	265,440	-	265,440	211,610
Release of program restrictions	<u>8,796</u>	<u>(8,796)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and support	11,322,800	(8,796)	11,314,004	7,531,455
Expenses				
Program services:				
Housing services	2,905,432	-	2,905,432	1,168,324
Nutrition services	386,560	-	386,560	278,755
Transportation services	2,002,049	-	2,002,049	1,584,676
Weatherization services	877,482	-	877,482	529,234
Energy services	955,644	-	955,644	782,388
Block grants	281,625	-	281,625	204,950
Veteran grant	2,001,084	-	2,001,084	1,286,259
Corporate	<u>241,364</u>	<u>-</u>	<u>241,364</u>	<u>318,272</u>
	9,651,240	-	9,651,240	6,152,858
Administration	<u>878,943</u>	<u>-</u>	<u>878,943</u>	<u>634,282</u>
Total expenses	10,530,183	-	10,530,183	6,787,140
Other revenue and expenses				
Investment income (loss)	<u>1,030</u>	<u>-</u>	<u>1,030</u>	<u>7,584</u>
Total other revenue and expenses	<u>1,030</u>	<u>-</u>	<u>1,030</u>	<u>7,584</u>
Change in net assets	793,647	(8,796)	784,851	751,899
Net assets, beginning of year	3,085,856	8,796	3,094,652	2,296,168
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,585</u>
Net assets, end of year	<u>\$ 3,879,503</u>	<u>\$ -</u>	<u>\$ 3,879,503</u>	<u>\$ 3,094,652</u>

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

HOPESOURCE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	Housing Services	Nutrition Services	Transportation Services	Weatherization Services	Energy Services	Block Grants	Veteran Grants	Corporate	Total Programs	Management	2020 Total	2019 Total
Salaries	\$ 530,288	\$ 29,377	\$ 810,673	\$ 127,970	\$ 103,114	\$ 150,132	\$ 428,483	\$ 60,232	\$ 2,240,269	\$ 353,411	\$ 2,593,680	\$ 1,975,991
Benefits	260,220	11,370	419,526	64,137	44,256	71,602	215,151	40,801	1,127,063	170,171	1,297,234	1,011,091
Subcontractor expense	158,003	-	-	-	-	-	353,081	22,585	533,669	59,901	593,570	365,297
Supplies	42,451	4,551	33,735	5,137	2,285	352	30,489	3,365	122,365	27,885	150,250	55,713
Vehicle expenses	3,055	1,295	233,217	2,496	747	-	40,151	2,907	283,868	2,445	286,313	319,087
Professional services	41,298	8,416	83,411	14,080	7,609	643	39,416	20,834	215,707	93,290	308,997	164,840
Communication	13,402	2,017	4,442	2,303	958	347	12,801	-	36,270	8,656	44,926	32,047
Travel	2,051	32	928	550	463	23	2,471	1,440	7,958	26,790	34,748	72,627
Advertising	336	567	210	-	70	7,527	13,034	5,445	27,189	719	27,908	2,605
Rent	49,302	8,067	52,378	14,966	9,409	126	35,529	-	169,777	17,590	187,367	178,336
Insurance	23,349	3,093	65,263	4,304	1,447	-	10,522	97	108,075	5,013	113,088	80,386
Utilities	97,277	3,061	5,551	1,714	1,477	276	3,165	-	112,521	7,161	119,682	101,504
Repair and maintenance	71,316	6,387	7,907	2,431	2,131	967	12,438	49	103,626	6,034	109,660	139,845
Printing and publication	5,495	335	1,690	458	1,454	454	11,925	1,004	22,815	1,993	24,808	12,238
Miscellaneous	14,224	1,422	594	9	64	633	1,873	6,678	25,497	20,224	45,721	53,083
In-kind expenses	30	179,953	-	-	-	-	-	(323)	179,660	-	179,660	162,527
Conference and training fees	1,886	-	1,533	2,057	-	1,211	791	3,924	11,402	19,436	30,838	36,689
Client expenses	1,139,111	98,074	-	627,277	779,710	42,011	734,247	79,894	3,500,324	(1,863)	3,498,461	1,659,923
Depreciation expense	124,739	2,052	19,786	3,980	-	-	11,609	5,374	167,540	40,763	208,303	156,485
Capital outlay	297,504	26,491	261,205	3,613	450	5,321	38,645	(19,757)	613,472	7,678	621,150	172,863
Interest expense	30,095	-	-	-	-	-	5,263	6,815	42,173	11,646	53,819	33,963
Total functional expenses	\$ 2,905,432	\$ 386,560	\$ 2,002,049	\$ 877,482	\$ 955,644	\$ 281,625	\$ 2,001,084	\$ 241,364	\$ 9,651,240	\$ 878,943	\$ 10,530,183	\$ 6,787,140

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

HOPESOURCE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 784,851	\$ 751,899
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	208,303	156,485
Amortization of debt issuance costs	163	163
Loss (gain) on disposal of asset	-	5,041
Forgiveness of debt	(3,600)	(3,600)
Unrealized loss (gain)	(1,570)	(745)
Loss (gain) from Windsor Park LLC	(4,129)	(6,929)
Loss (gain) from Hopesource II Rural Pres. Assoc. LLLP	90	90
(Increase) decrease in operating assets:		
Accounts receivable	(439,798)	134,709
Due from Hopesource II Rural Pres. Assoc. LLLP	13,781	73,276
Due from Windsor Park LLC	228	(729)
Inventories	(23,391)	162
Operating and replacement reserves	20,175	9,385
Security deposits	(7,582)	(151)
Prepaid expenses and other current assets	(35,017)	61,193
Increase (decrease) in operating liabilities:		
Accounts payable	(612,129)	131,136
Accrued liabilities	(332,980)	(77,620)
Deferred revenue	(103,880)	(414,811)
Tenant security deposits payable	(44,653)	(399)
Net cash provided and (used) by operating activities	<u>(581,138)</u>	<u>818,555</u>
Cash flows from investing activities		
Net activity for investments	1,030	(269,820)
Purchase of property and equipment	<u>(1,390,077)</u>	<u>(649,803)</u>
Net cash used by investing activities	<u>(1,389,047)</u>	<u>(919,623)</u>
Cash flows from financing activities		
Proceeds from borrowings	1,200,000	415,886
Payments on borrowings	<u>(89,935)</u>	<u>(397,569)</u>
Net cash provided by financing activities	<u>1,110,065</u>	<u>18,317</u>
Net increase (decrease) in cash and cash equivalents	(860,120)	(82,751)
Cash and cash equivalents, beginning of year	<u>443,060</u>	<u>525,811</u>
Cash and cash equivalents, end of year	<u>\$ 417,060</u>	<u>\$ 443,060</u>

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

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - NATURE OF THE ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Presentation

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.

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability

The Organization has \$1,493,887 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 \$417,060 and accounts receivable of \$1,076,827 as of December 31, 2020. 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. 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 \$10,700 and \$9,130, as of December 31, 2020 and 2019, 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 and improvements	15 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 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
DECEMBER 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognizing Revenue from Contracts with Customers

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, 2020 and 2019, the Organization has recorded deferred revenue of \$3,722 and \$100,158, 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 1,076,827	\$ 637,029
Deferred revenue	\$ 3,722	\$ 100,158

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.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. 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.

NOTE 3 - CREDIT RISK

During 2020 and 2019, the Organization, at times, had deposits in accounts which exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) and as of December 31, 2020, the Organization was in excess of the FDIC limit by \$446,606.

NOTE 4 - CASH & CASH EQUIVALENTS

The Organization considers all highly liquid investment with a maturity of ninety days or less to be cash equivalents. Restricted and reserved cash are limited in use, as designated by donors or the reserved intent. These instruments are valued at fair market value due to their short-term maturity and low risk nature.

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - 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, 2020 and 2019 totaled \$46,956 and \$67,131, respectively.

NOTE 6 - 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, 2020 and 2019, for interest was \$53,803 and \$45,601, respectively. For 2020 and 2019, the interest paid that was capitalized was \$6,815 and \$11,638, respectively.

NOTE 7 - 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 2020 and 2019, there were bad debts of \$1,828 and \$3,276, respectively. As of December 31, 2020, 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, 2020, all receivables are current.

NOTE 8 - 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, 2020 and 2019, is \$29,301 and \$5,266, respectively.

At December 31, 2020 and 2019, the Organization had inventory of insulation and windows for use in the Weatherization program. The cost of the inventory as of December 31, 2020 and 2019, is \$13,127 and \$13,771, respectively.

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 - PROPERTY, EQUIPMENT AND ACCUMULATED DEPRECIATION

Property and equipment consist of the following:

<u>Asset</u>	<u>Method</u>	<u>Life</u>	
Land			\$ 1,025,138
Building and improvements	S/L	15-40 yrs	5,123,738
Accumulated depreciation			<u>(1,734,830)</u>
			<u>4,414,046</u>
			-
Leasehold improvements	S/L	30 yrs	34,361
Accumulated Depreciation			<u>(14,082)</u>
			<u>20,279</u>
			-
Furniture and equipment	S/L	5-10 yrs	461,736
Accumulated depreciation			<u>(256,518)</u>
			<u>205,218</u>
			-
Vehicles	S/L	5-6 yrs	257,532
Accumulated depreciation			<u>(99,500)</u>
			<u>\$ 158,032</u>

Accumulated depreciation as of December 31, 2020, was \$2,104,931.

As of December 31, 2020 and 2019, construction in progress was \$500,000 and \$500,000, respectively, which includes capitalized interest of \$42,213 and \$42,213, respectively.

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 - INVESTMENTS & FAIR VALUE MEASUREMENTS

As of December 31, 2020 and 2019, the Organization investments are in a mutual fund with a cost basis of \$5,618 and \$5,608, respectively. As of December 31, 2020 and 2019, the investments had a fair market value of \$10,700 and \$9,130, respectively. Unrealized gain (loss) for the years ended December 31, 2020 and 2019, were \$1,570 and \$745, 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.

Level 2: Inputs to valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- 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, 2020.

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.

**HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 10 - INVESTMENTS & FAIR VALUE MEASUREMENTS (continued)

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, 2020 and comparative totals for 2019:

	<u>2020</u>				<u>2019</u>
	Level 1	Level 2	Level 3	Total	Total
Windsor Park LLC	\$ -	\$ -	\$ 92,347	\$ 92,347	\$ 88,218
Hopesource II Rural Preservation Assoc. LLLP	-	269,881	-	269,881	269,881
Mutual Funds	<u>10,700</u>	<u>-</u>	<u>-</u>	<u>10,700</u>	<u>9,130</u>
	<u>\$ 10,700</u>	<u>\$ 269,881</u>	<u>\$ 92,347</u>	<u>\$ 372,928</u>	<u>\$ 367,229</u>

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, 2020:

	<u>Windsor Park LLC</u>	<u>Hopesource II Rural Preservation Assoc. LLLP</u>
Balance, December 31 ,2019	\$ 88,218	\$ 269,881
Capital contributions	-	-
Realized gains (losses)	<u>4,129</u>	<u>(90)</u>
Balance, December 31, 2020	<u>\$ 92,347</u>	<u>\$ 269,791</u>

NOTE 11 - 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, 2020 and 2019, the LLC owed the Organization development fees of \$24,449 and \$24,677, respectively.

NOTE 12 - 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, 2020 and 2019, the LLLP owed the Organization development fees of \$182,459 and \$196,240, respectively.

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 - 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.

NOTE 14 - 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, 2020 and 2019, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2020</u>	<u>2019</u>
Annual leave	\$ 60,421	\$ 48,029

NOTE 15 - LOANS PAYABLE

As of December 31, 2020, long-term debt consisted of the following:

	<u>2020</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 Department of Commerce - Housing Trust Fund Program. Secured by real estate (See Below)	\$ 637,824
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	65,980
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.	274,165
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.	1,195,002
Department of Commerce (See Below)	114,681
	<u>811,201</u>
	<u>\$ 3,098,853</u>

Long-term debt as of December 31, 2020, was \$3,036,213 and the maturity of debt due within 5 years:

2021	\$	57,487
2022		59,829
2023		62,267
2024		64,573
2025		67,435
Thereafter		<u>2,787,262</u>
		<u>\$ 3,098,853</u>

HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 - LOANS PAYABLE (continued)

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, 2020, the loan balance totaled \$811,201. Given the unique nature of the LLC's secured debt, management has determined that, as of December 31, 2020, 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 2020 and 2019, respectively. Composition of debt issuance costs is the following:

	<u>2020</u>
Debt issuance costs	\$ 8,112
Less: interest recognized	<u>(2,960)</u>
Net debt issuance costs	<u><u>\$ 5,152</u></u>

NOTE 16 - 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, 2020 and 2019.

NOTE 17 - RENT INCOME

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

2021	\$	18,000	
2022		18,000	
2023		18,000	
2024		12,000	
2025		-	
		<u>66,000</u>	
		<u><u>\$ 66,000</u></u>	

HOPE SOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 18 - 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.

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, 2020 and 2019 were \$589,755 and \$211,610, respectively.

NOTE 19 - 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, 2020 and 2019, were \$187,295 and \$178,336, respectively.

Future minimum payments under operating leases at December 31, 2020, are:

2021	\$ 178,390
2022	181,008
2023	178,400
2024	174,925
2025	<u>177,704</u>
	<u>\$ 890,427</u>

NOTE 20 - 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 21 - SUBSEQUENT EVENTS

The Organization did not have any subsequent events through November 3, 2021, 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, 2020.

NOTE 22 - 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 2017. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2020 and 2019, 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, 2020 and 2019, the Organization recognized \$0 in interest and penalties. The Organization recognized \$0 for the payment of interest and penalties accrued at December 31, 2020 and 2019.

**HOPESOURCE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 23 - SCHEDULE OF NON-FEDERAL AWARDS

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2020, are as follows:

<u>Agency</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Amount</u>
Dept of Transportation	PTD0033	Dial Ride-State	\$ 52,408
Dept of Transportation	PTD0086	Capital	195,207
Dept of Transportation	PTD0033	KCC- State	73,710
Dept of Commerce	S20-32101-213	CSBG State	3,062
Dept of Commerce	S19-92401-415	Matchmaker	56,369
Dept of Commerce	S17-92401-415	Matchmaker	149,118
Emergency Food Assist	K667	EFAP	15,867
Emergency Food Assist	K3125	WSDA	30,808
Dept of Commerce	20-46108-16	Consolidated Homeless Housing	123,228
Dept of Commerce	316-46108-16	Consolidated Homeless Housing	226,745
Dept of Commerce	20-46108-16	Housing and Essential Needs	278,653
City of Ellensburg	None	Dial Ride	23,094
City of Ellensburg	None	Transportation	1,029,054
City of Ellensburg	None	Rent Assistance	124,433
City of Elensburg	None	Weatherization	32,753
City of Cle Elum	None	KCC	10,623
Puget Sound Energy	None	Energy Assist.	232,778
Puget Sound Energy	PSE-EE-LIW-012	Energy Assist. WAP	308,459
PUD	None	Energy & Weatherization Assistance	33,400
ROE	None	Weatherization	38,002
Kittitas County	HH2009-001	Senior Rent Assistance	128,555
Kittitas County	HH-2018-003	Evergreen	23,430
Polaris	2010-001	Homeless Housing Program	32,100
Polaris	HH2018-003	Affordable Housing Program	76,365
Miscellaneous	None	Miscellaneous	1,669,855
			<u>\$ 4,968,076</u>

HOPESOURCE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>Hopesource</u>	<u>Westview Villa LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
Assets				
Current assets				
Cash	\$ 399,236	\$ 17,824	\$ -	\$ 417,060
Accounts receivable	1,078,145	683	(2,001)	1,076,827
Weatherization inventory	13,127	-	-	13,127
Commodities inventory	29,301	-	-	29,301
Prepaid expenses and other current assets	<u>38,170</u>	<u>4,476</u>	<u>-</u>	<u>42,646</u>
Total current assets	1,557,979	22,983	(2,001)	1,578,961
Property and equipment				
Land and building, net	2,779,721	1,634,325	-	4,414,046
Leasehold improvements, net	20,279	-	-	20,279
Construction in progress	500,000	-	-	500,000
Equipment, net	195,463	9,755	-	205,218
Vehicles, net	<u>158,032</u>	<u>-</u>	<u>-</u>	<u>158,032</u>
Total property and equipment	3,653,495	1,644,080	-	5,297,575
Other assets				
Investment in Windsor Park LLC	92,347	-	-	92,347
Investment in Westview	879,370	-	(879,370)	-
Investment in Hopesource II Rural Pres. Assoc. LLLP	269,791	-	-	269,791
Investment	10,700	-	-	10,700
Due from Hopesource II Rural Pres. Assoc. LLLP	182,459	-	-	182,459
Due from Windsor Park LLC	24,449	-	-	24,449
Operating and replacemnt reserves	-	46,956	-	46,956
Security deposits	<u>6,650</u>	<u>13,092</u>	<u>-</u>	<u>19,742</u>
Total other assets	<u>1,465,766</u>	<u>60,048</u>	<u>(879,370)</u>	<u>646,444</u>
Total assets	<u>\$ 6,677,240</u>	<u>\$ 1,727,111</u>	<u>\$ (881,371)</u>	<u>\$ 7,522,980</u>
Liabilities and net assets				
Current liabilities				
Accounts payable	\$ 235,720	\$ 14,170	\$ -	249,890
Accrued liabilities	253,087	10,585	-	263,672
Deferred revenue	392	3,330	-	3,722
Tenant security deposits payable	19,400	13,092	-	32,493
Current portion of long-term debt	<u>57,487</u>	<u>-</u>	<u>-</u>	<u>57,487</u>
Total current liabilities	566,086	41,177	-	607,263
Long-term liabilities				
Loan payable	2,287,136	811,717	-	3,098,853
Less unamortized debt issuance costs	-	5,152	-	5,152
Less current portion of long-term debt	<u>57,487</u>	<u>-</u>	<u>-</u>	<u>57,487</u>
Total long-term liabilities	2,229,649	806,565	-	3,036,214
Net assets				
Without donor restrictions	3,881,505	879,369	(881,371)	3,879,502
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>3,881,505</u>	<u>879,369</u>	<u>(881,371)</u>	<u>3,879,502</u>
Total liabilities and net assets	<u>\$ 6,677,240</u>	<u>\$ 1,727,111</u>	<u>\$ (881,371)</u>	<u>\$ 7,522,980</u>

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

HOPESOURCE
CONSOLIDATING STATEMENT OF ACTIVITIES
DECEMBER 31, 2020

	<u>Hopesource</u>	<u>Westview Villa LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
Support and revenue				
Grants	\$ 9,548,066	\$ -	\$ -	\$ 9,548,066
Contributions	773,200	-	-	773,200
Program income	124,187	-	-	124,187
Other income	300,355	20,488	41,335	362,178
Rental income	69,421	171,512	-	240,933
In-kind revenue	265,440	-	-	265,440
Release of program restrictions	-	-	-	-
Total revenues, gains and support	<u>11,080,669</u>	<u>192,000</u>	<u>41,335</u>	<u>11,314,004</u>
Expenses				
Program services:				
Housing services	2,711,595	193,837	-	2,905,432
Nutrition services	386,560	-	-	386,560
Transportation services	2,002,049	-	-	2,002,049
Weatherization services	877,482	-	-	877,482
Energy services	955,644	-	-	955,644
Block grants	281,625	-	-	281,625
Veteran grant	2,001,084	-	-	2,001,084
Corporate	241,364	-	-	241,364
	<u>9,457,403</u>	<u>193,837</u>	<u>-</u>	<u>9,651,240</u>
Administration	837,353	41,590	-	878,943
Total expenses	<u>10,294,756</u>	<u>235,427</u>	<u>-</u>	<u>10,530,183</u>
Other revenue and expenses				
Investment income (loss)	941	89	-	1,030
Total other revenue and expenses	<u>941</u>	<u>89</u>	<u>-</u>	<u>1,030</u>
Change in net assets	786,854	43,338	(41,335)	784,851
Net assets, beginning of year	3,094,652	959,705	(959,705)	3,094,652
Distributions	-	37,000	(37,000)	-
Prior period adjustments	-	-	-	-
Net assets, end of year	<u>\$ 3,881,506</u>	<u>\$ 916,367</u>	<u>\$ (918,370)</u>	<u>\$ 3,879,503</u>

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

HOPESOURCE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Hopesource</u>	<u>Westview Villa LLC</u>	<u>Eliminating Entries</u>	<u>Total</u>
Salaries	\$ 2,568,863	\$ 24,814	\$ -	\$ 2,593,677
Benefits	1,297,233	-	-	1,297,233
Subcontractor expense	593,570	-	-	593,570
Supplies	134,166	16,084	-	150,250
Vehicle expenses	286,315	-	-	286,315
Professional services	294,857	14,139	-	308,996
Communication	42,587	2,339	-	44,926
Travel	34,621	126	-	34,747
Advertising	27,396	511	-	27,907
Rent	187,367	-	-	187,367
Insurance	103,867	9,218	-	113,085
Utilities	60,047	59,636	-	119,683
Repair and maintenance	79,603	30,058	-	109,661
Printing and publication	24,808	-	-	24,808
Miscellaneous	41,039	4,688	-	45,727
In-kind expenses	179,660	-	-	179,660
Conference and training fees	30,452	386	-	30,838
Client expenses	3,498,461	-	-	3,498,461
Depreciation expense	134,874	73,428	-	208,302
Capital outlay	621,150	-	-	621,150
Interest expense	53,820	-	-	53,820
	<u>53,820</u>	<u>-</u>	<u>-</u>	<u>53,820</u>
Total functional expenses	<u>\$ 10,294,756</u>	<u>\$ 235,427</u>	<u>\$ -</u>	<u>\$ 10,530,183</u>

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

HOPESOURCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Federal Grantor/ Pass-through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>From Pass- through Awards</u>	<u>Expenditures From Direct Awards</u>	<u>Total</u>
Department of Health and Human Services					
Passed through state department of commerce:					
Community services block grant	93.569	F20-3210C-013	\$ 26,982	\$ -	\$ 26,982
Community services block grant	93.569	F20-32101-013	136,923	-	136,923
Community. services block grant	93.569	F19-32101-013	205	-	205
LIHEAP weatherization Assistance.	93.568	F1953101-415	180,080	-	180,080
LIHEAP block Grant	93.568	20-326CC-066	173,142	-	173,142
LIHEAP block Grant	93.568	20-3260C-066	210,963	-	210,963
LIHEAP block Grant	93.568	20-32606-066	438,936	-	438,936
LIHEAP block Grant	93.568	19-32606-066	13,160	-	13,160
Passed through Yakima county:					
Special programs for the aging title III part B	93.044	2019-HS	<u>26,607</u>	<u>-</u>	<u>26,607</u>
			1,206,998	-	1,206,998
Department of Housing and Urban Development					
Youth Homelessness Demonstration - SSO	14.276	WA0435Y0T011700	246,556	-	246,556
Youth Homelessness Demonstration - RRH	14.276	WA0437Y0T011700	174,118	-	174,118
Youth Homelessness Demonstration - RRH	14.276	WA0440Y0T011700	77,161	-	77,161
Passed through state DOC:					
Supportive housing program	14.235	WA0298L0T011804	22,629	-	22,629
Supportive housing program	14.235	WA0298L0T011703	22,534	-	22,534
Youth homelessness demonstration - TH	14.276	20-46306-009	26,828	-	26,828
Community development block grant	14.228	20-62210-008	29,630	-	29,630
Community deveopment block grant	14.228	19-62210-008	<u>95,227</u>	<u>-</u>	<u>95,227</u>
			694,683	-	694,683
Department of Agriculture					
Rural community development initiative	10.446	RCDI 2018	83,264	-	83,264
Passed through sate Dept. of General Administration:					
Emergency food assistance	10.569	None	85,319	-	85,319
Passed through USDA Rural Development:					
USDA housing preservation	10.433	None	<u>43,182</u>	<u>-</u>	<u>43,182</u>
			211,765	-	211,765
Department of Energy					
Passed through state DOC:					
Weatherization Assistance	81.042	19-53103-415	<u>59,172</u>	<u>-</u>	<u>59,172</u>
			59,172	-	59,172
Bonneville Power Administration					
Passed through State of WA DOC:					
Weatherization assistance	81.999	F20-53104-415	<u>44,492</u>	<u>-</u>	<u>44,492</u>
			44,492	-	44,492
Department of Transportation					
Passed through Sate of WA Dept. of Transportation					
Dial ride	20.509	PTD0189	660,485	-	660,485
Dial ride	20.509	PTD0033	<u>64,054</u>	<u>-</u>	<u>64,054</u>
			724,539	-	724,539
Department of Veterans Affairs					
VA supportive services for veteran families	64.033	2020-WA-338-C2	53,060	-	53,060
VA supportive services for veteran families	64.033	2020-WA-338-CA	880,337	-	880,337
VA supportive services for veteran families	64.033	2020-WA-338-20	<u>1,288,581</u>	<u>-</u>	<u>1,288,581</u>
			<u>2,221,978</u>	<u>-</u>	<u>2,221,978</u>
			<u>\$ 5,163,627</u>	<u>\$ -</u>	<u>\$ 5,163,627</u>

HOPESOURCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of federal award programs administered by the Organization, which is described in Note 2 to Organization's accompanying financial statements, using accrual basis of accounting. Federal awards that are included in the Schedule may be received directly from federal agencies. The information presented in the 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).

NOTE 2 - DE-MINIMIS COST RATE

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

NOTE 3 - SUB RECIPIENTS

Included in the following programs are amounts passed on to sub recipients:

<u>Program title</u>	<u>Sub Recipient Expenditure</u>
Supportive Services for Veteran Families	\$ 391,864
APOYO Kittitas Eviction Rent Assistance	2,112
Youth Homelessness Demonstration Program	177,009
USDA Rural Community Development Initiative	<u>22,585</u>
	<u>\$ 593,570</u>

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
Hopesource
Ellensburg, Washington

We have audited, 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, the financial statements of Hopesource (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 September 21, 2021.

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) 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 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 may exist that have not been identified.

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 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clarke Whitney, CPA, Inc.

Clarke Whitney, CPA, Inc.
Bremerton, WA
September 21, 2021

**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, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Hopesource's compliance with the types of compliance requirements described 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, 2020. Hopesource'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Hopesource'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 Hopesource'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 Hopesource's compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Hopesource 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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Hopesource 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 Hopesource'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 Hopesource'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.

Clarke Whitney, CPA, Inc.

Clarke Whitney, CPA, Inc.
Bremerton, WA
September 21, 2021

**HOPESOURCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Section I—Summary of Auditor's Results
Financial Statements**

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? 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 OMB Uniform Guidance? yes no

Identification of major programs:

CFDA Number(s) 14.276	Name of Federal Program or Cluster Youth Homelessness Demonstration
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

Section II—Financial Statement Findings

There were no reportable findings.

Section III—Federal Award Findings and Questionable Costs

There were no reportable findings

**HOPESOURCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section IV—Prior Year Audit Findings

There were no prior year audit findings