
HOPESOURCE

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Year Ended December 31, 2011
With Comparative Totals for 2010

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HOPESOURCE
Ellensburg, WA

We have audited the accompanying statement of financial position of HOPESOURCE as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of HOPESOURCE's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HOPESOURCE's 2010 financial statements and, in our report dated June 28, 2011, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPESOURCE as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic 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 basic financial statements as a whole.



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

August 28, 2012

HOPESOURCE

Statement of Financial Position

December 31, 2011 (With Comparative Totals for 2010)	2011	2010
<u>ASSETS</u>		
Current Assets		
Cash	\$ 69,572	\$ 170,000
Accounts Receivable	417,711	289,160
Weatherization Inventory	712	141
Commodities Inventory	5,555	3,563
Prepaid Expenses & Other Current Assets	32,054	15,535
Total Current Assets	525,604	478,399
Property & Equipment		
Land & Building, net	41,333	34,167
Leasehold Improvements, net	1,356	1,489
Equipment, net	56,740	43,383
Vehicles, net	48,057	1,887
Total Property & Equipment	147,486	80,926
Other Assets		
Due from Westview Villa Limited Partnership	187,943	25,674
Investment	1,086	-
Investment in Windsor Park LLC	26,980	107,683
Investment in Westview Villa Limited Partnership	124,784	124,790
Total Other Assets	340,793	258,147
Total Assets	\$ 1,013,883	\$ 817,472
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	90,022	87,869
Accrued Expenses	21,426	17,478
Deferred Revenue	66,077	62,229
Loan Payable Current	3,600	3,600
Total Current Liabilities	181,125	171,176
Long Term Liabilities		
Loan Payable	112,800	116,400
Less Loan Payable Current	(3,600)	(3,600)
Total Long Term Liabilities	109,200	112,800
Net Assets		
Unrestricted Net Assets	720,257	526,735
Temporarily Restricted Net Assets	3,301	6,761
Total Net Assets	723,558	533,496
Total Liabilities and Net Assets	\$ 1,013,883	\$ 817,472

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

HOPESOURCE

Statement of Activities and Change In Net Assets

Year Ended December 31, 2011 <i>(With Comparative Totals for 2010)</i>	2011	2010		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue				
Grants	\$ 3,499,876	\$ -	\$ 3,499,876	\$ 3,438,251
Contributions	105,826	10,295	116,121	57,120
Program Income	246,196	-	246,196	61,465
Other Income	3,280	-	3,280	2,484
Inkind Revenue	65,827	-	65,827	60,860
Service Fees	24,322	-	24,322	24,936
Fundraising	21,769	-	21,769	8,666
Release of Program Restrictions	13,755	(13,755)	-	-
Total Support & Revenues	3,980,851	(3,460)	3,977,391	3,653,782
Expenses				
Program Services:				
Housing Services	391,622	-	391,622	528,509
Nutrition Services	223,474	-	223,474	268,770
Transportation Services	878,541	-	878,541	741,461
Weatherization Services	476,305	-	476,305	377,290
Energy Services	1,150,127	-	1,150,127	1,050,746
Block Grants	131,558	-	131,558	213,886
Social Enterprise	7,469	-	7,469	13,531
Corporate	63,326	-	63,326	44,260
	3,322,422	-	3,322,422	3,238,453
Administration	354,215	-	354,215	266,466
Total Expenses	3,676,637	-	3,676,637	3,504,919
Other Revenue & Expenses				
Investment Income (Loss)	(110,692)	-	(110,692)	644
Total Other Revenue & Expenses	(110,692)	-	(110,692)	644
INCREASE (DECREASE) IN NET ASSETS	193,522	(3,460)	190,062	149,507
NET ASSETS, BEGINNING OF YEAR	526,735	6,761	533,496	383,989
NET ASSETS, END OF YEAR	\$ 720,257	\$ 3,301	\$ 723,558	\$ 533,496

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

HOPESOURCE**Statement of Functional Expenses****Year Ended December 31, 2011 (With Comparative Totals for 2010)**

	Housing Services	Nutrition Services	Transportation Services	Weatherization Services	Energy Services	Block Grants
Salaries	\$ 88,247	\$ 3,169	\$ 357,610	\$ 97,575	\$ 71,259	\$ 34,870
Benefits	42,675	2,158	201,783	50,061	41,300	13,714
Subcontractors Expense	15,005	53,259	-	-	-	-
Supplies	891	173	1,610	1,459	1,153	5,684
Vehicle Expenses	1,520	34	196,348	3,763	184	1,128
Professional Services	15,501	185	14,008	24,100	15,886	5,915
Communication	3,262	(290)	3,318	3,124	1,501	1,372
Travel	5,159	(53)	301	6,968	276	2,143
Advertising	347	-	339	125	22	84
Rent	14,259	(328)	45,651	13,385	15,570	8,658
Insurance	2,450	(149)	22,697	5,214	1,550	140
Utilities	8,373	207	3,239	1,745	2,374	3,090
Repair & Maintenance	10,866	1,116	20,072	1,583	2,603	9,458
Printing & Publication	860	198	1,215	1,420	1,305	720
Miscellaneous	306	86	68	197	78	2,825
Inkind Expenses	-	64,741	-	-	-	-
Conference & Training Fees	1,761	338	2,152	4,494	1,029	5,153
Client Expenses	169,297	98,908	3,330	255,194	992,760	35,858
Depreciation Expense	-	-	-	-	-	-
Capital Outlay	1,356	(278)	4,800	5,898	1,277	746
Interest Expense	9,487	-	-	-	-	-
TOTAL	\$ 391,622	\$ 223,474	\$ 878,541	\$ 476,305	\$ 1,150,127	\$ 131,558

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

				2011		2010	
Social Enterprise	Corporate	Total Programs	Administration	Total	Total		
\$ 902	\$ 10,785	\$ 664,417	\$ 189,958	\$ 854,375	\$ 779,752		
219	5,572	357,482	82,335	439,817	377,895		
-	10	68,274	-	68,274	59,054		
-	11,482	22,452	5,063	27,515	31,317		
1,153	365	204,495	430	204,925	140,084		
62	5,635	81,292	24,159	105,451	81,138		
-	2,002	14,289	4,137	18,426	28,125		
42	4,117	18,953	4,139	23,092	30,446		
-	-	917	49	966	3,141		
100	5,472	102,767	12,383	115,150	106,181		
500	376	32,778	1,771	34,549	28,658		
-	510	19,538	1,492	21,030	29,681		
-	1,210	46,908	1,114	48,022	111,906		
-	281	5,999	3,017	9,016	8,899		
14	2,293	5,867	1,686	7,553	10,898		
-	-	64,741	-	64,741	60,860		
-	591	15,518	5,211	20,729	40,483		
3,792	12,166	1,571,305	(489)	1,570,816	1,452,645		
-	-	-	15,098	15,098	7,881		
685	459	14,943	2,662	17,605	106,091		
-	-	9,487	-	9,487	9,784		
\$ 7,469	\$ 63,326	\$ 3,322,422	\$ 354,215	\$ 3,676,637	\$ 3,504,919		

HOPESOURCE

Statement of Cash Flows

Year Ended December 31, 2011 (With Comparative Totals for 2010)	2011	2010
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 190,062	\$ 149,507
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) (Used) by Operating Activities:		
Depreciation	15,098	7,881
Forgiveness of Debt	(3,600)	(3,600)
Donated Stock	(1,069)	-
Unrealized Gain	(17)	-
Loss from Westview Villa Limited Partnership	6	9
Loss (Profit) from Windsor Park LLC	110,703	(653)
(Increase) Decrease in --		
Accounts Receivable	(128,551)	(94,859)
Due from Westview Villa Limited Partnership	(162,269)	(8,895)
Inventories	(2,563)	191
Prepaid Expenses & Other Current Assets	(16,519)	13,149
Increase (Decrease) in --		
Accounts Payable	2,153	69,579
Accrued Expenses	3,948	(2,811)
Deferred Revenue	3,848	34,869
Net Cash Provided (Used) by Operations	11,230	164,367
Cash Flows From Investing Activities		
Capital Contributed for Windsor Park LLC	(30,000)	(107,030)
Purchase of Equipment	(81,658)	(44,100)
Net Cash Provided (Used) by Investing	(111,658)	(151,130)
Cash Flows From Financing Activities		
	-	-
Net Increase (Decrease) in Cash	(100,428)	13,237
Cash, at Beginning of Year	170,000	156,763
Cash, at End of Year	\$ 69,572	\$ 170,000

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

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

HOPESOURCE 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 HOPESOURCE'S programs and activities.

Accounting Basis

HOPESOURCE 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 temporarily restricted or unrestricted 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 HOPESOURCE'S policy to report the grant funds as unrestricted on the statement of activities and changes in net assets.

Recognition of Contribution Revenue

HOPESOURCE reports gifts of cash and other assets as restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

HOPESOURCE reports gifts of land, buildings, and equipment as unrestricted 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 restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, HOPESOURCE 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 HOPESOURCE'S policy to report the contribution as unrestricted on the statement of activities and changes in net assets.

Property and Equipment

Property and equipment purchased by HOPESOURCE 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

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

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

Property and Equipment (Con't)

property and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

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

Buildings & Improvements	30 years
Office equipment	7 years
Vehicles	5 to 6 years

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 HOPESOURCE'S policy to expense all advertising costs as incurred.

NOTE 2: 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. HOPESOURCE uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2011 and 2010, there were bad debts of \$0. As of December 31, 2011, management estimated that all accounts receivable were collectible.

Past due trade receivables are those on which no payments have been received within 30 days following the month in which they originated. No interest is charged on past due trade receivables.

NOTE 3: COMPENSATED ABSENCES

HOPESOURCE 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, 2011 and 2010, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2011</u>	<u>2010</u>
Annual Leave	\$ <u>12,344</u>	\$ <u>10,375</u>

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 4: LEASE COMMITMENTS

HOPESOURCE leases facilities to be used in their programs. The lease for facilities is classified as an operating lease. Lease expense for facilities for the years ended December 31, 2011 and 2010, was \$115,150 and \$106,181, respectively.

Future minimum payments under operating leases at December 31, 2011, are:

2012	\$ 86,541
2013	80,466
2014	78,441
2015	78,441
2016	78,441
	<u>\$ 402,330</u>

NOTE 5: LOANS PAYABLE

As of December 31, 2011, long-term debt consisted of the following:

Department of Commerce - Housing Trust Fund Program - Secured by real estate (See Below)	<u>\$ 112,800</u>
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Long-term debt as of December 31, 2010, was \$116,400.

Maturity of debt due within 5 years:

2011	\$ 3,600
2012	3,600
2013	3,600
2014	3,600
2015	3,600
Thereafter	94,800
	<u>\$ 112,800</u>

During 2003, HOPESOURCE entered into an agreement with the DCTED 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 DCTED 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.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 6: CASH

During 2011 and 2010, HOPESOURCE periodically had bank accounts that exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 7: 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, 2011 and 2010, for interest was \$0 for both years.

NOTE 8: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of HOPESOURCE and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

NOTE 9: WESTVIEW VILLA LIMITED PARTNERSHIP

HOPESOURCE is the Managing General Partner in the Westview Villa Limited Partnership. HOPESOURCE has an ownership interest of 1.0%. The purpose of the partnership is to construct, maintain, and operate a low to moderate income housing project located in Cle Elum, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to families with moderate to low incomes.

At December 31, 2011 and 2010, the Partnership owes Hopesource development and administrative fees of \$187,943 and \$25,674, respectively.

NOTE 10: 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 project located in Ellensburg, Cle Elum, and Roslyn, Washington. There is a total of 98 units. The project is a qualified tax credit project with bond financing being provided by HOPESOURCE. The units are rented to families with moderate to low incomes.

During late 2010, the LLC acquired the three housing projects and finished rehabbing the buildings in 2011.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 11: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by HOPESOURCE. The contributed services are not recorded in the financial statements because they do not meet the requirements set out in FASB ASC 958. During the years ended December 31, 2011 and 2010, the estimated fair value of volunteer services was \$10,550 and \$6,078, respectively.

HOPESOURCE receives donated supplies and food that are used in the programs sponsored by HOPESOURCE. The donated supplies and food are recorded as in-kind revenue at estimated fair market value when they are received. When the donated supplies and food are used an offsetting entry to in-kind expense is made. Donated supplies and food for the years ended December 31, 2011 and 2010 were \$65,827 and \$60,860, respectively.

NOTE 12: DEFERRED REVENUES

Deferred revenue is recognized for program (grant) advances received by HOPESOURCE 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 13: TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are donor-restricted contributions that have not been expended for the donor specified purposes as of December 31, 2011 and 2010.

NOTE 14: 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, 2011 and 2010, is \$5,555 and \$3,563, respectively.

At December 31, 2011 and 2010, HOPESOURCE had inventory of insulation and windows for the Weatherization program. The cost of the inventory as of December 31, 2011 and 2010, is \$712 and \$141, respectively.

NOTE 15: 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 HOPESOURCE 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 16: SUBSEQUENT EVENTS

HOPESOURCE did not have any subsequent events through August 28, 2012, 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, 2011.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 17: PROPERTY, EQUIPMENT AND ACCUMULATED DEPRECIATION

Equipment, vehicles, leasehold improvements, land and buildings consist of the following:

<u>Asset</u>	<u>Method</u>	<u>Life</u>	
Land			\$ 15,000
Building	S/L	30 yrs	69,166
Accumulated Depreciation			(42,833)
			<u>\$ 41,333</u>
Leasehold Improvements	S/L	30 yrs	\$ 3,976
Accumulated Depreciation			(2,620)
			<u>\$ 1,356</u>
Equipment	S/L	7 yrs	\$ 83,557
Accumulated Depreciation			(26,817)
			<u>\$ 56,740</u>
Vehicles	S/L	5 - 6 yrs	\$ 74,956
Accumulated Depreciation			(26,899)
			<u>\$ 48,057</u>

Accumulated depreciation as of December 31, 2010, was \$84,070.

NOTE 18 – UNCERTAIN TAX POSITIONS

HOPESOURCE files income tax returns in the U.S. federal jurisdiction. HOPESOURCE is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

HOPESOURCE adopted the provisions of FASB 740-10, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. As of December 31, 2011 and 2010, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

HOPESOURCE recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2011 and 2010, HOPESOURCE recognized \$0 in interest and penalties. HOPESOURCE recognized \$0 for the payment of interest and penalties accrued at December 31, 2011 and 2010.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 19: SCHEDULE OF NON-FEDERAL AWARDS

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2011, are as follows:

<u>Agency</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Amount</u>
Dept of Transportation	GCA6168	Rural Mobility	\$ 42,973
Dept of Transportation	GCA6168	State Paratransit	210,708
Dept of Transportation	GCA6168	Central Transit	23,780
Dept of Transportation	UCOO5313	Yakima Transit	13,917
Dept of Commerce	S11-94102-415	Matchmaker	22,531
Dept of Commerce	S10-94102-415	Matchmaker	71,000
Dept of Commerce	10-46104-10A	Transitional Housing Operation	8,710
Dept of Commerce	10-46104-10	Transitional Housing Operation	7,394
Dept of Commerce	K667	Emergency Food Assistance Program	25,759
Dept of Commerce	S10-32101-011	Emergency Food Assistance Program	27,512
Dept of Commerce	None	State Community Services Block Grant	6,843
Puget Sound Energy	None	Energy Assist.	328,416
Puget Sound Energy	None	Energy Assist. WAP	24,526
City of Ellensburg	None	Transportation	13,500
Fee for Service	None	People for People	24,322
State of Washington	G1200248	Ecology Wood Stove Exchange	3,105
Kittitas County	HH2009-001	Senior Rent Assistance	59,993
Kittitas County	None		6,256
City of Yakima	None	Yakima Transit	10,439
CWU	#7667	Central Transit	66,529
CWU	None	Yakima Transit	10,439
Polaris	2010-001	Homeless Housing Program	29,310
HPRP County	AH2011-002	Homeless Prevention & Rapid Re-Housing	27,964
Crest View Housing	MOU# 2008-1	Crest View Program	45,233
			<u>\$ 1,111,159</u>

NOTE 20: INVESTMENTS & FAIR VALUE MEASUREMENTS

As of December 31, 2011 and 2010, HOPESOURCE investments are in a mutual fund with a cost basis of \$1,069 and \$0, respectively. As of December 31, 2011 and 2010, the investments had a fair market value of \$1,086 and \$0, respectively. Unrealized gain for the years ended December 31, 2011 and 2010, was \$17 and \$0, respectively.

FASB ASC 820, 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 under FASB ASC 820 are described as follows:

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 20: FAIR VALUE MEASUREMENTS (CON'T)

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

Level 2: Inputs to valuation methodology include:

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

Westview Villa Limited Partnership: Capital balance per audited financial statements.

Windsor Park LLC: Capital balance per K-1 of tax return.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HOPESOURCE 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, HOPESOURCE's assets at fair value as of December 31, 2011 with comparative totals for 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2011 Total</u>	<u>2010 Total</u>
Westview Villa Limited Partnership	\$ -	\$ -	\$ 124,784	\$ 124,784	\$ 124,790
Windsor Park LLC	-	-	26,980	26,980	107,683
Mutual Funds	1,086	-	-	1,086	-
	<u>\$ 1,086</u>	<u>\$ -</u>	<u>\$ 151,764</u>	<u>\$ 152,850</u>	<u>\$ 232,473</u>

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2011

NOTE 20: FAIR VALUE MEASUREMENTS (CON'T)

Gains and Losses:

The following table sets forth a summary of changes in the fair value of Hopesource's assets for the year ended December 31, 2011:

	<u>Westview Villa Limited Partnership</u>	<u>Windsor Park LLC</u>
Balance, December 31, 2010	\$ 124,790	\$ 107,683
Realized Gains (Losses)	(6)	(110,703)
Capital Contribution	-	30,000
Balance, December 31, 2011	<u>\$ 124,784</u>	<u>\$ 26,980</u>

Net activity for level 3 for the year ended December 31, 2010, was \$107,674.

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services			
Passed Through State Department of Commerce:			
Community Services Block Grant	93.569	F11-32100-013	\$ 56,890
Community Services Block Grant	93.569	F10-32100-013	8,279
LIHEAP Weatherization Assistance Program	93.568	F11-43101-415	118,164
LIHEAP	93.568	F12-32106-066	111,777
LIHEAP	93.568	F11-32106-066	803,879
Passed Through Yakima County:			
Special Programs for the Aging-Title III Part B	93.044	2011-HS	30,066
			<u>1,129,055</u>
Department of Housing & Urban Development			
Passed Through State Department of Commerce:			
Supportive Housing Program	14.235	WA0087BOT011104	26,603
Supportive Housing Program	14.235	WA0087BOT010802	37,600
Community Development Block Grant	14.228	10-64007-005	83,227
Community Development Block Grant	14.228	11-64007-005	53,983
Emergency Shelter Grants Program	14.231	10-46000-218	91,990
ARRA-Homeless Prevention and Rapid Rehousing Program	14.257	10-46111-614	54,529
			<u>347,932</u>
Department of Agriculture			
Passed Through State Department of General Administration:			
Emergency Food Assistance Program (Administrative)	10.568	None	14,193
Emergency Food Assistance Program (Commodities)	10.569	None	97,031
Subtotal Cluster			<u>111,224</u>
Department of Energy			
Passed Through State Department of Commerce:			
ARRA-Weatherization Assistance	81.042	F09-431AR-415	235,437
Weatherization Assistance	81.042	F09-43103-415	23,334
			<u>258,771</u>
Bonneville Power Administration			
Passed Through State Department of Commerce:			
BPA Weatherization	81.999	F11-43104-415	1,496
BPA Weatherization	81.999	F10-43104-415	24,807
			<u>26,303</u>
Department of Transportation			
Passed Through State of Washington Department of Transportation			
State Operating and Consolidated Grant	20.509	UCOO5313	162,913
State Operating and Consolidated Grant	20.509	UCO1001-01	6,961
State Operating and Consolidated Grant	20.509	GCA6168	344,684
			<u>514,558</u>
			<u>\$ 2,387,843</u>

HOPESOURCE

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2011

No prior year findings.

**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, WA

We have audited the financial statements of HOPESOURCE as of and for the year ended December 31, 2011, and have issued our report thereon dated August 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HOPESOURCE's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HOPESOURCE's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPESOURCE's financial statements are free of 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*.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Aiken & Sanders

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

August 28, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
HOPESOURCE
Ellensburg, WA

Compliance

We have audited HOPESOURCE's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of HOPESOURCE's major federal programs for the year ended December 31, 2011. HOPESOURCE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of HOPESOURCE's management. Our responsibility is to express an opinion on HOPESOURCE's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of HOPESOURCE's compliance with those requirements.

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, 2011.

Internal Control Over Compliance

The management of HOPESOURCE is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HOPESOURCE's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

August 28, 2012

HOPESOURCE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.568	Low-Income Home Energy Assistance
20.509	State Operating and Consolidated Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.