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# **HOPESOURCE**

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Year Ended December 31, 2012  
With Comparative Totals for 2011

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

**TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT ..... 1

FINANCIAL STATEMENTS:

Statement of Financial Position ..... 3

Statement of Activities and Changes in Net Assets..... 4

Statement of Functional Expenses..... 5

Statement of Cash Flows ..... 7

Notes to the Financial Statements..... 8

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ..... 17

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS..... 18

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 ..... 19

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 ..... 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 23

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
HOPESOURCE  
Ellensburg, WA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of HOPESOURCE (the Agency), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from HOPESOURCE's 2011 financial statements and, in our report dated August 28, 2012, we expressed an unqualified opinion on those 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 the Agency as of December 31, 2012, 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.

**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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 June 14, 2013 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



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

June 14, 2013

# HOPESOURCE

## Statement of Financial Position

December 31, 2012 (With Comparative Totals for 2011)	2012	2011
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 134,414	\$ 69,572
Accounts Receivable	506,920	417,711
Weatherization Inventory	15,786	712
Commodities Inventory	7,458	5,555
Prepaid Expenses & Other Current Assets	29,681	32,054
<b>Total Current Assets</b>	<b>694,259</b>	<b>525,604</b>
<b>Property &amp; Equipment</b>		
Land & Building, net	30,167	41,333
Leasehold Improvements, net	19,803	1,356
Equipment, net	51,036	56,740
Vehicles, net	32,150	48,057
<b>Total Property &amp; Equipment</b>	<b>133,156</b>	<b>147,486</b>
<b>Other Assets</b>		
Investment in Windsor Park LLC	11,342	26,980
Investment in Westview Villa Limited Partnership	124,776	124,784
Investment	1,250	1,086
Due from Westview Villa Limited Partnership	185,565	187,943
Due from Windsor Park LLC	41,918	-
<b>Total Other Assets</b>	<b>364,851</b>	<b>340,793</b>
<b>Total Assets</b>	<b>\$ 1,192,266</b>	<b>\$ 1,013,883</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	88,364	90,022
Accrued Expenses	13,705	21,426
Deferred Revenue	68,243	66,077
Loan Payable Current	3,600	3,600
<b>Total Current Liabilities</b>	<b>173,912</b>	<b>181,125</b>
<b>Long Term Liabilities</b>		
Loan Payable	109,200	112,800
Less Loan Payable Current	(3,600)	(3,600)
<b>Total Long Term Liabilities</b>	<b>105,600</b>	<b>109,200</b>
<b>Net Assets</b>		
Unrestricted Net Assets	908,313	720,257
Temporarily Restricted Net Assets	4,441	3,301
<b>Total Net Assets</b>	<b>912,754</b>	<b>723,558</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,192,266</b>	<b>\$ 1,013,883</b>

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

## HOPESOURCE

### Statement of Activities and Change In Net Assets

Year Ended December 31, 2012 (With Comparative Totals for 2011)	2012		2011	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<b>Support &amp; Revenue</b>				
Grants	\$ 3,716,176	\$ -	\$ 3,716,176	\$ 3,499,876
Contributions	81,562	10,855	92,417	116,121
Program Income	165,206	-	165,206	246,196
Fare Yakima Transit	118,063	-	118,063	-
Other Income	2,958	-	2,958	3,280
Inkind Revenue	90,171	-	90,171	65,827
Service Fees	-	-	-	24,322
Fundraising	24,659	-	24,659	21,769
Release of Program Restrictions	9,715	(9,715)	-	-
<b>Total Support &amp; Revenues</b>	<b>4,208,510</b>	<b>1,140</b>	<b>4,209,650</b>	<b>3,977,391</b>
<b>Expenses</b>				
Program Services:				
Housing Services	294,141	-	294,141	391,622
Nutrition Services	221,193	-	221,193	223,474
Transportation Services	1,295,987	-	1,295,987	878,541
Weatherization Services	536,946	-	536,946	476,305
Energy Services	1,030,201	-	1,030,201	1,150,127
Block Grants	119,436	-	119,436	131,558
Social Enterprise	1,936	-	1,936	7,469
Corporate	119,954	-	119,954	63,326
	3,619,794	-	3,619,794	3,322,422
Administration	378,145	-	378,145	354,215
<b>Total Expenses</b>	<b>3,997,939</b>	<b>-</b>	<b>3,997,939</b>	<b>3,676,637</b>
<b>Other Revenue &amp; Expenses</b>				
Loss on Disposal of Assets	(7,034)	-	(7,034)	-
Investment Income (Loss)	(15,481)	-	(15,481)	(110,692)
<b>Total Other Revenue &amp; Expenses</b>	<b>(22,515)</b>	<b>-</b>	<b>(22,515)</b>	<b>(110,692)</b>
INCREASE (DECREASE) IN NET ASSETS	188,056	1,140	189,196	190,062
NET ASSETS, BEGINNING OF YEAR	720,257	3,301	723,558	533,496
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 908,313</b>	<b>\$ 4,441</b>	<b>\$ 912,754</b>	<b>\$ 723,558</b>

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

**HOPESOURCE****Statement of Functional Expenses****Year Ended December 31, 2012 (With Comparative Totals for 2011)**

	<b>Housing Services</b>	<b>Nutrition Services</b>	<b>Transportation Services</b>	<b>Weatherization Services</b>	<b>Energy Services</b>	<b>Block Grants</b>
Salaries	\$ 50,262	\$ 8,565	\$ 378,492	\$ 102,985	\$ 68,929	\$ 47,920
Benefits	27,099	4,544	213,854	52,396	36,217	20,002
Subcontractors Expense	12,432	50,864	-	-	-	-
Supplies	784	-	1,757	1,324	3,624	441
Vehicle Expenses	(278)	-	297,833	3,496	60	453
Professional Services	11,182	1,304	17,778	21,859	12,800	9,976
Communication	1,527	1,039	3,085	3,541	1,119	1,192
Travel	1,575	(196)	(307)	7,303	1,075	159
Advertising	(6)	-	1,463	425	-	-
Rent	16,322	4,463	56,354	15,366	13,564	9,114
Insurance	2,035	284	42,106	7,671	1,298	567
Utilities	6,079	1,704	2,162	1,403	1,463	834
Repair & Maintenance	19,060	643	16,906	2,775	1,756	12,295
Printing & Publication	628	78	2,340	1,234	981	402
Miscellaneous	489	350	2,533	-	-	1,883
Inkind Expenses	-	90,171	-	-	-	-
Conference & Training Fees	968	(67)	2,973	4,985	359	787
Client Expenses	128,466	55,920	4,301	304,985	882,690	13,052
Depreciation Expense	4,074	1,527	11,778	1,527	1,527	-
Capital Outlay	2,253	-	240,579	3,671	2,739	359
Interest Expense	9,190	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 294,141</b>	<b>\$ 221,193</b>	<b>\$ 1,295,987</b>	<b>\$ 536,946</b>	<b>\$ 1,030,201</b>	<b>\$ 119,436</b>

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

				2012		2011	
Social Enterprise	Corporate	Total Programs	Administration	Total	Total		
\$ -	\$ 36,437	\$ 693,590	\$ 199,078	\$ 892,668	\$ 854,375		
1,103	21,270	376,485	83,392	459,877	439,817		
-	998	64,294	-	64,294	68,274		
3	5,364	13,297	13,010	26,307	27,515		
602	2,786	304,952	2,400	307,352	204,925		
-	(743)	74,156	29,313	103,469	105,451		
-	572	12,075	3,301	15,376	18,426		
-	7,241	16,850	9,451	26,301	23,092		
-	145	2,027	175	2,202	966		
-	928	116,111	14,245	130,356	115,150		
125	-	54,086	1,880	55,966	34,549		
-	10	13,655	1,633	15,288	21,030		
96	13,564	67,095	2,490	69,585	48,022		
7	315	5,985	2,982	8,967	9,016		
-	1,224	6,479	2,441	8,920	7,553		
-	-	90,171	-	90,171	64,741		
-	5,144	15,149	5,316	20,465	20,729		
-	22,644	1,412,058	-	1,412,058	1,570,816		
-	-	20,433	1,528	21,961	15,098		
-	2,055	251,656	5,510	257,166	17,605		
-	-	9,190	-	9,190	9,487		
<b>\$ 1,936</b>	<b>\$ 119,954</b>	<b>\$ 3,619,794</b>	<b>\$ 378,145</b>	<b>\$ 3,997,939</b>	<b>\$ 3,676,637</b>		

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



**HOPESOURCE**

**Statement of Cash Flows**

<b>Year Ended December 31, 2012 (With Comparative Totals for 2011)</b>	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 189,196	\$ 190,062
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) (Used) by Operating Activities:		
Depreciation	21,961	15,098
Forgiveness of Debt	(3,600)	(3,600)
Donated Stock	-	(1,069)
Unrealized Gain	(166)	(17)
Loss from Westview Villa Limited Partnership	8	6
Loss from Windsor Park LLC	15,638	110,703
Loss on Disposal of Assets	7,034	-
(Increase) Decrease in --		
Accounts Receivable	(89,209)	(128,551)
Due from Westview Villa Limited Partnership	2,378	(162,269)
Due from Winsor Park LLC	(41,918)	-
Inventories	(16,977)	(2,563)
Prepaid Expenses & Other Current Assets	2,373	(16,519)
Increase (Decrease) in --		
Accounts Payable	(1,658)	2,153
Accrued Expenses	(7,721)	3,948
Deferred Revenue	2,166	3,848
<b>Net Cash Provided (Used) by Operations</b>	<b>79,505</b>	<b>11,230</b>
<b>Cash Flows From Investing Activities</b>		
Capital Contributed for Windsor Park LLC	-	(30,000)
Purchase of Equipment	(14,663)	(81,658)
<b>Net Cash Provided (Used) by Investing</b>	<b>(14,663)</b>	<b>(111,658)</b>
<b>Cash Flows From Financing Activities</b>		
	-	-
Net Increase (Decrease) in Cash	64,842	(100,428)
Cash, at Beginning of Year	69,572	170,000
<b>Cash, at End of Year</b>	<b>\$ 134,414</b>	<b>\$ 69,572</b>

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

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

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

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

#### Concentration of Revenue

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, 2012

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### **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 2012 and 2011, there were bad debts of \$0. As of December 31, 2012, 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, 2012, all receivables are current.

### **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, 2012 and 2011, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2012</u>	<u>2011</u>
Annual Leave	\$ <u>13,705</u>	\$ <u>12,344</u>

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

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### 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, 2012 and 2011, were \$131,529 and \$115,150, respectively.

Future minimum payments under operating leases at December 31, 2012, are:

2013	\$ 117,672
2014	115,857
2015	116,071
2016	116,290
2017	116,513
	<u>\$ 582,403</u>

### NOTE 5: LOANS PAYABLE

As of December 31, 2012, long-term debt consisted of the following:

	<u>2012</u>
Department of Commerce - Housing Trust Fund Program - Secured by real estate (See Below)	<u>\$ 109,200</u>

Long-term debt as of December 31, 2011, was \$112,800.

Maturity of debt due within 5 years:

2013	\$ 3,600
2014	3,600
2015	3,600
2016	3,600
2017	3,600
Thereafter	91,200
	<u>\$ 109,200</u>

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

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

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### **NOTE 6: CASH**

During 2012 and 2011, HOPESOURCE, at times, had deposits in accounts which exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). Management does not believe HOPESOURCE is at any significant risk of loss on these accounts.

### **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, 2012 and 2011, 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, 2012 and 2011, the Partnership owed HOPESOURCE development and administrative fees of \$185,565 and \$187,943, 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 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 Department of Commerce. The units are rented to families with moderate to low incomes.

At December 31, 2012 and 2011, the LLC owed HOPESOURCE development fees of \$41,918 and \$0, respectively.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

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### **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, 2012 and 2011, the estimated fair value of volunteer services was \$31,040 and \$10,550, 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, 2012 and 2011 were \$90,171 and \$65,827, 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, 2012 and 2011.

### **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, 2012 and 2011, is \$7,458 and \$5,555, respectively.

At December 31, 2012 and 2011, HOPESOURCE had inventory of insulation and windows for use in the Weatherization program. The cost of the inventory as of December 31, 2012 and 2011, is \$15,786 and \$712, 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 June 14, 2013, 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, 2012.

## HOPESOURCE

### Notes to the Financial Statements

Year Ended December 31, 2012

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#### **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	60,000
Accumulated Depreciation			(44,833)
			<u>\$ 30,167</u>
Leasehold Improvements	S/L	30 yrs	\$ 22,970
Accumulated Depreciation			(3,167)
			<u>\$ 19,803</u>
Equipment	S/L	7 yrs	\$ 81,092
Accumulated Depreciation			(30,056)
			<u>\$ 51,036</u>
Vehicles	S/L	5 - 6 yrs	\$ 64,811
Accumulated Depreciation			(32,661)
			<u>\$ 32,150</u>

Accumulated depreciation as of December 31, 2011, was \$99,169.

#### **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 2009. 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, 2012 and 2011, 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, 2012 and 2011, HOPESOURCE recognized \$0 in interest and penalties. HOPESOURCE recognized \$0 for the payment of interest and penalties accrued at December 31, 2012 and 2011.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

### **NOTE 19: SCHEDULE OF NON-FEDERAL AWARDS**

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2012, are as follows:

<u>Agency</u>	<u>Number</u>	<u>Name</u>	<u>Amount</u>
Dept of Transportation	UCOO5313	State Paratransit	\$ 221,563
Dept of Transportation	UCOO5313	Yakima Transit	145,899
Dept of Transportation	UCOO5312	Capital - State Share	234,617
Dept of Commerce	S11-94102-415	Matchmaker	145,252
Dept of Commerce	12-46108-16	Transitional Housing Operation	84,725
Dept of Commerce	K667	Emergency Food Assistance Program	58,877
Dept of Commerce	None	State Community Services Block Grant	7,192
Puget Sound Energy	None	Energy Assist.	218,042
Puget Sound Energy	None	Energy Assist. WAP	34,109
City of Ellensburg	None	Transportation	15,550
State of Washington	G1200248	Ecology Wood Stove Exchange	67,373
Kittitas County	HH2009-001	Senior Rent Assistance	67,000
Kittitas County	None	None	5,119
City of Yakima	None	Yakima Transit	106,277
CWU	#7667	Central Transit	77,597
CWU	None	Yakima Transit	77,095
Polaris	2010-001	Homeless Housing Program	61,177
Crest View Housing	MOU# 2008-1	Crest View Program	39,600
Elmview	None	None	15,000
Miscellaneous Programs	None	None	11,495
			<u>\$ 1,693,559</u>

### **NOTE 20: INVESTMENTS & FAIR VALUE MEASUREMENTS**

As of December 31, 2012 and 2011, HOPESOURCE investments are in a mutual fund with a cost basis of \$1,069. As of December 31, 2012 and 2011, the investments had a fair market value of \$1,250 and \$1,086, respectively. Unrealized gain for the years ended December 31, 2012 and 2011, were \$166 and \$17, 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:

**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.



# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

### NOTE 20: FAIR VALUE MEASUREMENTS (CON'T)

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

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

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

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

Westview Villa Limited Partnership: Direct capitalization under the income approach observable by the entity's financial statements.

Windsor Park LLC: Direct capitalization under the income approach observable by the entity's financial statements.

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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, 2012 and comparative totals for 2011:

	2012				2011
	Level 1	Level 2	Level 3	Total	Total
Westview Villa Limited Partnership	\$ -	\$ -	\$ 124,776	\$ 124,776	\$ 124,784
Windsor Park LLC	-	-	11,342	11,342	26,980
Mutual Funds	1,250	-	-	1,250	1,086
	<u>\$ 1,250</u>	<u>\$ -</u>	<u>\$ 136,118</u>	<u>\$ 137,368</u>	<u>\$ 152,850</u>

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2012

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### NOTE 20: FAIR VALUE MEASUREMENTS (CON'T)

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

The following table sets forth a summary of changes in the fair value of HOPESOURCE'S level 3 assets for the year ended December 31, 2012:

	<u>Westview Villa Limited Partnership</u>	<u>Windsor Park LLC</u>
Balance, December 31, 2011	\$ 124,784	\$ 26,980
Realized Gains (Losses)	<u>(8)</u>	<u>(15,638)</u>
Balance, December 31, 2012	<u>\$ 124,776</u>	<u>\$ 11,342</u>

Net activity for level 3 assets for the year ended December 31, 2011, was \$(15,630).

**HOPESOURCE**

**Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2012**

<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>
<b>Department of Health and Human Services</b>			
Passed Through State Department of Commerce:			
Community Services Block Grant	93.569	F11-32100-013	\$ 1,713
Community Services Block Grant	93.569	F12-32100-013	136,036
LIHEAP Weatherization Assistance Program	93.568	F11-43101-415	86,040
LIHEAP Weatherization Assistance Program	93.568	F12-43101-415	156,182
LIHEAP	93.568	F11-32106-066	718,938
LIHEAP	93.568	F12-32106-066	176,141
Passed Through Yakima County:			
Special Programs for the Aging-Title III Part B	93.044	2011-HS	29,894
			<u>1,304,944</u>
<b>Department of Housing &amp; Urban Development</b>			
Passed Through State Department of Commerce:			
Supportive Housing Program	14.235	WA0087BOT011104	36,342
Supportive Housing Program	14.235	WA0087BOT011104	27,033
Community Development Block Grant	14.228	11-64007-005	53,982
Community Development Block Grant	14.228	12-64007-005	35,645
Emergency Shelter Grants Program	14.231	13-46107-014	17,494
ARRA-Homeless Prevention and Rapid Rehousing Program	14.257	10-46111-614	24,833
			<u>195,329</u>
<b>Department of Agriculture</b>			
Passed Through State Department of General Administration:			
Emergency Food Assistance Program (Administrative)	10.568	None	19,912
Emergency Food Assistance Program (Commodities)	10.569	None	56,162
Subtotal Cluster			<u>76,074</u>
<b>Department of Energy</b>			
Passed Through State Department of Commerce:			
ARRA-Weatherization Assistance	81.042	F12-43103-415	23,729
Weatherization Assistance	81.042	F09-43103-415	5,390
			<u>29,119</u>
<b>Bonneville Power Administration</b>			
Passed Through State Department of Commerce:			
BPA Weatherization	81.999	F11-43104-415	67,017
			<u>67,017</u>
<b>Department of Transportation</b>			
Passed Through State of Washington Department of Transportation			
State Operating and Consolidated Grant	20.509	UCOO5313	331,535
State Operating and Consolidated Grant	20.509	UCO1001-01	130,382
			<u>461,917</u>
			<u>\$ 2,134,400</u>

**HOPESOURCE**

**Summary Schedule of Prior Audit Findings**

**Year Ended December 31, 2012**

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No prior year findings.

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

To the Board of Directors  
HOPESOURCE  
Ellensburg, WA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of HOPESOURCE (the Agency), which comprise the statement of financial position as of December 31, 2012, 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 June 14, 2013.

**Internal Control Over Financial Reporting**

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

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

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


**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



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

June 14, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
HOPESOURCE  
Ellensburg, WA

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

We have audited HOEPSOURCE (the Agency) 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 the Agency's major federal programs for the year ended December 31, 2012. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

**Report on Internal Control Over Compliance**

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

compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular 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 the Agency's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

June 14, 2013



**HOPESOURCE**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2012**

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**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

**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.