
HOPESOURCE

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Year Ended December 31, 2014
With Comparative Totals for 2013

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

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, 2014, 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 2013 financial statements and, in our report dated July 23, 2014, 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, 2014, 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 July 22, 2015 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

July 22, 2015

HOPESOURCE

Statement of Financial Position

December 31, 2014 <i>(With Comparative Totals for 2013)</i>	2014	2013
<u>ASSETS</u>		
Current Assets		
Cash	\$ 247,110	\$ 284,672
Accounts Receivable	703,859	484,016
Weatherization Inventory	15,368	22,374
Commodities Inventory	1,816	1,819
Prepaid Expenses & Other Current Assets	28,189	37,094
Total Current Assets	996,342	829,975
Property & Equipment		
Land & Building, net	26,167	28,167
Leasehold Improvements, net	18,271	19,037
Equipment, net	32,124	43,498
Vehicles, net	25,850	36,500
Total Property & Equipment	102,412	127,202
Other Assets		
Investment in Windsor Park LLC	60,611	57,600
Investment in Westview Villa Limited Partnership	218,664	218,671
Investment	2,304	1,792
Due from Westview Villa Limited Partnership	126,539	110,122
Due from Windsor Park LLC	41,802	14,204
Total Other Assets	449,920	402,389
Total Assets	\$ 1,548,674	\$ 1,359,566
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	331,899	213,535
Accrued Expenses	85,690	38,484
Deferred Revenue	2,930	15,308
Loan Payable Current	3,600	3,600
Total Current Liabilities	424,119	270,927
Long Term Liabilities		
Loan Payable	102,000	105,600
Less Loan Payable Current	(3,600)	(3,600)
Total Long Term Liabilities	98,400	102,000
Net Assets		
Unrestricted Net Assets	1,009,065	984,512
Temporarily Restricted Net Assets	17,090	2,127
Total Net Assets	1,026,155	986,639
Total Liabilities and Net Assets	\$ 1,548,674	\$ 1,359,566

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

HOPESOURCE

Statement of Activities and Change In Net Assets

Year Ended December 31, 2014 (With Comparative Totals for 2013)			2014	2013
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue				
Grants	\$ 3,464,189	\$ -	\$ 3,464,189	\$ 3,250,032
Contributions	80,761	36,154	116,915	225,915
Program Income	121,847	-	121,847	17,464
Fare Yakima Transit	118,731	-	118,731	165,513
Other Income	180	-	180	19,847
Inkind Revenue	71,861	-	71,861	100,001
Fundraising	-	-	-	36,754
Release of Program Restrictions	21,191	(21,191)	-	-
Total Support & Revenues	3,878,760	14,963	3,893,723	3,815,526
Expenses				
Program Services:				
Housing Services	675,246	-	675,246	341,793
Nutrition Services	101,570	-	101,570	171,713
Transportation Services	1,032,652	-	1,032,652	1,086,000
Weatherization Services	449,729	-	449,729	477,712
Energy Services	955,181	-	955,181	1,022,761
Block Grants	164,782	-	164,782	195,096
Social Enterprise	113,906	-	113,906	3,899
Corporate	27,061	-	27,061	122,739
	3,520,127	-	3,520,127	3,421,713
Administration	337,597	-	337,597	320,691
Total Expenses	3,857,724	-	3,857,724	3,742,404
Other Revenue & Expenses				
Investment Income (Loss)	3,517	-	3,517	763
Total Other Revenue & Expenses	3,517	-	3,517	763
INCREASE (DECREASE) IN NET ASSETS	24,553	14,963	39,516	73,885
NET ASSETS, BEGINNING OF YEAR	984,512	2,127	986,639	912,754
NET ASSETS, END OF YEAR	\$ 1,009,065	\$ 17,090	\$ 1,026,155	\$ 986,639

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

HOPESOURCE**Statement of Functional Expenses****Year Ended December 31, 2014 (With Comparative Totals for 2013)**

	Housing Services	Nutrition Services	Transportation Services	Weatherization Services	Energy Services	Block Grants
Salaries	\$ 127,651	\$ 2,663	\$ 373,045	\$ 90,764	\$ 61,183	\$ 85,782
Benefits	66,012	2,081	202,226	39,511	31,650	46,387
Subcontractors Expense	11,280	-	-	-	-	-
Supplies	1,348	-	941	610	3,116	1,033
Vehicle Expenses	1,472	41	249,219	2,011	-	2,782
Professional Services	15,169	1,551	25,054	22,680	16,157	4,082
Communication	2,317	-	3,178	3,783	1,838	2,018
Travel	3,675	518	1,115	1,575	1,177	542
Advertising	145	-	-	67	-	163
Rent	24,268	-	37,445	19,529	13,823	14,912
Insurance	982	-	34,962	6,581	761	921
Utilities	11,128	-	1,688	1,228	1,008	1,322
Repair & Maintenance	30,568	4	7,055	3,311	2,297	2,318
Printing & Publication	959	30	1,956	151	487	318
Miscellaneous	2,562	-	1,886	25	-	-
Inkind Expenses	-	71,861	-	-	-	-
Conference & Training Fees	1,736	-	3,340	5,361	794	671
Client Expenses	296,737	22,702	392	249,760	819,919	844
Payback of HOME Loans	58,692	-	-	-	-	-
Depreciation Expense	2,766	-	10,650	-	-	-
Capital Outlay	7,183	119	78,500	2,782	971	687
Interest Expense	8,596	-	-	-	-	-
TOTAL	\$ 675,246	\$ 101,570	\$ 1,032,652	\$ 449,729	\$ 955,181	\$ 164,782

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

				2014		2013	
Veterans Grant	Corporate	Total Programs	Administration	Total	Total		
\$ 42,833	\$ (8,049)	\$ 775,872	\$ 163,278	\$ 939,150	\$ 912,303		
15,288	(2,166)	400,989	78,137	479,126	483,584		
-	(814)	10,466	-	10,466	16,257		
5,180	2,534	14,762	7,742	22,504	27,013		
793	873	257,191	2,679	259,870	379,947		
1,917	7,293	93,903	20,587	114,490	117,972		
730	1,697	15,561	5,566	21,127	22,003		
4,905	3,746	17,253	12,365	29,618	24,957		
245	347	967	275	1,242	1,986		
10,751	7,029	127,757	15,365	143,122	140,960		
2,939	-	47,146	1,142	48,288	52,600		
-	1,241	17,615	970	18,585	16,486		
-	(2,407)	43,146	4,050	47,196	35,370		
8,462	547	12,910	2,142	15,052	9,335		
-	624	5,097	3,670	8,767	9,483		
-	-	71,861	-	71,861	85,001		
1,786	489	14,177	6,980	21,157	15,945		
490	10,987	1,401,831	13	1,401,844	1,345,863		
-	-	58,692	-	58,692	-		
-	-	13,416	11,374	24,790	24,382		
17,587	3,090	110,919	1,262	112,181	12,064		
-	-	8,596	-	8,596	8,893		
\$ 113,906	\$ 27,061	\$ 3,520,127	\$ 337,597	\$ 3,857,724	\$ 3,742,404		

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

HOPESOURCE

Statement of Cash Flows

Year Ended December 31, 2014 (With Comparative Totals for 2013)	2014	2013
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 39,516	\$ 73,885
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) (Used) by Operating Activities:		
Depreciation	24,790	24,382
Forgiveness of Debt	(3,600)	(3,600)
Capitalized Inkind Donations	-	(15,000)
Unrealized Gain	(512)	(395)
Loss from Westview Villa Limited Partnership	7	8
(Gain)/Loss from Windsor Park LLC	(3,011)	(229)
Investment Adjustment-Windsor Park LLC	-	(46,028)
(Increase) Decrease in --		
Accounts Receivable	(219,843)	22,904
Due from Westview Villa Limited Partnership	(16,417)	75,443
Due from Winsor Park LLC	(27,598)	27,714
Inventories	7,009	(949)
Prepaid Expenses & Other Current Assets	8,905	(7,413)
Increase (Decrease) in --		
Accounts Payable	118,364	125,171
Accrued Expenses	47,206	24,779
Deferred Revenue	(12,378)	(52,935)
Net Cash Provided (Used) by Operations	(37,562)	247,737
Cash Flows From Investing Activities		
Capital Contributed for Westview Villa Limited Partnership	-	(93,903)
Purchase of Investments	-	(147)
Purchase of Equipment	-	(3,429)
Net Cash Provided (Used) by Investing	-	(97,479)
Cash Flows From Financing Activities		
Net Increase (Decrease) in Cash	(37,562)	150,258
Cash, at Beginning of Year	284,672	134,414
Cash, at End of Year	\$ 247,110	\$ 284,672

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

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

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, 2014

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 2014 and 2013, there were bad debts of \$0. As of December 31, 2014, 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, 2014, 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, 2014 and 2013, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2014</u>	<u>2013</u>
Annual Leave	\$ <u>18,255</u>	\$ <u>15,685</u>

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

NOTE 4: LEASE COMMITMENTS

HOPESOURCE 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, 2014 and 2013, were \$143,122 and \$140,960, respectively.

Future minimum payments under operating leases at December 31, 2014, are:

2015	\$	167,155
2016		167,374
2017		152,828
2018		122,740
2019		47,229
	\$	<u>657,326</u>

NOTE 5: LOANS PAYABLE

As of December 31, 2014, long-term debt consisted of the following:

	<u>2014</u>
Department of Commerce - Housing Trust Fund Program - Secured by real estate (See Below)	<u>\$ 102,000</u>

Long-term debt as of December 31, 2013, was \$105,600.

Maturity of debt due within 5 years:

2015	\$	3,600
2016		3,600
2017		3,600
2018		3,600
2019		3,600
Thereafter		84,000
	\$	<u>102,000</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, 2014

NOTE 6: CASH

During 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, the Partnership owed HOPESOURCE development and administrative fees of \$126,539 and \$110,122, 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, 2014 and 2013, the LLC owed HOPESOURCE development fees of \$41,802 and \$14,204, respectively.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

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, 2014 and 2013, the estimated fair value of volunteer services was \$9,779 and \$31,233, respectively.

HOPESOURCE receives donated equipment, supplies and food that are used in the programs sponsored by HOPESOURCE. 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, 2014 and 2013 were \$71,861 and \$100,001, 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, 2014 and 2013.

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, 2014 and 2013, is \$1,816 and \$1,819, respectively.

At December 31, 2014 and 2013, HOPESOURCE had inventory of insulation and windows for use in the Weatherization program. The cost of the inventory as of December 31, 2014 and 2013, is \$15,368 and \$22,374, 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 July 22, 2015, except as noted below, 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, 2014.

HOPESOURCE is in the process of purchasing seven additional single-family houses on two tax parcels located in Ellensburg, WA. The property will be a major aspect in their "Pathways Program" and is geared towards providing fair market rents to low-moderate income families. The purchase price is \$900,000 and expected to close August 2015.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

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			(48,833)
			<u>\$ 26,167</u>
Leasehold Improvements	S/L	30 yrs	\$ 22,970
Accumulated Depreciation			(4,699)
			<u>\$ 18,271</u>
Equipment	S/L	7 yrs	\$ 84,520
Accumulated Depreciation			(52,396)
			<u>\$ 32,124</u>
Vehicles	S/L	5 - 6 yrs	\$ 79,811
Accumulated Depreciation			(53,961)
			<u>\$ 25,850</u>

Accumulated depreciation as of December 31, 2013, was \$135,099.

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 2011. 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, 2014 and 2013, 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, 2014 and 2013, HOPESOURCE recognized \$0 in interest and penalties. HOPESOURCE recognized \$0 for the payment of interest and penalties accrued at December 31, 2014 and 2013.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

NOTE 19: SCHEDULE OF NON-FEDERAL AWARDS

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2014, are as follows:

<u>Agency</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Amount</u>
Dept of Transportation	UCB1132	State Paratransit	\$ 453,924
Dept of Transportation	UCB1181	Yakima Transit	51,990
Dept of Transportation	GCB1595	Capital - State Share	174,021
Dept of Transportation	UCB1154	State Transportation	10,500
Dept of Commerce	S13-394102-415	Matchmaker	57,663
Dept of Commerce	14-46108-16	Consolidated Homeless Housing	176,164
Dept of Commerce	S14-32100-213	State Community Services Block Grant	4,838
Dept of Commerce	None	Housing and Essential Needs	175,229
Dept of Health	None	Air Quality	715
Puget Sound Energy	None	Energy Assist.	315,943
Puget Sound Energy	None	Energy Assist. WAP	73,793
City of Ellensburg	None	Transportation	101,523
State of Washington	G1400328	Ecology Wood Stove Exchange	67,247
Kittitas County	HH2009-001	Senior Rent Assistance	67,000
Kittitas County	None	Evergreen	25,960
Kittitas County	None	None	10,995
Kittitas County	None	Kittitas County Homeless	13,885
City of Yakima	None	Yakima Transit	105,455
COE	None	Low-Income WX	47,750
CWU	None	Yakima Transit	1,390
Polaris	2010-001	Homeless Housing Program	66,714
Crest View Housing	MOU# 2008-1	Crest View Program	79,232
Emergency Food Assist	K667	EFAP	7,006
Medicaid	None	Medicaid	3,386
Miscellaneous Programs	None	None	19,851
			<u>\$ 2,112,174</u>

NOTE 20: INVESTMENTS & FAIR VALUE MEASUREMENTS

As of December 31, 2014 and 2013, HOPESOURCE investments are in a mutual fund with a cost basis of \$1,216. As of December 31, 2014 and 2013, the investments had a fair market value of \$2,304 and \$1,792, respectively. Unrealized gain for the years ended December 31, 2014 and 2013, were \$512 and \$395, 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, 2014

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, 2014.

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, 2014 and comparative totals for 2013:

	2014				2013
	Level 1	Level 2	Level 3	Total	Total
Westview Villa Limited Partnership	\$ -	\$ -	\$ 218,664	\$ 218,664	\$ 218,671
Windsor Park LLC	-	-	60,611	60,611	57,600
Mutual Funds	2,304	-	-	2,304	1,792
	<u>\$ 2,304</u>	<u>\$ -</u>	<u>\$ 279,275</u>	<u>\$ 281,579</u>	<u>\$ 278,063</u>

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2014

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, 2014:

	<u>Westview Villa Limited Partnership</u>	<u>Windsor Park LLC</u>
Balance, December 31, 2013	\$ 218,671	\$ 57,600
Realized Gains (Losses)	<u>(7)</u>	<u>3,011</u>
Balance, December 31, 2014	<u>\$ 218,664</u>	<u>\$ 60,611</u>

Net activity for level 3 assets for the year ended December 31, 2013, was \$140,153.

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Health and Human Services			
Passed Through State Department of Commerce:			
Community Services Block Grant	93.569	F13-32100-013	\$ 115,081
Community Services Block Grant	93.569	F12-32100-013	50,817
LIHEAP Weatherization Assistance Program	93.568	F13-43101-415	130,902
LIHEAP	93.568	F13-32106-066	549,780
LIHEAP	93.568	F14-32106-066	156,484
Passed Through Yakima County:			
Special Programs for the Aging-Title III Part B	93.044	2014-HS	27,216
			<u>1,030,280</u>
Department of Housing & Urban Development			
Passed Through State Department of Commerce:			
Supportive Housing Program	14.235	WA0087BOT011205	24,603
Supportive Housing Program	14.235	WA0087LOT011306	23,620
Community Development Block Grant	14.228	13-64007-005	24,045
Community Development Block Grant	14.228	14-64007-005	31,251
			<u>103,519</u>
Department of Agriculture			
Passed Through State Department of General Administration:			
Emergency Food Assistance Program (Commodities)	10.569	None	22,702
Passed Through USDA Rural Development:			
USDA Housing Preservation	10.433	None	14,784
			<u>37,486</u>
Department of Energy			
Passed Through State Department of Commerce:			
Weatherization Assistance	81.042	F13-43103-415	37,616
Bonneville Power Administration			
Passed Through State Department of Commerce:			
BPA Weatherization	81.999	F13-43104-415	49,637
Department of Transportation			
Passed Through State of Washington Department of Transportation			
Job Access and Reverse Commute Program	20.516	UCB1181	68,918
Elderly and Persons with Disabilities Program	20.513	UCB1154	53,820
State Operating and Consolidated Grant	20.509	GCB1595	58,007
			<u>180,745</u>
Department of Veterans Affairs			
VA Supportive Services for Veteran Families	64.033	15-WA-338	122,188
			<u>\$ 1,561,471</u>

HOPESOURCE

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2014

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, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

July 22, 2015

**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
HOPE SOURCE
Ellensburg, WA

Report on Compliance for Each Major Federal Program

We have audited HOPE SOURCE (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, 2014. 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, 2014.

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

July 22, 2015

HOPESOURCE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2014

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 Program
64.033	Veterans Program

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.