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# **HOPESOURCE**

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Year Ended December 31, 2015  
With Comparative Totals for 2014

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**Aiken & Sanders, Inc PS**

CERTIFIED PUBLIC ACCOUNTANTS  
& MANAGEMENT CONSULTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
HOPE SOURCE  
Ellensburg, WA

### Report on the Financial Statements

We have audited the accompanying financial statements of HOPE SOURCE (the Agency), which comprise the statement of financial position as of December 31, 2015, 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.

### 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, 2015, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Agency's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016 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 28, 2016

# HOPESOURCE

## Statement of Financial Position

December 31, 2015 (With Comparative Totals for 2014)	2015	2014
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 236,049	\$ 247,110
Accounts Receivable	539,558	703,859
Weatherization Inventory	15,179	15,368
Commodities Inventory	1,823	1,816
Prepaid Expenses & Other Current Assets	26,436	28,189
<b>Total Current Assets</b>	<b>819,045</b>	<b>996,342</b>
<b>Property &amp; Equipment</b>		
Land & Building, net	909,152	26,167
Leasehold Improvements, net	17,505	18,271
Equipment, net	20,750	32,124
Vehicles, net	46,095	25,850
<b>Total Property &amp; Equipment</b>	<b>993,502</b>	<b>102,412</b>
<b>Other Assets</b>		
Investment in Windsor Park LLC	62,890	60,611
Investment in Westview Villa Limited Partnership	218,653	218,664
Investment	2,597	2,304
Due from Westview Villa Limited Partnership	126,013	126,539
Due from Windsor Park LLC	16,631	41,802
<b>Total Other Assets</b>	<b>426,784</b>	<b>449,920</b>
<b>Total Assets</b>	<b>\$ 2,239,331</b>	<b>\$ 1,548,674</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	164,787	331,899
Accrued Expenses	101,416	85,690
Deferred Revenue	16,289	2,930
Loan Payable Current	18,501	3,600
<b>Total Current Liabilities</b>	<b>300,993</b>	<b>424,119</b>
<b>Long Term Liabilities</b>		
Loan Payable	910,988	102,000
Less Loan Payable Current	(18,501)	(3,600)
<b>Total Long Term Liabilities</b>	<b>892,487</b>	<b>98,400</b>
<b>Net Assets</b>		
Unrestricted Net Assets	1,045,071	1,009,065
Temporarily Restricted Net Assets	780	17,090
<b>Total Net Assets</b>	<b>1,045,851</b>	<b>1,026,155</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,239,331</b>	<b>\$ 1,548,674</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, 2015 (With Comparative Totals for 2014)	2015		2014	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
<b>Support &amp; Revenue</b>				
Grants	\$ 4,549,245	\$ -	\$ 4,549,245	\$ 3,464,189
Contributions	125,263	1,000	126,263	116,915
Program Income	180,982	-	180,982	121,847
Fare Yakima Transit	-	-	-	118,731
Other Income	39,716	-	39,716	180
Inkind Revenue	78,207	-	78,207	71,861
Release of Program Restrictions	17,310	(17,310)	-	-
<b>Total Support &amp; Revenues</b>	<b>4,990,723</b>	<b>(16,310)</b>	<b>4,974,413</b>	<b>3,893,723</b>
<b>Expenses</b>				
Program Services:				
Housing Services	564,278	-	564,278	675,246
Nutrition Services	93,293	-	93,293	101,570
Transportation Services	978,024	-	978,024	1,032,652
Weatherization Services	545,169	-	545,169	449,729
Energy Services	890,832	-	890,832	955,181
Block Grants	206,188	-	206,188	164,782
Veterans Grant	1,003,677	-	1,003,677	113,906
Corporate	203,554	-	203,554	27,061
	4,485,015	-	4,485,015	3,520,127
Administration	472,263	-	472,263	337,597
<b>Total Expenses</b>	<b>4,957,278</b>	<b>-</b>	<b>4,957,278</b>	<b>3,857,724</b>
<b>Other Revenue &amp; Expenses</b>				
Investment Income (Loss)	2,561	-	2,561	3,517
<b>Total Other Revenue &amp; Expenses</b>	<b>2,561</b>	<b>-</b>	<b>2,561</b>	<b>3,517</b>
INCREASE (DECREASE) IN NET ASSETS	36,006	(16,310)	19,696	39,516
NET ASSETS, BEGINNING OF YEAR	1,009,065	17,090	1,026,155	986,639
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,045,071</b>	<b>\$ 780</b>	<b>\$ 1,045,851</b>	<b>\$ 1,026,155</b>

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

**HOPESOURCE****Statement of Functional Expenses****Year Ended December 31, 2015 (With Comparative Totals for 2014)**

	<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	\$ 91,950	\$ 4,840	\$ 338,388	\$ 94,248	\$ 59,194	\$ 105,154
Benefits	42,883	3,604	187,116	37,051	30,585	54,146
Subcontractors Expense	8,719	-	-	-	-	-
Supplies	442	3	1,767	212	3,570	438
Vehicle Expenses	916	31	176,882	2,475	39	366
Professional Services	16,127	1,827	32,356	13,256	10,366	10,897
Communication	1,528	828	2,761	2,560	1,242	2,699
Travel	2,806	-	1,407	4,295	834	1,576
Advertising	254	-	13	1,263	-	71
Rent	9,699	2,559	25,126	15,142	10,407	15,865
Insurance	4,546	389	28,187	6,024	916	1,909
Utilities	5,229	309	1,801	1,092	1,026	1,189
Repair & Maintenance	22,612	650	1,873	2,823	2,086	6,867
Printing & Publication	547	28	1,382	381	457	812
Miscellaneous	-	-	4,241	167	-	373
Inkind Expenses	-	78,207	-	-	-	-
Conference & Training Fees	2,071	-	4,631	3,874	32	3,293
Client Expenses	342,227	-	313	358,047	768,982	-
Payback of HOME Loans	-	-	-	-	-	-
Depreciation Expense	2,766	-	12,866	-	-	-
Capital Outlay	656	18	156,914	2,259	1,096	533
Interest Expense	8,300	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 564,278</b>	<b>\$ 93,293</b>	<b>\$ 978,024</b>	<b>\$ 545,169</b>	<b>\$ 890,832</b>	<b>\$ 206,188</b>

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

				2015		2014	
Veterans Grant	Corporate	Total Programs	Administration	Total	Total		
\$ 285,592	\$ 34,331	\$ 1,013,697	\$ 232,231	\$ 1,245,928	\$ 939,150		
125,530	18,575	499,490	108,195	607,685	479,126		
45,763	-	54,482	9,926	64,408	10,466		
6,440	328	13,200	13,143	26,343	22,504		
16,761	5,361	202,831	2,488	205,319	259,870		
59,116	3,468	147,413	26,694	174,107	114,490		
5,429	1,855	18,902	4,915	23,817	21,127		
10,268	769	21,955	22,814	44,769	29,618		
334	37	1,972	26	1,998	1,242		
49,456	3,166	131,420	12,293	143,713	143,122		
11,870	6,062	59,903	911	60,814	48,288		
1,124	8,697	20,467	887	21,354	18,585		
2,035	17,838	56,784	5,036	61,820	47,196		
7,482	10	11,099	1,670	12,769	15,052		
183	9,238	14,202	6,289	20,491	8,767		
-	83	78,290	-	78,290	71,861		
(309)	6,232	19,824	7,921	27,745	21,157		
366,893	36,396	1,872,858	59	1,872,917	1,401,844		
-	-	-	-	-	58,692		
-	21,285	36,917	14,232	51,149	24,790		
9,710	6,219	177,405	2,533	179,938	112,181		
-	23,604	31,904	-	31,904	8,596		
<b>\$ 1,003,677</b>	<b>\$ 203,554</b>	<b>\$ 4,485,015</b>	<b>\$ 472,263</b>	<b>\$ 4,957,278</b>	<b>\$ 3,857,724</b>		

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



**HOPESOURCE**

**Statement of Cash Flows**

<b>Year Ended December 31, 2015 (With Comparative Totals for 2014)</b>	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 19,696	\$ 39,516
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) (Used) by Operating Activities:		
Depreciation	51,149	24,790
Forgiveness of Debt	(3,600)	(3,600)
Unrealized Gain	(293)	(512)
Loss from Westview Villa Limited Partnership	11	7
(Gain)/Loss from Windsor Park LLC	(2,279)	(3,011)
(Increase) Decrease in --		
Accounts Receivable	164,301	(219,843)
Due from Westview Villa Limited Partnership	526	(16,417)
Due from Winsor Park LLC	25,171	(27,598)
Inventories	182	7,009
Prepaid Expenses & Other Current Assets	1,754	8,905
Increase (Decrease) in --		
Accounts Payable	(167,112)	118,364
Accrued Expenses	15,726	47,206
Deferred Revenue	13,359	(12,378)
<b>Net Cash Provided (Used) by Operations</b>	<b>118,591</b>	<b>(37,562)</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of Property & Equipment	(942,240)	-
<b>Net Cash Provided (Used) by Investing</b>	<b>(942,240)</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from Loans	824,602	-
Payments on Loans	(12,014)	-
<b>Net Cash Provided (Used) by Financing</b>	<b>812,588</b>	<b>-</b>
Net Increase (Decrease) in Cash	(11,061)	(37,562)
Cash, at Beginning of Year	247,110	284,672
<b>Cash, at End of Year</b>	<b>\$ 236,049</b>	<b>\$ 247,110</b>

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

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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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, 2015

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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 and therefore no allowance for doubtful accounts has been established. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2015 and 2014, there were bad debts of \$0. As of December 31, 2015, 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, 2015, 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, 2015 and 2014, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2015</u>	<u>2014</u>
Annual Leave	\$ <u>24,508</u>	\$ <u>18,255</u>

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### 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, 2015 and 2014, were \$143,713 and \$143,122, respectively.

Future minimum payments under operating leases at December 31, 2015, are:

2016	\$	205,656
2017		199,327
2018		165,362
2019		167,830
2020		164,346
	\$	<u>902,521</u>

### NOTE 5: LOANS PAYABLE

As of December 31, 2015, long-term debt consisted of the following:

	<u>2015</u>
Loan payable to Cashmere Valley Bank in monthly installments of \$3,154 including interest at 3.25% maturing February 25, 2020. Secured by property.	\$ 712,588
Loan payable to William & Sandra Sparks in monthly interest payments only at \$417 at 5.00% maturing February 27, 2020. Secured by property.	100,000
Department of Commerce - Housing Trust Fund Program. Secured by real estate (See Below)	<u>102,000</u>
	<u>\$ 914,588</u>

Long-term debt as of December 31, 2014, was \$102,000.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### **NOTE 5: LOANS PAYABLE (CON'T)**

Maturity of debt due within 5 years:

2016	\$	18,501
2017		18,992
2018		19,500
2019		20,025
2020		753,570
Thereafter		84,000
	\$	<u>914,588</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.

### **NOTE 6: CASH**

During 2015 and 2014, 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, 2015 and 2014, for interest was \$23,604 and \$0, respectively.

### **NOTE 8: 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, 2015 and 2014, the Partnership owed HOPESOURCE development and administrative fees of \$126,013 and \$126,539, respectively.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### **NOTE 9: 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, 2015 and 2014, the LLC owed HOPESOURCE development fees of \$16,631 and \$41,802, respectively.

### **NOTE 10: 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. During the years ended December 31, 2015 and 2014, the estimated fair value of volunteer services was \$25,328 and \$9,779, 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, 2015 and 2014 were \$78,207 and \$71,861, respectively.

### **NOTE 11: 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 12: 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, 2015 and 2014.

### **NOTE 13: 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, 2015 and 2014, is \$1,823 and \$1,816, respectively.

At December 31, 2015 and 2014, HOPESOURCE had inventory of insulation and windows for use in the Weatherization program. The cost of the inventory as of December 31, 2015 and 2014, is \$15,179 and \$15,368, respectively.

### **NOTE 14: 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.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### **NOTE 15: SUBSEQUENT EVENTS**

HOPESOURCE did not have any subsequent events through July 28, 2016, 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, 2015.

### **NOTE 16: 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			\$ 177,355
Building	S/L	30 yrs	803,277
Accumulated Depreciation			(71,480)
			<u>\$ 909,152</u>
Leasehold Improvements	S/L	30 yrs	\$ 22,970
Accumulated Depreciation			(5,465)
			<u>\$ 17,505</u>
Equipment	S/L	7 yrs	\$ 84,520
Accumulated Depreciation			(63,770)
			<u>\$ 20,750</u>
Vehicles	S/L	5 - 6 yrs	\$ 116,412
Accumulated Depreciation			(70,317)
			<u>\$ 46,095</u>

Accumulated depreciation as of December 31, 2014, was \$159,889.

### **NOTE 17 – 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 2012. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2015 and 2014, 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, 2015 and 2014, HOPESOURCE recognized \$0 in interest and penalties. HOPESOURCE recognized \$0 for the payment of interest and penalties accrued at December 31, 2015 and 2014.

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

### NOTE 18: SCHEDULE OF NON-FEDERAL AWARDS

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2015, are as follows:

<u>Agency</u>	<u>Contract Number</u>	<u>Program Name</u>	<u>Amount</u>
Dept of Transportation	UCB1132	State Paratransit	\$ 306,211
Dept of Transportation	UCB1282	State Paratransit	376,549
Dept of Transportation	GCB1595	Capital - State Share	88,115
Dept of Commerce	S15-394102-415	Matchmaker	41,134
Dept of Commerce	S13-394102-415	Matchmaker	31,468
Dept of Commerce	14-46108-16	Consolidated Homeless Housing	142,425
Dept of Commerce	S16-32100-213	State Community Services Block Grant	7,174
Dept of Commerce	S14-32100-213	State Community Services Block Grant	5,460
Dept of Commerce	None	Housing and Essential Needs	145,167
Puget Sound Energy	None	Energy Assist.	389,189
Puget Sound Energy	None	Energy Assist. WAP	115,330
City of Ellensburg	None	Transportation	121,857
State of Washington	G1400328	Ecology Wood Stove Exchange	106,085
Kittitas County	HH2009-001	Senior Rent Assistance	79,550
Kittitas County	None	Evergreen	27,792
Kittitas County	None	Kittitas County Homeless	32,195
Kittitas County	None	Dial Ride	7,875
COE	None	Low-Income WX	9,490
Polaris	2010-001	Homeless Housing Program	70,581
Crest View Housing	MOU# 2008-1	Crest View Program	38,896
Emergency Food Assist	None	EFAP	11,219
Emergency Food Assist	K667	EFAP	3,866
Medicaid	None	Medicaid	10,500
Miscellaneous	None	Miscellaneous	234,480
PUD	None	Weatherization Assistance	24,328
PUD	None	Energy Assistance	6,128
			<u>\$ 2,433,064</u>

### NOTE 19: INVESTMENTS & FAIR VALUE MEASUREMENTS

As of December 31, 2015 and 2014, HOPESOURCE investments are in a mutual fund with a cost basis of \$1,216. As of December 31, 2015 and 2014, the investments had a fair market value of \$2,597 and \$2,304, respectively. Unrealized gain for the years ended December 31, 2015 and 2014, were \$293 and \$512, respectively.

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the



# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### NOTE 19: FAIR VALUE MEASUREMENTS (CON'T)

lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that 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, 2015 and comparative totals for 2014:

	2015				2014
	Level 1	Level 2	Level 3	Total	Total
Westview Villa Limited Partnership	\$ -	\$ -	\$ 218,653	\$ 218,653	\$ 218,664
Windsor Park LLC	-	-	62,890	62,890	60,611
Mutual Funds	2,597	-	-	2,597	2,304
	<u>\$ 2,597</u>	<u>\$ -</u>	<u>\$ 281,543</u>	<u>\$ 284,140</u>	<u>\$ 281,579</u>

# HOPESOURCE

## Notes to the Financial Statements

Year Ended December 31, 2015

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### NOTE 19: 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, 2015:

	<u>Westview Villa Limited Partnership</u>	<u>Windsor Park LLC</u>
Balance, December 31, 2014	\$ 218,664	\$ 60,611
Realized Gains (Losses)	<u>(11)</u>	<u>2,279</u>
Balance, December 31, 2015	<u>\$ 218,653</u>	<u>\$ 62,890</u>

Net activity for level 3 assets for the year ended December 31, 2014, was \$3,004.

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2015					
Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures		Total
			From Pass-Through Awards	From Direct Awards	
<b>Department of Health and Human Services</b>					
Passed Through State Department of Commerce:					
Community Services Block Grant	93.569	F15-32100-013	\$ 120,954	\$ -	120,954
Community Services Block Grant	93.569	F14-32100-013	26,829	-	26,829
LIHEAP Weatherization Assistance Program	93.568	F15-43101-415	93,506	-	93,506
LIHEAP	93.568	F15-32106-066	80,192	-	80,192
LIHEAP	93.568	F14-32106-066	508,138	-	508,138
Passed Through Yakima County:					
Special Programs for the Aging-Title III Part B	93.044	2015-HS	27,173	-	27,173
			<u>856,792</u>	<u>-</u>	<u>856,792</u>
<b>Department of Housing &amp; Urban Development</b>					
Passed Through State Department of Commerce:					
Supportive Housing Program	14.235	WA0029BOT011400	34,077	-	34,077
Supportive Housing Program	14.235	WA0087LOT011306	23,227	-	23,227
Community Development Block Grant	14.228	15-64007-005	25,215	-	25,215
Community Development Block Grant	14.228	14-64007-005	49,108	-	49,108
			<u>131,627</u>	<u>-</u>	<u>131,627</u>
<b>Department of Agriculture</b>					
Passed Through State Department of General Administration:					
Emergency Food Assistance Program (Commodities)	10.569	None	21,455	-	21,455
Passed Through USDA Rural Development:					
USDA Housing Preservation	10.433	None	3,948	-	3,948
USDA Housing Preservation	10.433	None	34,423	-	34,423
			<u>59,826</u>	<u>-</u>	<u>59,826</u>
<b>Department of Energy</b>					
Passed Through State Department of Commerce:					
Weatherization Assistance	81.042	F15-43103-415	23,103	-	23,103
Weatherization Assistance	81.042	F13-43103-415	25,766	-	25,766
			<u>48,869</u>	<u>-</u>	<u>48,869</u>
<b>Bonneville Power Administration</b>					
Passed Through State Department of Commerce:					
BPA Weatherization	81.999	F15-43104-415	8,604	-	8,604
BPA Weatherization	81.999	F13-43104-415	49,429	-	49,429
			<u>58,033</u>	<u>-</u>	<u>58,033</u>
<b>Department of Transportation</b>					
Passed Through State of Washington Department of Transportation					
Elderly and Persons with Disabilities Program	20.513	UCB1218	108,800	-	108,800
State Operating and Consolidated Grant	20.509	GCB1595	29,236	-	29,236
			<u>138,036</u>	<u>-</u>	<u>138,036</u>
<b>Department of Veterans Affairs</b>					
VA Supportive Services for Veteran Families					
VA Supportive Services for Veteran Families	64.033	15-WA-338	-	195,369	195,369
VA Supportive Services for Veteran Families	64.033	15-WA-338	-	760,760	760,760
Passed Through Metropolitan Development Council:					
VA Supportive Services for Veteran Families	64.033	C2015-WA-501E	173,852	-	173,852
			<u>173,852</u>	<u>956,129</u>	<u>1,129,981</u>
			<u>\$ 1,467,035</u>	<u>\$ 956,129</u>	<u>\$ 2,423,164</u>

## **HOPESOURCE**

### **Notes to the Schedule of Expenditures of Federal Awards**

**Year Ended December 31, 2015**

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#### **NOTE 1: BASIS OF ACCOUNTING**

This schedule is prepared on the same basis of accounting as the HOPESOURCE'S financial statements. The HOPESOURCE uses the accrual basis of accounting.

#### **NOTE 2: DE-MINIMIS COST RATE**

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

#### **NOTE 3: SUB RECIPIENTS**

Included in the Department of Veterans Affairs VA Supportive Services for Veteran Families program, are amounts passed on to sub recipients of \$41,833.

**HOPESOURCE**

**Summary Schedule of Prior Audit Findings**

**Year Ended December 31, 2015**

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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, 2015, 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 28, 2016.

**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

July 28, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
HOPESOURCE  
Ellensburg, WA

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

We have audited HOPESOURCE (the Agency) compliance with the types of compliance requirements described in the *OMB 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, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project'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, 2015.

**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 the Uniform Guidance, but not for the purpose of



expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

July 28, 2016

HOPESOURCE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2015

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**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unmodified

**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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516(a): No

**Identification of major programs:**

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
64.033	Veterans Program

**Dollar threshold used to distinguish between Type A and Type B programs:** \$750,000

**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.