

VISION HOUSE

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)



Building Hope. Restoring Lives.

**VISION HOUSE
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(WITH COMPARATIVE TOTALS FOR 2018)**

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vision House
Renton, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Vision House, which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' 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 auditors' 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.

Board of Directors
Vision House

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vision House as of December 31, 2019, 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

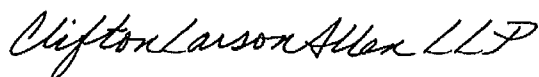
We have previously audited Vision House's 2018 financial statements, and our report dated May 14, 2019 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state and local financial assistance on page 20 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2020, on our consideration of Vision House'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Vision House's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vision House's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Bellevue, Washington
June 16, 2020

VISION HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,093,132	\$ 593,877	\$ 1,687,009	\$ 1,074,016
Investments	72,312	-	72,312	190,243
Beneficial Interest in Renton Foundation	24,876	44,000	68,876	59,276
Accounts Receivable	37,036	-	37,036	25,310
Grants Receivable	-	-	-	65,000
Current Portion of Pledges Receivable, Net	-	57,494	57,494	268,432
Other Current Assets	4,507	-	4,507	4,290
Total Current Assets	1,231,863	695,371	1,927,234	1,686,567
OTHER ASSETS				
Property and Equipment, Net	8,400,322	1,024,867	9,425,189	8,156,085
Total Assets	\$ 9,632,185	\$ 1,720,238	\$ 11,352,423	\$ 9,842,652
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 303,350	\$ -	\$ 303,350	\$ 268,570
Current Maturities of Notes Payable	8,341	-	8,341	7,920
Total Current Liabilities	311,691	-	311,691	276,490
LONG-TERM LIABILITIES				
Washington State Department of Commerce Loan Payable	-	163,526	163,526	152,501
Land Note Payable, Net of Current Maturities	232,770	-	232,770	240,923
Total Long-Term Liabilities	232,770	163,526	396,296	393,424
Total Liabilities	544,461	163,526	707,987	669,914
NET ASSETS				
Without Donor Restrictions:				
Undesignated	9,087,724	-	9,087,724	7,393,079
Total Without Donor Restrictions	9,087,724	-	9,087,724	7,393,079
With Donor Restrictions - Time and Purpose	-	1,512,712	1,512,712	1,735,659
With Donor Restrictions - Endowment	-	44,000	44,000	44,000
Total Net Assets	9,087,724	1,556,712	10,644,436	9,172,738
Total Liabilities and Net Assets	\$ 9,632,185	\$ 1,720,238	\$ 11,352,423	\$ 9,842,652

VISION HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Contributions and Grants	\$ 1,674,344	\$ 33,395	\$ 1,707,739	\$ 1,701,454
Tenant and Subsidy Rental Income	223,769	-	223,769	208,453
Special Events, Net of Direct Expenses of \$115,660 and \$108,956, Respectively	650,600	-	650,600	634,932
Investment Income (Loss)	40,548	-	40,548	(13,490)
Revenue from Daycare	1,244,318	-	1,244,318	1,191,493
Revenue from Thrift Store	90,149	-	90,149	73,538
Other Revenue	13,899	-	13,899	4,038
Net Assets Released from Restriction	213,447	(213,447)	-	-
Total Revenue and Support	<u>4,151,074</u>	<u>(180,052)</u>	<u>3,971,022</u>	<u>3,800,418</u>
EXPENSES				
Program	3,298,551	-	3,298,551	3,046,448
Management and General	416,316	-	416,316	339,819
Fundraising	488,502	-	488,502	443,077
Total Expenses	<u>4,203,369</u>	<u>-</u>	<u>4,203,369</u>	<u>3,829,344</u>
Changes in Net Assets from Operating Activities	(52,295)	(180,052)	(232,347)	(28,926)
NONOPERATING ACTIVITIES				
Capital Campaign Contributions and Grants	-	1,709,303	1,709,303	270,060
Capital Campaign Expenses	(5,258)	-	(5,258)	(4,873)
Net Assets Released from Restriction	1,752,198	(1,752,198)	-	-
Changes in Net Assets from Nonoperating Activities	<u>1,746,940</u>	<u>(42,895)</u>	<u>1,704,045</u>	<u>265,187</u>
CHANGES IN NET ASSETS	1,694,645	(222,947)	1,471,698	236,261
Net Assets - Beginning of Year	<u>7,393,079</u>	<u>1,779,659</u>	<u>9,172,738</u>	<u>8,936,477</u>
NET ASSETS - END OF YEAR	<u>\$ 9,087,724</u>	<u>\$ 1,556,712</u>	<u>\$ 10,644,436</u>	<u>\$ 9,172,738</u>

See accompanying Notes to Financial Statements.

**VISION HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	Program	Management and General	Fundraising	2019 Total	2018 Total
PERSONNEL					
Compensation	\$ 1,729,316	\$ 235,510	\$ 271,258	\$ 2,236,084	\$ 1,996,101
Payroll Taxes and Benefits	385,799	38,132	48,218	472,149	444,844
Total Personnel	<u>2,115,115</u>	<u>273,642</u>	<u>319,476</u>	<u>2,708,233</u>	<u>2,440,945</u>
Depreciation	318,665	17,133	6,853	342,651	341,863
Interest	23,977	-	-	23,977	23,300
Occupancy	168,885	4,318	650	173,853	169,837
Legal and Professional Fees	53,092	37,842	3,504	94,438	81,505
Contract Services	1,080	-	48,604	49,684	43,320
Daycare Direct Program Costs	123,132	-	-	123,132	131,220
Insurance and Taxes	60,772	4,238	39	65,049	62,236
Printing and Publications	1,724	710	32,303	34,737	40,729
Telephone	26,604	3,715	1,514	31,833	29,771
Resident Services	74,356	-	-	74,356	66,755
Tier 1 Expenses	-	-	-	-	937
Diversion and Eviction Prevention	2,872	-	-	2,872	2,757
Repairs and Maintenance	194,445	23,089	6,443	223,977	168,959
Miscellaneous	4,789	2,960	1,415	9,164	7,565
Supplies	19,159	11,506	4,380	35,045	32,290
Postage	521	1,526	10,122	12,169	10,002
Marketing and Advertising	38,046	760	15,502	54,308	59,518
Bank Charges	5,884	2,076	21,459	29,419	38,380
Information Technology	28,321	19,971	8,068	56,360	31,960
Travel	37,112	12,830	8,170	58,112	45,495
Total Before Special Events	<u>1,183,436</u>	<u>142,674</u>	<u>169,026</u>	<u>1,495,136</u>	<u>1,388,399</u>
Special Events	-	-	115,660	115,660	108,956
Capital Campaign Expenses	-	-	5,258	5,258	4,873
TOTAL - DECEMBER 31, 2019	<u>\$ 3,298,551</u>	<u>\$ 416,316</u>	<u>\$ 609,420</u>	<u>\$ 4,324,287</u>	<u>\$ 3,943,173</u>
TOTAL - DECEMBER 31, 2018	<u>\$ 3,046,448</u>	<u>\$ 339,819</u>	<u>\$ 556,906</u>	<u>\$ 3,943,173</u>	

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operating Revenue and Support	\$ 3,976,522	\$ 3,885,548
Cash Received from Interest	3,758	23,280
Cash Paid to Employees and Suppliers	<u>(3,820,388)</u>	<u>(3,416,797)</u>
Net Cash Provided by Operating Activities	159,892	492,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,613,525)	(671,319)
Proceeds from Sale of Property and Equipment	8,996	-
Purchase of Investments	(22,501)	(19,133)
Proceeds from Sale of Investments	<u>167,622</u>	<u>3,506</u>
Net Cash Used by Investing Activities	(1,459,408)	(686,946)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(7,732)	(8,014)
Contributions Restricted for Capital Project	<u>1,920,241</u>	<u>284,903</u>
Net Cash Provided by Financing Activities	<u>1,912,509</u>	<u>276,889</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	612,993	81,974
Cash and Cash Equivalents - Beginning of Year	<u>1,074,016</u>	<u>992,042</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,687,009</u></u>	<u><u>\$ 1,074,016</u></u>

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,471,698	\$ 236,261
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Noncash Interest Expense on Note Payable to Washington State Department of Commerce	11,025	10,281
Depreciation	342,651	341,863
Loss (Gain) on Investments	(36,790)	26,970
Loss (Gain) on Asset Disposals	(7,226)	-
Capital Campaign Contributions	(1,920,241)	(284,903)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(11,726)	6,533
Grants Receivable	65,000	65,000
Pledges Receivable	210,938	24,107
Prepaid Expenses and Other	(217)	1,298
Increase in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	34,780	64,621
Net Cash Provided by Operating Activities	\$ 159,892	\$ 492,031
 SUPPLEMENTAL DATA		
Noncash Investing and Financing Activities:		
Increase in Loan Payable to Washington State Department of Commerce	\$ 11,025	\$ 10,281

See accompanying Notes to Financial Statements.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 ORGANIZATION AND PURPOSE

Vision House is a Washington State nonprofit organization that was formed 30 years ago. Its purpose is to provide housing and housing stability support services for homeless families, single mothers, fathers, and their children. Since its inception in 1990, Vision House has helped more than 1,400 homeless men, women, and children rebuild their lives.

Vision House owns and operates four transitional housing facilities and two child care centers located in the Shoreline and Renton vicinities. The family program has a total of 36 apartments for parents and children. We also have one residential home located in Burien that houses two families. Residents sign a lease and pay 30% of their income toward rent. If they do not have any income, they do not pay any rent. No one is turned away because of their inability to pay. Case managers work with the residents to find an income source so they can pay some level of rent which becomes part of their financial management training for handling life after Vision House. This learned discipline also provides them with valuable rental history.

The goal of Vision House is to coordinate successful re-integration of residents into the community by housing stability support services through case management and classes. Our classes, geared towards housing stability education, include Financial Literacy, Housing Sustainability, Parenting, Cooking Matters and Healthy Boundaries. Child care and referrals to essential services such as mental health and medical and dental are also a key part of our program. Clients are assisted through diversion assistance including financial support to help prevent entry into the shelter system, and our traditional transitional housing program. Additionally, one-on-one meetings with a case manager offer counseling; support and accountability in helping residents make progress with their goals.

In 2019, Vision House provided housing and support services for a total of 176 homeless children, women, and men. The breakout is as follows:

- 111 children (family program)
- 57 mothers
- 8 fathers (family program)

Vision House's success rate represents families who leave Vision House to enter permanent housing, a job, and a better way of life. In 2019, the family program success rate was 88%. Since the program began, Vision House has had a strong success rate with 84% of all residents transitioning to permanent housing.

Besides serving residents in our housing program, we served 562 people in our diversion program. Of those 562 people, we were able to track outcomes for 210. Of those 210 people, 9% found permanent housing in the community. The other 91% received financial support, assistance in finding other housing, and referrals to resources in the community. We also provided services to 31 alumni from our housing program.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

Children's Village Child Care Center in Renton, Washington, owned and operated by Vision House, is licensed for 96 children. In 2019, approximately 30% of the children in attendance were Vision House children and children from low income families, and 70% were children from the community paying full market rates. In 2019, Children's Village Child Care Center provided child care and early childhood education to 95 children overall, including resident children, alumni children, and children from the community. Children's Village is one of the few childcare facilities that accept DSHS children.

Children's Village Child Care Center in Shoreline, also owned and operated by Vision House, is licensed for 18 children. It had 61 children attend in 2019.

Vision House Thrift Store/Resale operations in 2019 included sales from Craigslist and One day Sales at the Vision House Furniture Warehouse (located in Renton). Our Furniture Warehouse continues to be a donation site as well as a storage facility for furniture we acquire from our estate sale cleanout services. Between items donated and items from our cleanouts, we are able to provide over \$1,437 in furnishings and household goods for resident homes as they exit our program. Additionally, we had items from the warehouse used in our units totaling \$24,816. Vision House residents are given vouchers so they can shop for items they need at our on-site resident stores.

Volunteers are essential in helping Vision House achieve its mission. In 2019, 808 Vision House volunteers donated 9,184 hours valued at more than \$291,329 and helped with resident programs, tutoring, field trips, donation sorting, thrift store work, fundraising events, office work, yard work, maintenance, construction, and furnishing new resident apartments.

The need is great. Vision House will continue its mission to help the homeless restore and rebuild their lives. It's good for families; it's good for our community; and it's good for our nation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vision House (the Organization) conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare organizations. The more significant accounting policies of the Organization are described as follows:

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restricts – Net assets which are not subject to donor-imposed stipulations.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net Assets With Donor Restrictions – Time and Purpose – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Net Assets with Donor Restrictions – Endowment – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Changes in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Organization's financial statements reflect the early adoption of ASU 2014-09 and the adoption of 2018-08 beginning in 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU's 2014-09 and 2018-08 did not significantly impact the Organization's reported historical revenue.

Contributions and Grants

Contributions and grants are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donor-Imposed Restrictions

All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported in net assets with donor restrictions and increases that net asset class. Contributions received for the Jacob's Well project (see Note 3) are reported as restricted and then released in the year the funds are received and spent. For all other restricted contributions, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

A substantial number of volunteers have donated significant amounts of time to the Organization program services and to its fundraising campaigns. However, only donated services that require specialized skills or create or enhance a nonfinancial asset are reflected in the financial statements. The estimated value of services performed by volunteers is recorded as donated service revenue and as a cost of services, but only if they would typically need to be purchased if not provided by donation.

Donated services meeting these qualifications recognized during the years ended December 31, 2019 and 2018 were \$23,983 and \$54,950, respectively.

Day Care and Thrift Store Revenue

The Organization enters into contracts with its customers to provide day care services and thrift store products, which are typically the only performance obligation. The pricing and payment terms for contracts are based on the Organization's standard terms and conditions or the result of specific negotiations with each customer. Contracts do not contain a significant financing component as the Organization standard terms and conditions generally require immediate payment for thrift store sales and payment for day care services within 30 days from the date billed.

Revenue is recognized when the service has been performed or control of the product has transferred to customers.

The timing of revenue recognition, billings, and cash collections results in receivables, contract assets, and contract liabilities. Accounts receivable are recorded when the right to consideration becomes unconditional and are presented separately in the statement of financial position. The Organization does not have significant contract assets and contract liabilities as of December 31, 2019.

For the year ended December 31, 2019, the Organization recognized all of its revenue at the point in time of service provided or product transfer.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with maturities of three months or less, except for those held as donor restricted for long-term purposes, to be cash and cash equivalents. Management anticipates no material effect to the Organization's financial position as a result of cash held in a bank in excess of the available federal deposit insurance.

Investments

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities and changes in net assets.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest Held by Renton Foundation

The Organization has a beneficial interest in assets held by the Renton Foundation (the Foundation). Fair value of the beneficial interest is estimated as the net asset value of the underlying shares in the Foundation's investment pool. Fair value is determined in this manner because there are no observable market transactions for assets similar to the beneficial interest in the Foundation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Management has concluded that realization losses on balances outstanding at December 31, 2019 and 2018 will be immaterial. Accordingly, no allowance for doubtful accounts has been recorded. At December 31, 2019 and 2018, there were no accounts receivable balances over 90 days past due.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings, and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful life of the assets as follows:

Buildings and Improvements	27.5 Years
Furniture and Equipment	5 to 7 Years
Vehicles	5 Years

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited using direct allocation methods for program expenses and overhead by square footage. Expenses by natural classification are presented in the statement of functional expense.

Federal Income Taxes

The Organization has received notification from the Internal Revenue Service that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax is reflected in these financial statements.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Information for Prior Year

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Certain accounts in the prior year summarized information have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications of prior balances did not affect previously reported net assets.

Nonoperating Expenses

Nonoperating activities consist of the capital campaign and related expenses.

Subsequent Events

The Organization has evaluated subsequent events through June 16, 2020, the date on which the financial statements were available to be issued.

NOTE 3 VISION HOUSE NORTH/JACOB'S WELL CAPITAL CAMPAIGN

During 2004, the Organization began a capital campaign to fund the construction of the Vision House North/Jacob's Well facility (Building A). The facility is located in Shoreline, Washington, and provides transitional housing and support services for homeless parents and their children, a school age program, and a community center. The Organization has reclassified the construction in progress to buildings and began depreciating when the Certificate of Occupancy was received in 2014. During 2015, the Organization began a new capital campaign to fund the construction of another building on the same premises (Building B).

The Organization receives pledges from donors specifically related to the capital campaign. Pledges receivable were discounted at a rate of -0-% and 5% for the years ended, December 31, 2019 and 2018, respectively.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 3 VISION HOUSE NORTH/JACOB'S WELL CAPITAL CAMPAIGN (CONTINUED)

The following is a summary of the Organization's pledges receivable at December 31:

	2019	2018
Total Amounts Due in:		
One Year	\$ 57,494	\$ 268,432
Gross Pledges Receivable	57,494	268,432
Less: Discount to Present Value	-	-
Pledges Receivable, Net	\$ 57,494	\$ 268,432

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization follows FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures (Topic 820)*, which provides a framework for measuring fair value under generally accepted accounting principles. Topic 820 applies to all financial instruments that are being measured and reported on a fair value basis.

The framework within the standard provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived 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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The Organization's significant financial instruments are cash, accounts receivable, pledges receivable, marketable securities, and accounts payable. Except for marketable securities, these financial instruments are not measured at fair value on a recurring basis as the carrying values approximate fair value.

The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Mutual Funds: Valued at fair market value based on quoted market prices for those of similar investments.

Beneficial Interest in Renton Foundation: Valued at the net asset value of the underlying shares in the Foundation's investment pool.

Assets measured at fair value on a recurring basis are summarized below as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Fundamental Investors Fund	\$ 51,337	\$ -	\$ -	\$ 51,337
Beneficial Interest in Renton Foundation	-	-	68,876	68,876
Investments at Fair Value	51,337	-	68,876	120,213
Cash	-	-	-	20,975
Total Investments	<u>\$ 51,337</u>	<u>\$ -</u>	<u>\$ 68,876</u>	<u>\$ 141,188</u>
	2018			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
World Growth and Income Fund	\$ 32,911	\$ -	\$ -	\$ 32,911
Fundamental Investors Fund	40,232	-	-	40,232
Growth Fund	42,443	-	-	42,443
New Economy Fund	39,894	-	-	39,894
Income Builder Fund	31,233	-	-	31,233
Beneficial Interest in Renton Foundation	-	-	59,276	59,276
Investments at Fair Value	186,713	-	59,276	245,989
Cash	-	-	-	3,530
Total Investments	<u>\$ 186,713</u>	<u>\$ -</u>	<u>\$ 59,276</u>	<u>\$ 249,519</u>

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2019 and 2018:

	Amount
Balance at December 31, 2017	\$ 63,854
Unrealized Loss	(4,578)
Balance at December 31, 2018	59,276
Unrealized Gain	9,600
Balance at December 31, 2019	<u>\$ 68,876</u>

Total investment income, gains, and losses for the years ended December 31, 2019 and 2018, consist of the following:

	2019	2018
Interest and Dividend Income	\$ 3,758	\$ 13,480
Realized and Unrealized Gains (Losses), Net	36,790	(26,970)
Investment Income (Loss)	<u>\$ 40,548</u>	<u>\$ (13,490)</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Buildings and Improvements	\$ 8,754,383	\$ 8,754,383
Furniture and Equipment	254,421	243,664
Vehicles	87,379	85,552
Total	9,096,183	9,083,599
Less: Accumulated Depreciation	(3,887,759)	(3,562,463)
Total Depreciable Property and Equipment	5,208,424	5,521,136
Land	1,857,209	1,857,209
Construction in Progress	2,359,556	777,740
Total Property and Equipment	<u>\$ 9,425,189</u>	<u>\$ 8,156,085</u>

Construction in progress is for the Vision House North/Jacob's Well facility (Building B); Building A was completed in 2014. The facility is located in Shoreline, Washington, and provides transitional housing and support services for homeless parents and their children, a school age program, and a community center.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 6 LINE OF CREDIT

The Organization had a \$544,000 revolving line of credit with Wells Fargo Bank. The line of credit expires February 15, 2020 and is secured by a first lien on real property located in Renton, Washington. Interest on outstanding balances is charged at the greater of the bank's prime rate plus 0.5% or the floor rate of 5%. No amounts were outstanding at December 31, 2019 and 2018.

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Note payable, Wells Fargo, secured by deed of trust on land, interest at 5.2%, monthly payments of principal and interest of \$1,722, with final payment of remaining outstanding principal due February 2023.	\$ 241,111	\$ 248,843
Note payable, Washington State Department of Commerce loan originated on August 22, 2007, secured by a deed of trust, requires no payments and has a zero percent stated interest rate, loan is due in full on May 31, 2048, in the amount of \$1,188,393 and has been discounted to present value using a 7% market interest rate.	<u>163,526</u>	<u>152,501</u>
Total Notes Payable	404,637	401,344
Less: Current Maturities	<u>8,341</u>	<u>7,920</u>
Total Long-Term Liabilities, Net of Current Maturities	<u>\$ 396,296</u>	<u>\$ 393,424</u>

Future maturities of notes payables are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 8,341
2021	8,786
2022	9,253
2023	214,731
2024	-
Thereafter	<u>163,526</u>
Total	<u>\$ 404,637</u>

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the year ended December 31, 2019:

	Balance at Beginning of Year	Donor Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	\$ 634,767	\$ 1,742,698	\$ 1,889,620	\$ 487,845
Time Restrictions:				
Housing Trust Fund	1,035,892	-	11,025	1,024,867
M.J. Murdock Charitable Trust	65,000	-	65,000	-
Total	<u>\$ 1,735,659</u>	<u>\$ 1,742,698</u>	<u>\$ 1,965,645</u>	<u>\$ 1,512,712</u>

Net assets with donor restrictions consisted of the following for the year ended December 31, 2018:

	Balance at Beginning of Year	Donor Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	\$ 838,614	\$ 486,568	\$ 690,415	\$ 634,767
Time Restrictions:				
Housing Trust Fund	1,046,173	-	10,281	1,035,892
M.J. Murdock Charitable Trust	130,000	-	65,000	65,000
Total	<u>\$ 2,014,787</u>	<u>\$ 486,568</u>	<u>\$ 765,696</u>	<u>\$ 1,735,659</u>

NOTE 9 ENDOWMENT NET ASSETS

Endowment net assets consist of an endowment held at the Renton Foundation. All of the income from the endowment may be used to support the general operations of the Organization.

NOTE 10 RELATED PARTY TRANSACTIONS

As of December 31, 2019, there is a pledge receivable outstanding related to the construction of Jacob's Well construction held by a member of the board totaling \$9,500.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

NOTE 11 LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, the Organization had the following financial assets available for general expenditure within one year of the statements of financial position.

	2019	2018
Cash	\$ 1,093,132	\$ 555,180
Investments	72,312	190,243
Accounts Receivable	37,036	25,310
Total	\$ 1,202,480	\$ 770,733

NOTE 12 CONCENTRATIONS

During 2019, a donation coming from one donor represented more than 10% of the total revenue. In 2018, there were no donors that represented more than 10% of total revenue.

NOTE 13 SUBSEQUENT EVENT

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

Specific to the Organization, COVID 19 may impact various parts of its 2020 operations and financial results, including slower collections of receivables and reductions in contributions and day care, rent and thrift store revenues. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the length of time these measures will be in place, and the full extent of the financial impact on the Organization is unknown at this time.

VISION HOUSE
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Grantor	State of Washington
Grantor Agency Name	Washington State Department of Commerce
State Program Name	Housing Trust Fund
Agency Contract Number	06-94100-104
Contract Award Amount	<u>\$ 1,188,393</u>

	Washington State Department of Commerce <u>Deferred Loan</u>	<u>Net Assets</u>	<u>Total</u>
Beginning Balance	\$ 152,501	\$ 1,035,892	\$ 1,188,393
Current Year Revenues	-	-	-
Current Year Expenditures	-	-	-
Current Year Transfers	<u>11,025</u>	<u>(11,025)</u>	<u>-</u>
Ending Balance and Program Total	<u>\$ 163,526</u>	<u>\$ 1,024,867</u>	<u>\$ 1,188,393</u>



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INDEPENDENT AUDITORS' 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

Board of Directors
Vision House
Renton, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vision House (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated June 16, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vision House'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 Vision House's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Vision House's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

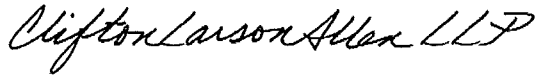
Board of Directors
Vision House

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vision House'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 result 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.



CliftonLarsonAllen LLP

Bellevue, Washington
June 16, 2020