VISION HOUSE

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR 2021)

VISION HOUSE
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YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Vision House
Renton, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Vision House (a Washington nonprofit organization) (the Organization), which comprise the statement of financial position as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022, Vision House adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization 2021 financial statements, and our report dated May 17, 2022, 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, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
Vision House

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 November 3, 2023, on our consideration of the Organization 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 results of that testing, and not to provide an opinion on the effectiveness of the Organization’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 the Organization’s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
November 3, 2023

VISION HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total	2021 Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 865,564	$ 1,440,260	$ 2,305,824	$ 2,651,689
Investments	120,094	-	120,094	117,854
Beneficial Interest in Renton Foundation	25,060	44,000	69,060	83,693
Accounts Receivable	48,385	-	48,385	26,744
Right-of-Use Asset	108,010	-	108,010	-
Inventory	29,747	-	29,747	32,082
Other Current Assets	5,159	-	5,159	11,170
Total Current Assets	1,202,019	1,484,260	2,686,279	2,923,232
Property and Equipment, Net	9,276,149	-	9,276,149	9,656,255
Total Assets	$ 10,478,168	$ 1,484,260	$ 11,962,428	$ 12,579,487
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 324,834	$ -	$ 324,834	$ 349,848
Operating Lease Obligation	64,872	-	64,872	-
LONG-TERM LIABILITIES				
Operating Lease Obligation - Long Term	44,875	-	44,875	-
Washington State Department of Commerce Loan Payable	-	201,615	201,615	188,023
Total Liabilities	434,581	201,615	636,196	537,871
NET ASSETS				
Without Donor Restrictions:				
Undesignated	10,043,587	-	10,043,587	10,413,223
Total Without Donor Restrictions	10,043,587	-	10,043,587	10,413,223
With Donor Restrictions - Time and Purpose	-	1,238,645	1,238,645	1,584,393
With Donor Restrictions - Endowment	-	44,000	44,000	44,000
Total Net Assets	10,043,587	1,282,645	11,326,232	12,041,616
Total Liabilities and Net Assets	$ 10,478,168	$ 1,484,260	$ 11,962,428	$ 12,579,487

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total	2021 Total
REVENUE AND SUPPORT				
Contributions and Grants	$ 2,633,571	$ 30,200	$ 2,663,771	2,851,722
In-kind Contributions	19,241	-	19,241	58,167
Tenant and Subsidy Rental Income	221,758	-	221,758	225,311
Special Events, Net of Direct Expenses of $91,658 and $40,276, Respectively	853,028	-	853,028	904,748
Net Investment Income (Loss)	(27,029)	-	(27,029)	21,069
Revenue from Daycare	886,415	-	886,415	1,124,826
Revenue from Thrift Store	77,715	-	77,715	78,616
Other Revenue	3,368	-	3,368	2,578
Net Assets Released from Restriction	375,948	(375,948)	-	-
Total Revenue and Support	5,044,015	(345,748)	4,698,267	5,267,037
EXPENSES				
Program	4,270,704	-	4,270,704	4,048,443
Management and General	517,995	-	517,995	485,252
Fundraising	624,952	-	624,952	509,171
Total Expenses	5,413,651	-	5,413,651	5,042,866
Changes in Net Assets from Operating Activities	(369,636)	(345,748)	(715,384)	224,171
NONOPERATING ACTIVITIES				
Gain on Forgiveness of Paycheck Protection Program Loan	-	-	-	516,400
Changes in Net Assets from Nonoperating Activities	-	-	-	516,400
CHANGES IN NET ASSETS	(369,636)	(345,748)	(715,384)	740,571
Net Assets - Beginning of Year	10,413,223	1,628,393	12,041,616	11,301,045
NET ASSETS - END OF YEAR	$ 10,043,587	$ 1,282,645	$ 11,326,232	$ 12,041,616

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program	Management and General	Fundraising	2022 Total	2021 Total
PERSONNEL					
Salaries, Taxes and Benefits	$ 2,583,969	$ 396,304	$ 310,108	$ 3,290,381	$ 3,177,361
OTHER					
Facilities	983,502	27,861	21,897	1,033,260	993,125
Nonpersonnel	232,917	10,580	114,707	358,204	315,797
Contract Services	120,580	38,243	104,794	263,617	204,250
Information Tech	109,933	20,278	15,148	145,359	116,190
Travel and Meetings	54,496	13,643	11,357	79,496	56,484
Business Exp	13	40	-	53	160
Other Expense	185,294	11,046	46,941	243,281	179,499
Total Before Special Events	1,686,735	121,691	314,844	2,123,270	1,865,505
Special Events	-	-	91,658	91,658	40,276
Total - December 31, 2022	$ 4,270,704	$ 517,995	$ 716,610	$ 5,505,309	$ 5,083,142
Total - December 31, 2021	$ 4,048,443	$ 485,252	$ 509,171	$ 5,042,866	

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Changes in Net Assets	$ (715,384)	$ 740,571
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Noncash Interest Expense on Note Payable to Washington State Department of Commerce	12,676	12,676
Depreciation	493,630	477,333
Loss (Gain) on Investments	29,534	(12,581)
Gain on Forgiveness of Paycheck Protection Program Loan	-	(516,400)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(21,678)	31,837
Right-of-Use Asset	(108,010)	-
Prepaid Expenses and Other	6,011	(2,354)
Inventory	2,335	(32,082)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	(25,014)	99,825
Operating Lease Obligations	109,747	-
Net Cash Provided (Used) by Operating Activities	(216,153)	798,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(113,525)	(186,135)
Proceeds from Sale of Investments	1,414	-
Purchase of Investments	(17,601)	(28,159)
Net Cash Used by Investing Activities	(129,712)	(214,294)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(345,865)	584,531
Cash and Cash Equivalents - Beginning of Year	2,651,689	2,067,158
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,305,824	$ 2,651,689
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in Loan Payable to Washington State Department of Commerce	$ 13,592	$ 12,676

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION AND PURPOSE

Vision House is a Washington State nonprofit organization that was formed 33 years ago. Its purpose is to provide housing and housing stability support services for families experiencing homelessness, single mothers, fathers and their children. Since its inception in 1990, Vision House has helped more than 3,000 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 42 apartments for parents and children. We also have one residential home located in Burien that houses two families and a Diversion Counselling Center. Residents sign a lease and pay 30 percent 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, mental health counseling and classes. Our classes, geared towards housing stability education, include Financial Literacy, Housing Sustainability, Parenting, Health and Wellness, and Healthy Boundaries. Child care and referrals to essential services such as legal, medical and dental services are also a key part of our program. Vision House also serves families through diversion assistance including financial support to help identify stable housing options and prevent entry into the shelter system, and our traditional transitional housing program. Additionally, diversion support includes one-on-one meetings with a diversion specialist to offer counseling, support for needed resources and referrals. We have three Diversion Centers in Renton, Burien and Shoreline where families can make an appointment for that face-to-face support as well as use of showers and laundry facilities.

In 2022, Vision House provided housing and support services for a total of 183 homeless children, women, and men. The breakout is as follows:

- 119 children (family program)
- 55 mothers
- 9 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 2022, the family program success rate was 80 percent. Since the program began, Vision House has had a strong overall success rate with 88 percent of all residents transitioning to permanent housing.

Besides serving residents in our housing program, we served 751 people in our diversion program through financial support, assistance in finding other housing and referrals to resources in the community. A small percentage of those families found permanent housing in the community. We also provided services to approximately 100 alumni from our housing program.

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

Children's Village Child Care Center in Renton, WA, owned and operated by Vision House, is licensed for 87 children. In 2022, approximately 30 percent of the children in attendance were Vision House children and children from low income families, and 70 percent were children from the community paying full market rates. In 2022, Children's Village Child Care Center provided child care and early childhood education to 55 children overall, including resident children, alumni children, and children from the community. Enrollment was lower than in past years, a residual impact of the pandemic. 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 25 children attend in 2021.

Volunteers are essential in helping Vision House achieve its mission. In 2022, 526 Vision House volunteers donated 5,719 hours valued at more than $199,430 and helped with resident programs, tutoring, 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 the Organization conform to accounting principles generally accepted in the United States of America (GAAP) 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 Restrictions – Net assets which are not subject to donor-imposed stipulations.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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, 2022 and 2021 were $15,330 and $6,500, respectively.

Inventory

Inventory of merchandise held for sale in the Thrift Store consists of clothing, furniture, electronics, household, and other items. Nearly all items have been donated. For the years ended December 31, 2022 and 2021, management estimated the fair value of the inventory based historical value of items sold and actual inventory on hand.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Day Care and Thrift Store Revenue (Continued)

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, 2022.

For the year ended December 31, 2022, the Organization recognized all of its revenue over the time the services were provided.

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.

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, 2022 and 2021 will be immaterial. Accordingly, no allowance for doubtful accounts has been recorded. At December 31, 2022 and 2021, there were no accounts receivable balances over 90 days past due.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Leases

The Organization leases office space and vehicles. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statements of financial position. Finance leases are included in financing lease right-of-use (ROU) assets and other current liabilities on our statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Marketing and Advertising Expenses

The Organization expenses the costs of marketing and advertising expenses as they are incurred. For the year ended December 31, 2022, marketing and advertising totaled $126,146, and are included in marketing and advertising on the statement of functional expenses.

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.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

During the year ended December 31, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-Profit-Entities for Contributed Nonfinancial Assets*, which requires the Organization to present contributed nonfinancial assets on a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. There was no material impact on the Organization's financial position and results of its activities upon adoption of the new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Subsequent Events

The Organization has evaluated subsequent events through November 3, 2023, the date on which the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and 2021, the Organization had the following financial assets available for general expenditure within one year of the statement of financial position.

	2022	2021
Cash	$ 865,564	$ 1,733,005
Investments	120,094	83,688
Accounts Receivable	48,385	58,618
Subtotal	1,034,043	1,875,311
Less:		
Net Assets With Donor Restrictions for Time and Purpose	(1,238,645)	(1,584,393)
Net Assets With Perpetual Donor Restrictions	(44,000)	(44,000)
Subtotal	(1,282,645)	(1,628,393)
Total Financial Assets Available for Expenditure Within One Year	$ (248,602)	$ 246,918

The Organization has a line of credit to draw upon for operating cash purposes (see Note 6).

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization follows Financial Accounting Standards Board (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.

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.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	2022			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Fundamental Investors Fund	$ 60,230	$ -	$ -	$ 60,230
Beneficial Interest in Renton Foundation	-	-	69,060	69,060
Investments at Fair Value	60,230	-	69,060	129,290
Cash	-	-	-	59,864
Total Investments	$ 60,230	$ -	$ 69,060	$ 189,154

	2021			
	Level 1	Level 2	Level 3	Total
Mutual Funds:				
Fundamental Investors Fund	$ 72,283	$ -	$ -	$ 72,283
Beneficial Interest in Renton Foundation	-	-	83,693	83,693
Investments at Fair Value	72,283	-	83,693	155,976
Cash	-	-	-	45,571
Total Investments	$ 72,283	$ -	$ 83,693	$ 201,547

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

	2022	2021
Interest and Dividend Income	$ 4,212	$ 32,345
Realized and Unrealized Losses, Net	(29,534)	(8,834)
Investment Fees	(1,707)	(2,788)
Net Investment Income	$ (27,029)	$ 20,723

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2022	2021
Buildings and Improvements	$ 12,012,891	$ 12,012,856
Furniture and Equipment	482,244	419,632
Vehicles	82,335	82,335
Total	12,577,470	12,514,823
Less: Accumulated Depreciation	(5,209,407)	(4,715,777)
Total Depreciable Property and Equipment	7,368,063	7,799,046
Land	1,857,209	1,857,209
Total Property and Equipment	$ 9,276,149	$ 9,656,255

For the year ended December 31, 2022, depreciation expense was $336,000.

NOTE 6 LINE OF CREDIT

The Organization has a $800,000 revolving line of credit with Wells Fargo Bank. The line of credit expires June 13, 2023, 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, 2022 and 2021. The Organization is in the process of renewing the line of credit as of the date of this report.

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at December 31:

Description	2022	2021
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.	$ 201,615	$ 188,023
Total Notes Payable	201,615	188,023
Less: Current Maturities	-	-
Total Long-Term Liabilities, Net of Current Maturities	$ 201,615	$ 188,023

Future maturities of notes payables are as follows:

Year Ending December 31,	Amount
2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	201,615
Total	$ 201,615

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, the Organization received a loan from a local bank in the amount of $516,400 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement had a two-year repayment term following the Covered Period comprised first of a deferment for six months and followed by payments due for the 18 months following on any unforgiven amount. The PPP Flexibility Act of 2020 (June 5, 2020) extended the maturity to five years with a deferment of 10 months and payments for the remainder of the term. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The Organization applied for and received notification the loan was forgiven by the SBA on June 2, 2021. As such, a gain on forgiveness of paycheck protection program loan was recorded during the year ended December 31, 2021. The SBA has up to six years to review the loan. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization’s financial position.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following for the years ended December 31:

	2022			
	Balance at Beginning of Year	Donor Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	$ 584,023	$ 30,200	$ 362,356	$ 251,867
Time Restrictions:				
Housing Trust Fund	1,000,370	-	13,592	986,778
Total	$ 1,584,393	$ 30,200	$ 375,948	$ 1,238,645

	2021			
	Balance at Beginning of Year	Donor Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	$ 158,806	$ 516,552	$ 91,335	$ 584,023
Time Restrictions:				
Housing Trust Fund	1,013,046	-	12,676	1,000,370
Total	$ 1,171,852	$ 516,552	$ 104,011	$ 1,584,393

NOTE 10 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 11 CONTRIBUTIONS IN-KIND

The Organization received contributions of nonfinancial assets consisting of professional services and equipment and supplies. Donated professional services value is based on the market value of the services provided by Pavilion, LLC, Encompass Engineering & Surveying, Terrra Associates, Inc., and the City of Seattle. Donated equipment and supplies value is based on the market value of the item received or the value assigned by the donor. For the year ended December 31, 2022, the total value of contributions in-kind received totaled $19,241.

	2022	2021
Professional Services	$ 15,330	$ 6,500
Equipment and Supplies	3,911	47,667
Total	$ 19,241	$ 58,167

NOTE 12 LEASES

The Organization leases warehouse space under a long-term, noncancelable lease agreement. The lease expires in 2025. In the normal course of business, it is expected that the lease will be renewed or replaced with a similar lease. Total lease cost of $65,862 as of December 31, 2022, is included in occupancy on the Organization’s statement of functional expenses.

Amounts reported on the statement of financial position as of December 31, 2022 are as follows:

Operating Lease Right-of-Use Asset	$ 108,010
Operating Lease Obligation	$ 109,747

The following is a schedule of total future minimum lease payments and the present value of future minimum lease payments for operating leases:

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Lease	$ 64,125
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liability	$ 171,112
Weighted-Average Remaining Lease Term - Operating Leases	2.6 Years
Weighted-Average Discount Rate - Operating Leases	2%

NOTE 12 LEASES (CONTINUED)

Other information related to the Organization's operating leases as of December 31, 2022 was as follows:

Year Ending December 31,	Operating	Totals
2023	$ 66,369	$ 66,369
2024	39,495	39,495
2025	5,642	5,642
Total Undiscounted Lease Payments	111,506	111,506
Less: Imputed Interest	1,759	1,759
Total Present Value	109,747	109,747
Short-Term Operating Lease Obligation	64,872	64,872
Long-Term Operating Lease Obligation	$ 44,875	$ 44,875

NOTE 13 LEASES - 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021, are made under prior lease guidance in FASB ASC 840.

The Organization leases warehouse space under a non-cancelable lease agreement. The leases expires in 2025. Future minimum lease payments under the operating leases is as follows:

Year Ending December 31,	Amount
2023	$ 64,124
2024	66,367
2025	39,494
Total	$ 169,985

Total rental expense this lease for the year ended December 31, 2021, was $59,859.

NOTE 14 CONCENTRATIONS

During the year ended December 31, 2022, the Organization received contributions from one donor approximating 17% of total Contributions and Grants in the statement of activities.

NOTE 15 SUBSEQUENT EVENT

On June 5, 2023, the Organization purchased a home in Shoreline, Washington, for $725,000 that is secured by debt. The Organization intends on using the property as a diversion center.

ERROR! REFERENCE SOURCE NOT FOUND.

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2022

(SEE INDEPENDENT AUDITOR'S 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	$ 1,188,393

	Washington State Department of Commerce Deferred Loan	Net Assets	Total
Beginning Balance	$ 188,023	$ 1,000,370	$ 1,188,393
Current Year Revenues	-	-	-
Current Year Expenditures	-	-	-
Current Year Transfers	13,592	(13,592)	-
Ending Balance and Program Total	$ 201,615	$ 986,778	$ 1,188,393

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 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 Vision House (a nonprofit organization) (the Organization), which comprise the statement of financial position as of December 31, 2022, 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 November 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that were not identified.

Board of Directors
Vision House

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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 financial statements. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
November 3, 2023