

VISION HOUSE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017



CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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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, 2017, 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.

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, 2017, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Vision House's 2016 financial statements, and our report dated April 12, 2017 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, 2016 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 18 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 April 25, 2018, 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
April 25, 2018

VISION HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 294,483	\$ 697,559	\$ -	\$ 992,042	\$ 844,203
Investments	198,893	-	-	198,893	219,015
Beneficial Interest in Renton Foundation	19,854	-	44,000	63,854	54,113
Accounts Receivable	31,843	-	-	31,843	31,393
Grants Receivable	-	130,000	-	130,000	-
Current Portion of Pledges Receivable, Net	-	267,682	-	267,682	318,599
Other Current Assets	5,588	-	-	5,588	4,065
Total Current Assets	<u>550,661</u>	<u>1,095,241</u>	<u>44,000</u>	<u>1,689,902</u>	<u>1,471,388</u>
OTHER ASSETS					
Pledges Receivable, Less Current Portion, Net	-	15,593	-	15,593	35,176
Property and Equipment, Net	6,787,835	1,046,173	-	7,834,008	8,134,992
Total Other Assets	<u>6,787,835</u>	<u>1,061,766</u>	<u>-</u>	<u>7,849,601</u>	<u>8,170,168</u>
Total Assets	<u>\$ 7,338,496</u>	<u>\$ 2,157,007</u>	<u>\$ 44,000</u>	<u>\$ 9,539,503</u>	<u>\$ 9,641,556</u>

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

LIABILITIES AND NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
CURRENT LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 203,949	\$ -	\$ -	\$ 203,949	\$ 203,435
Current Maturities of Notes Payable	8,123	-	-	8,123	11,079
Total Current Liabilities	<u>212,072</u>	<u>-</u>	<u>-</u>	<u>212,072</u>	<u>214,514</u>
LONG-TERM LIABILITIES					
Washington State Department of Commerce Loan Payable	-	142,220	-	142,220	132,632
Land Note Payable, Net of Current Maturities	248,734	-	-	248,734	256,691
Total Long-Term Liabilities	<u>248,734</u>	<u>142,220</u>	<u>-</u>	<u>390,954</u>	<u>389,323</u>
Total Liabilities	460,806	142,220	-	603,026	603,837
NET ASSETS					
Unrestricted	6,877,690	-	-	6,877,690	7,150,854
Temporarily Restricted	-	2,014,787	-	2,014,787	1,842,865
Permanently Restricted	-	-	44,000	44,000	44,000
Total Net Assets	<u>6,877,690</u>	<u>2,014,787</u>	<u>44,000</u>	<u>8,936,477</u>	<u>9,037,719</u>
Total Liabilities and Net Assets	<u>\$ 7,338,496</u>	<u>\$ 2,157,007</u>	<u>\$ 44,000</u>	<u>\$ 9,539,503</u>	<u>\$ 9,641,556</u>

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT					
Contributions and Grants	\$ 1,374,446	\$ 143,165	\$ -	\$ 1,517,611	\$ 1,164,488
Tenant and Subsidy Rental Income	195,922	-	-	195,922	185,331
Special Events, Net of Direct Expenses of \$90,843 and \$78,441, Respectively	523,196	-	-	523,196	372,197
Investment Income	50,411	-	-	50,411	15,081
Revenue from Daycare	1,193,849	-	-	1,193,849	1,142,616
Revenue from Thrift Store	67,007	-	-	67,007	150,699
Other Revenue	7,462	-	-	7,462	2
Net Assets Released from Restriction	45,667	(45,667)	-	-	-
Total Revenue and Support	<u>3,457,960</u>	<u>97,498</u>	<u>-</u>	<u>3,555,458</u>	<u>3,030,414</u>
EXPENSES					
Program	3,055,729	-	-	3,055,729	2,890,714
Management and General	306,180	-	-	306,180	300,451
Fundraising	402,291	-	-	402,291	356,999
Total Expenses	<u>3,764,200</u>	<u>-</u>	<u>-</u>	<u>3,764,200</u>	<u>3,548,164</u>
Changes in Net Assets from Operating Activities	(306,240)	97,498	-	(208,742)	(517,750)
NONOPERATING ACTIVITIES					
Capital Campaign Contributions and Grants	-	110,241	-	110,241	797,483
Capital Campaign Expenses	(2,741)	-	-	(2,741)	(8,956)
Net Assets Released from Restriction	35,817	(35,817)	-	-	-
Changes in Net Assets from Nonoperating Activities	<u>33,076</u>	<u>74,424</u>	<u>-</u>	<u>107,500</u>	<u>788,527</u>
CHANGES IN NET ASSETS	(273,164)	171,922	-	(101,242)	270,777
Net Assets - Beginning of Year	<u>7,150,854</u>	<u>1,842,865</u>	<u>44,000</u>	<u>9,037,719</u>	<u>8,766,942</u>
NET ASSETS - END OF YEAR	<u>\$ 6,877,690</u>	<u>\$ 2,014,787</u>	<u>\$ 44,000</u>	<u>\$ 8,936,477</u>	<u>\$ 9,037,719</u>

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Program	Management and Administrative	Fundraising	2017 Total	2016 Total
PERSONNEL					
Compensation	\$ 1,588,208	\$ 179,020	\$ 217,565	\$ 1,984,793	\$ 1,821,033
Payroll Taxes and Benefits	382,945	35,023	43,939	461,907	389,799
Total Personnel	<u>1,971,153</u>	<u>214,043</u>	<u>261,504</u>	<u>2,446,700</u>	<u>2,210,832</u>
Depreciation	313,679	16,864	6,746	337,289	339,375
Interest	21,556	-	-	21,556	21,430
Occupancy	155,091	3,871	-	158,962	182,378
Legal and Professional Fees	27,202	25,203	1,012	53,417	58,541
Contract Services	367	-	45,892	46,259	49,789
Daycare Direct Program Costs	122,326	-	-	122,326	116,110
Insurance and Taxes	53,973	2,877	-	56,850	58,587
Printing and Publications	1,372	475	32,175	34,022	35,904
Telephone	22,635	2,723	301	25,659	22,254
Resident Services	51,649	-	-	51,649	69,436
Tier 1 Expenses	33,830	-	-	33,830	-
Diversion and Eviction Prevention	4,088	-	-	4,088	-
Repairs and Maintenance	154,428	6,058	5,619	166,105	205,922
Miscellaneous	3,162	6,030	2,883	12,075	6,981
Supplies	17,814	8,823	7,380	34,017	30,426
Postage	631	1,188	6,004	7,823	6,496
Marketing and Advertising	8,404	429	5,744	14,577	14,476
Bank Charges	22,273	3,110	17,857	43,240	41,847
Information Technology	26,529	5,498	2,175	34,202	18,462
Travel	43,567	8,988	6,999	59,554	58,918
Total	<u>1,084,576</u>	<u>92,137</u>	<u>140,787</u>	<u>1,317,500</u>	<u>1,337,332</u>
TOTAL - DECEMBER 31, 2017	<u>\$ 3,055,729</u>	<u>\$ 306,180</u>	<u>\$ 402,291</u>	<u>\$ 3,764,200</u>	<u>\$ 3,548,164</u>
TOTAL - DECEMBER 31, 2016	<u>\$ 2,890,714</u>	<u>\$ 300,451</u>	<u>\$ 356,999</u>	<u>\$ 3,548,164</u>	

See accompanying Notes to Financial Statements.

VISION HOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operating Revenue and Support	\$ 3,369,805	\$ 3,044,169
Cash Received from Interest	14,355	9,083
Cash Paid to Employees and Suppliers	<u>(3,421,073)</u>	<u>(3,203,995)</u>
Net Cash Used by Operating Activities	(36,913)	(150,743)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(36,305)	(145,142)
Purchase of Investments	(17,651)	(10,079)
Proceeds from Sale of Investments	<u>68,880</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	14,924	(155,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Notes Payable	(10,913)	(10,393)
Contributions Restricted for Capital Project	<u>180,741</u>	<u>443,708</u>
Net Cash Provided by Financing Activities	<u>169,828</u>	<u>433,315</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	147,839	127,351
Cash and Cash Equivalents - Beginning of Year	<u>844,203</u>	<u>716,852</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 992,042</u>	<u>\$ 844,203</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ (101,242)	\$ 270,777
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Noncash Interest Expense on Note Payable to Washington State Department of Commerce	9,588	8,941
Depreciation	337,289	339,375
Gain on Investments	(40,848)	(5,998)
Capital Campaign Contributions	(180,741)	(443,708)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(450)	(3,664)
Grants Receivable	(130,000)	32,500
Pledges Receivable	70,500	(353,775)
Prepaid Expenses and Other	(1,523)	250
Increase in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	514	4,559
Net Cash Used by Operating Activities	<u>\$ (36,913)</u>	<u>\$ (150,743)</u>
SUPPLEMENTAL DATA		
Noncash Investing and Financing Activities:		
Increase in Loan Payable to Washington State Department of Commerce	<u>\$ 9,588</u>	<u>\$ 8,941</u>

See accompanying Notes to Financial Statements.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 1 ORGANIZATION AND PURPOSE

Vision House is a Washington State nonprofit organization that was formed over 26 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 1,300 homeless men, women, and children rebuild their lives.

Vision House owns and operates four transitional housing facilities and two childcare centers located in the Shoreline and Renton vicinities. The family program has a total of 34 apartments for parents and children. 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 through eviction prevention and a tiered housing program accompanied 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. Childcare 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 to help prevent entry into the shelter system, financial assistance in eviction prevention, and our traditional transitional housing program. We are working to put into place a rapid re-housing component as well. Additionally, one-on-one meetings with a case manager offer counseling, support, and accountability in helping residents make progress with their goals.

In 2017, Vision House provided housing and support services for a total of 192 homeless children, women, and men. The breakout is as follows:

- 121 children (family program)
- 61 mothers
- 10 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 2017, the family program success rate was 69%. Since the program began, Vision House has had a strong success rate with 83% of all residents transitioning to permanent housing.

Children's Village Child Care Center in Renton, Washington, owned and operated by Vision House, is licensed for 96 children. In 2017, 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 2017, Children's Village Child Care Center provided childcare and early childhood education to 135 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.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 1 ORGANIZATION AND PURPOSE (CONTINUED)

Children's Village Child Care Center in Shoreline, also owned and operated by Vision House, is licensed for 18 children. It had 27 children attend in 2017.

Vision House Thrift Store/Resale operations in 2017 included sales from Craigslist and One Day Sales at the Vision House Furniture Warehouse (The Warehouse) located in Renton. The Warehouse continues to be a donation site as well as a storage facility for furniture acquired from Vision House's estate sale cleanout services. Between items donated and items from cleanouts, Vision House has been able to provide over \$8,190 in furnishings and household goods for resident homes. Vision House residents are provided with vouchers to on-site resident stores which allow them to shop for necessities.

Volunteers are essential in helping Vision House achieve its mission. In 2017, 572 Vision House volunteers donated 11,142 hours valued at more than \$297,000 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:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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. Changes in the valuation allowance have not been material to the financial statements. At December 31, 2017 and 2016, there were no accounts receivable balances over 90 days past due.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

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 – 40 Years
Furniture and Equipment	5 – 10 Years
Vehicles	3 – 7 Years

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.

There were no donated services meeting these qualifications during the years ended December 31, 2017 and 2016.

Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted 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 as temporarily restricted or permanently restricted support that increases those net asset classes. Contributions received for the Jacob's Well project (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 unrestricted.

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.

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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.

Subsequent Events

The Organization has evaluated subsequent events through April 25, 2018, 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 have been discounted at a rate of 5% at December 31, 2017. The following is a summary of the Organization's pledges receivable at December 31, 2017 and 2016:

	2017	2016
Total Amounts Due in:		
One Year	\$ 267,682	\$ 318,599
Two to Five Years	21,250	40,833
Gross Pledges Receivable	288,932	359,432
Less: Discount to Present Value	(5,657)	(5,657)
Pledges Receivable, Net	\$ 283,275	\$ 353,775

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

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.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 196	\$ -	\$ -	\$ 196
Mutual Funds:				
World Growth and Income Fund	36,670	-	-	36,670
Fundamental Investors Fund	43,077	-	-	43,077
Growth Fund	43,702	-	-	43,702
New Economy Fund	41,652	-	-	41,652
Income Builder Fund	33,596	-	-	33,596
Beneficial Interest in				
Renton Foundation	-	-	63,854	63,854
Total	\$ 198,893	\$ -	\$ 63,854	\$ 262,747

	2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 56,385	\$ -	\$ -	\$ 56,385
Equity Securities	3,251	-	-	3,251
Mutual Funds:				
World Growth and Income Fund	29,412	-	-	29,412
Fundamental Investors Fund	34,917	-	-	34,917
Growth Fund	34,646	-	-	34,646
New Economy Fund	30,997	-	-	30,997
Income Builder Fund	29,407	-	-	29,407
Beneficial Interest in				
Renton Foundation	-	-	54,113	54,113
Total	\$ 219,015	\$ -	\$ 54,113	\$ 273,128

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, 2017 and 2016:

	Amount
Balance at December 31, 2015	\$ 52,093
Unrealized Gain	2,020
Balance at December 31, 2016	54,113
Unrealized Gain	9,741
Balance at December 31, 2017	\$ 63,854

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Total investment income, gains, and losses for the years ended December 31, 2017 and 2016, consist of the following:

	2017	2016
Interest and Dividend Income	\$ 9,563	\$ 9,083
Realized and Unrealized Gains, Net	40,848	5,998
Investment Income	<u>\$ 50,411</u>	<u>\$ 15,081</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	2016
Buildings and Improvements	\$ 8,754,383	\$ 8,754,383
Furniture and Equipment	191,181	187,952
Vehicles	74,642	74,642
Total	9,020,206	9,016,977
Less: Accumulated Depreciation	(3,228,626)	(2,891,337)
Total Depreciable Property and Equipment	5,791,580	6,125,640
Land	1,857,209	1,857,209
Construction in Progress	185,219	152,143
Total Property and Equipment	<u>\$ 7,834,008</u>	<u>\$ 8,134,992</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.

NOTE 6 LINE OF CREDIT

The Organization has a \$530,000 revolving line of credit with Wells Fargo Bank. The line of credit 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, 2017 and 2016.

Subsequent to year-end effective February 15, 2018, the Organization renewed the line of credit at \$544,000 with an expiration date of February 15, 2020.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Note payable, Wells Fargo, secured by deed of trust on land, interest at 4.5%, monthly payments of principal and interest of \$1,722, with final payment of remaining outstanding principal due February 2023.	\$ 256,857	\$ 267,770
 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.	 142,220	 132,632
Total Notes Payable	<u>399,077</u>	<u>400,402</u>
Less: Current Maturities	8,123	11,079
Total Long-Term Liabilities, Net of Current Maturities	<u>\$ 390,954</u>	<u>\$ 389,323</u>

Future maturities of notes payables are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 8,123
2019	7,920
2020	8,341
2021	8,786
2022	9,253
Thereafter	<u>356,654</u>
Total	<u>\$ 399,077</u>

Subsequent to year-end effective February 15, 2018, the Organization refinanced the Note Payable with Wells Fargo. Under the terms of the refinancing, the interest rate was adjusted to 5.2% and monthly payments of principal and interest were adjusted to \$1,722. The final payment of remaining outstanding principal will now be due February 2023.

VISION HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following for the year ended December 31, 2017:

	Balance at Beginning of Year	Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	\$ 787,104	\$ 123,406	\$ 71,896	\$ 838,614
Time Restrictions:				
Housing Trust Fund	1,055,761	-	9,588	1,046,173
M.J. Murdock Charitable Trust	-	130,000	-	130,000
Total	<u>\$ 1,842,865</u>	<u>\$ 253,406</u>	<u>\$ 81,484</u>	<u>\$ 2,014,787</u>

Temporarily restricted net assets consisted of the following for the year ended December 31, 2016:

	Balance at Beginning of Year	Restricted Contributions	Released from Restrictions	Balance at End of Year
Program Services	\$ 155,510	\$ 846,420	\$ 214,826	\$ 787,104
Time Restrictions:				
Housing Trust Fund	1,064,702	-	8,941	1,055,761
M.J. Murdock Charitable Trust	32,500	-	32,500	-
Total	<u>\$ 1,252,712</u>	<u>\$ 846,420</u>	<u>\$ 256,267</u>	<u>\$ 1,842,865</u>

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted 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.

VISION HOUSE
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2017
(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 Deferred Loan	Net Assets	Total
Beginning Balance	\$ 132,632	\$ 1,055,761	\$ 1,188,393
Current Year Transfers	<u>9,588</u>	<u>(9,588)</u>	<u>-</u>
Ending Balance and Program Total	<u>\$ 142,220</u>	<u>\$ 1,046,173</u>	<u>\$ 1,188,393</u>

**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, 2017 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 April 25, 2018.

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.

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
April 25, 2018