

**VISION HOUSE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2018**



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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, 2018, 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, 2018, 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.

**Report on Summarized Comparative Information**

We have previously audited Vision House's 2017 financial statements, and our report dated April 25, 2018 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, 2017 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 May 14, 2019, 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.

**Emphasis-of-Matter Regarding a Change in Accounting Principle**

As discussed in Note 2 to the financial statements, Vision House adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The new accounting standard changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
May 14, 2019

**VISION HOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2018 Total	2017 Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 555,180	\$ 518,836	\$ 1,074,016	\$ 992,042
Investments	190,243	-	190,243	198,893
Beneficial Interest in Renton Foundation	15,276	44,000	59,276	63,854
Accounts Receivable	25,310	-	25,310	31,843
Grants Receivable	-	65,000	65,000	130,000
Current Portion of Pledges Receivable, Net	-	268,432	268,432	267,682
Other Current Assets	4,290	-	4,290	5,588
Total Current Assets	790,299	896,268	1,686,567	1,689,902
<b>OTHER ASSETS</b>				
Pledges Receivable, Less Current Portion, Net	-	-	-	15,593
Property and Equipment, Net	7,120,193	1,035,892	8,156,085	7,834,008
Total Other Assets	7,120,193	1,035,892	8,156,085	7,849,601
Total Assets	\$ 7,910,492	\$ 1,932,160	\$ 9,842,652	\$ 9,539,503
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 268,570	\$ -	\$ 268,570	\$ 203,949
Current Maturities of Notes Payable	7,920	-	7,920	8,123
Total Current Liabilities	276,490	-	276,490	212,072
<b>LONG-TERM LIABILITIES</b>				
Washington State Department of Commerce Loan Payable	-	152,501	152,501	142,220
Land Note Payable, Net of Current Maturities	240,923	-	240,923	248,734
Total Long-Term Liabilities	240,923	152,501	393,424	390,954
Total Liabilities	517,413	152,501	669,914	603,026
<b>NET ASSETS</b>				
Without Donor Restrictions				
Undesignated	7,393,079	-	7,393,079	6,877,690
Without Donor Restrictions	7,393,079	-	7,393,079	6,877,690
With Donor Restrictions - Time and Purpose	-	1,735,659	1,735,659	2,014,787
With Donor Restrictions - Endowment	-	44,000	44,000	44,000
Total Net Assets	7,393,079	1,779,659	9,172,738	8,936,477
Total Liabilities and Net Assets	\$ 7,910,492	\$ 1,932,160	\$ 9,842,652	\$ 9,539,503

**VISION HOUSE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2018 Total	2017 Total
<b>REVENUE AND SUPPORT</b>				
Contributions and Grants	\$ 1,484,946	\$ 216,508	\$ 1,701,454	\$ 1,517,611
Tenant and Subsidy Rental Income	208,453	-	208,453	195,922
Special Events, Net of Direct Expenses of \$108,956 and \$90,843, Respectively	634,932	-	634,932	523,196
Investment Income (Loss)	(13,490)	-	(13,490)	50,411
Revenue from Daycare	1,191,493	-	1,191,493	1,193,849
Revenue from Thrift Store	73,538	-	73,538	67,007
Other Revenue	4,038	-	4,038	7,462
Net Assets Released from Restriction	205,267	(205,267)	-	-
Total Revenue and Support	<u>3,789,177</u>	<u>11,241</u>	<u>3,800,418</u>	<u>3,555,458</u>
<b>EXPENSES</b>				
Program	3,046,448	-	3,046,448	3,055,729
Management and General	339,819	-	339,819	306,180
Fundraising	443,077	-	443,077	402,291
Total Expenses	<u>3,829,344</u>	<u>-</u>	<u>3,829,344</u>	<u>3,764,200</u>
Changes in Net Assets from Operating Activities	(40,167)	11,241	(28,926)	(208,742)
<b>NONOPERATING ACTIVITIES</b>				
Capital Campaign Contributions and Grants	-	270,060	270,060	110,241
Capital Campaign Expenses	(4,873)	-	(4,873)	(2,741)
Net Assets Released from Restriction	560,429	(560,429)	-	-
Changes in Net Assets from Nonoperating Activities	<u>555,556</u>	<u>(290,369)</u>	<u>265,187</u>	<u>107,500</u>
<b>CHANGES IN NET ASSETS</b>	515,389	(279,128)	236,261	(101,242)
Net Assets - Beginning of Year	<u>6,877,690</u>	<u>2,058,787</u>	<u>8,936,477</u>	<u>9,037,719</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 7,393,079</u></u>	<u><u>\$ 1,779,659</u></u>	<u><u>\$ 9,172,738</u></u>	<u><u>\$ 8,936,477</u></u>

See accompanying Notes to Financial Statements.

**VISION HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	Program	Management and Administrative	Fundraising	2018 Total	2017 Total
<b>PERSONNEL</b>					
Compensation	\$ 1,566,791	\$ 205,963	\$ 223,347	\$ 1,996,101	\$ 1,984,793
Payroll Taxes and Benefits	364,171	37,813	42,860	444,844	461,907
Total Personnel	<u>1,930,962</u>	<u>243,776</u>	<u>266,207</u>	<u>2,440,945</u>	<u>2,446,700</u>
Depreciation	317,416	17,462	6,985	341,863	337,289
Interest	23,300	-	-	23,300	21,556
Occupancy	165,670	4,167	-	169,837	158,962
Legal and Professional Fees	46,774	32,141	2,590	81,505	53,417
Contract Services	498	-	42,822	43,320	46,259
Daycare Direct Program Costs	131,220	-	-	131,220	122,326
Insurance and Taxes	57,767	4,469	-	62,236	56,850
Printing and Publications	763	118	39,848	40,729	34,022
Telephone	26,258	2,984	529	29,771	25,659
Resident Services	66,755	-	-	66,755	51,649
Tier 1 Expenses	937	-	-	937	33,830
Diversion and Eviction Prevention	2,757	-	-	2,757	4,088
Repairs and Maintenance	157,629	5,030	6,300	168,959	166,105
Miscellaneous	2,917	3,467	1,181	7,565	12,075
Supplies	16,324	9,355	6,611	32,290	34,017
Postage	642	1,206	8,154	10,002	7,823
Marketing and Advertising	22,604	2,077	34,837	59,518	14,577
Bank Charges	20,240	4,797	13,343	38,380	43,240
Information Technology	24,505	2,176	5,279	31,960	34,202
Travel	30,510	6,594	8,391	45,495	59,554
Total Before Special Events	<u>1,115,486</u>	<u>96,043</u>	<u>176,870</u>	<u>1,388,399</u>	<u>1,317,500</u>
Special Events	-	-	108,956	108,956	90,843
<b>TOTAL - DECEMBER 31, 2018</b>	<u><u>\$ 3,046,448</u></u>	<u><u>\$ 339,819</u></u>	<u><u>\$ 552,033</u></u>	<u><u>\$ 3,938,300</u></u>	<u><u>\$ 3,855,043</u></u>
<b>TOTAL - DECEMBER 31, 2017</b>	<u><u>\$ 3,055,729</u></u>	<u><u>\$ 306,180</u></u>	<u><u>\$ 402,291</u></u>	<u><u>\$ 3,764,200</u></u>	

See accompanying Notes to Financial Statements.

**VISION HOUSE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Operating Revenue and Support	\$ 3,885,548	\$ 3,369,805
Cash Received from Interest	23,280	14,355
Cash Paid to Employees and Suppliers	<u>(3,416,797)</u>	<u>(3,421,073)</u>
Net Cash Provided (Used) by Operating Activities	492,031	(36,913)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(671,319)	(36,305)
Purchase of Investments	(19,133)	(17,651)
Proceeds from Sale of Investments	<u>3,506</u>	<u>68,880</u>
Net Cash Provided (Used) by Investing Activities	(686,946)	14,924
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Notes Payable	(8,014)	(10,913)
Contributions Restricted for Capital Project	<u>284,903</u>	<u>180,741</u>
Net Cash Provided by Financing Activities	<u>276,889</u>	<u>169,828</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	81,974	147,839
Cash and Cash Equivalents - Beginning of Year	<u>992,042</u>	<u>844,203</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 1,074,016</u></u>	<u><u>\$ 992,042</u></u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 236,261	\$ (101,242)
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	10,281	9,588
Depreciation	341,863	337,289
Loss (Gain) on Investments	26,970	(40,848)
Capital Campaign Contributions	(284,903)	(180,741)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	6,533	(450)
Grants Receivable	65,000	(130,000)
Pledges Receivable	24,107	70,500
Prepaid Expenses and Other	1,298	(1,523)
Increase in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	<u>64,621</u>	<u>514</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 492,031</u></u>	<u><u>\$ (36,913)</u></u>
<b>SUPPLEMENTAL DATA</b>		
Noncash Investing and Financing Activities:		
Increase in Loan Payable to Washington State Department of Commerce	<u><u>\$ 10,281</u></u>	<u><u>\$ 9,588</u></u>

See accompanying Notes to Financial Statements.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 1 ORGANIZATION AND PURPOSE**

Vision House is a Washington State nonprofit organization that was formed over 27 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 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 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 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 to help prevent entry into the shelter system, financial assistance in eviction prevention, 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 2018, Vision House provided housing and support services for a total of 182 homeless children, women, and men. The breakout is as follows:

- 115 children (family program)
- 59 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 2018, the family program success rate was 96%. 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 358 people in our diversion program. Of those 358 people, we were able to track outcomes for 207. Of those 207 people, 22% found permanent housing in the community. The other 78% received financial support, assistance in finding other housing and referrals to resources in the community. We also provided services to 35 alumni from our housing program.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

**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 2018, 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 2018, Children's Village Child Care Center provided child care and early childhood education to 125 children overall, including resident children, alumni children, and children from the community. Children's Village is one of the few child care 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 2018.

Vision House Thrift Store/Resale operations in 2018 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 \$7,994 in furnishings and household goods for resident homes as they exit our program. 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 2018, 598 Vision House volunteers donated 10,023 hours valued at more than \$305,313 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.

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.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

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

**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, 2018 and 2017, there were no accounts receivable balances over 90 days past due.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

**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 to 40 Years
Furniture and Equipment	5 to 10 Years
Vehicles	3 to 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, 2018 and 2017.

**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 in net assets with donor restrictions and increases that net asset class. 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 without donor restrictions.

**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, 2018**  
**(WITH COMPARATIVE TOTALS FOR 2017)**

**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, 2017, 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.

**New Accounting Pronouncements – ASU 2016-14**

During the year ended December 31, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. This new accounting standard results in a reduction of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions) and disclosures within the financial statements. The adoption of this accounting standard was retrospectively applied and did not have an impact on the Association's financial position or changes in its net assets.

**Subsequent Events**

The Organization has evaluated subsequent events through May 14, 2019, 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, 2018 and 2017, respectively.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

**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:

	2018	2017
Total Amounts Due in:		
One Year	\$ 268,432	\$ 267,682
Two to Five Years	-	21,250
Gross Pledges Receivable	268,432	288,932
Less: Discount to Present Value	-	(5,657)
Pledges Receivable, Net	\$ 268,432	\$ 283,275

**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.

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

**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:

	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>
	2017			
	Level 1	Level 2	Level 3	Total
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
Investments at Fair Value	198,697	-	63,854	262,551
Cash	-	-	-	196
Total Investments	<u>\$ 198,697</u>	<u>\$ -</u>	<u>\$ 63,854</u>	<u>\$ 262,747</u>

**VISION HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

**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, 2018 and 2017:

	<u>Amount</u>
Balance at December 31, 2016	\$ 54,113
Unrealized Gain	9,741
Balance at December 31, 2017	<u>63,854</u>
Unrealized Loss	(4,578)
Balance at December 31, 2018	<u><u>\$ 59,276</u></u>

Total investment income, gains, and losses for the years ended December 31, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividend Income	\$ 13,480	\$ 9,563
Realized and Unrealized Gains (Losses), Net	(26,970)	40,848
Investment Income	<u><u>\$ (13,490)</u></u>	<u><u>\$ 50,411</u></u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Buildings and Improvements	\$ 8,754,383	\$ 8,754,383
Furniture and Equipment	243,664	191,181
Vehicles	85,552	74,642
Total	<u>9,083,599</u>	<u>9,020,206</u>
Less: Accumulated Depreciation	(3,562,463)	(3,228,626)
Total Depreciable Property and Equipment	<u>5,521,136</u>	<u>5,791,580</u>
Land	1,857,209	1,857,209
Construction in Progress	777,740	185,219
Total Property and Equipment	<u><u>\$ 8,156,085</u></u>	<u><u>\$ 7,834,008</u></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, 2018**  
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**NOTE 6 LINE OF CREDIT**

The Organization had 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, 2018 and 2017.

Effective February 15, 2018, the Organization renewed the line of credit at \$544,000 with an expiration date of February 15, 2020.

**NOTE 7 NOTES PAYABLE**

Notes payable consisted of the following at December 31:

<u>Description</u>	<u>2018</u>	<u>2017</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.	\$ 248,843	\$ 256,857
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>152,501</u>	<u>142,220</u>
Total Notes Payable	401,344	399,077
Less: Current Maturities	<u>7,920</u>	<u>8,123</u>
Total Long-Term Liabilities, Net of Current Maturities	<u>\$ 393,424</u>	<u>\$ 390,954</u>

Future maturities of notes payables are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 7,920
2020	8,341
2021	8,786
2022	9,253
Thereafter	<u>367,044</u>
Total	<u>\$ 401,344</u>

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, 2018**  
(WITH COMPARATIVE TOTALS FOR 2017)

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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>

Net assets with donor restrictions consisted of the following for the year ended December 31, 2017:

	Balance at Beginning of Year	Donor 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>

**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, 2018, there is a pledge receivable outstanding related to the construction of Jacob's Well construction held by a member of the board totaling \$14,500.

**NOTE 11 LIQUIDITY AND AVAILABILITY**

As of December 31, 2018 and 2017, the Organization had the following financial assets available for general expenditure within one year of the statements of financial position.

	2018	2017
Cash	\$ 555,180	\$ 294,483
Investments	190,243	198,893
Accounts Receivable	25,310	31,843
Total	<u>\$ 770,733</u>	<u>\$ 525,219</u>

**VISION HOUSE**  
**SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE**  
**YEAR ENDED DECEMBER 31, 2018**  
**(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	\$ 142,220	\$ 1,046,173	\$ 1,188,393
Current Year Revenues	-	-	-
Current Year Expenditures	-	-	-
Current Year Transfers	<u>10,281</u>	<u>(10,281)</u>	<u>-</u>
Ending Balance and Program Total	<u>\$ 152,501</u>	<u>\$ 1,035,892</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, 2018 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 May 14, 2019.

**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  
May 14, 2019