

SOLID GROUND WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2017 AND 2016

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS  
YEAR ENDED DECEMBER 31, 2017



SOLID GROUND WASHINGTON  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

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## INDEPENDENT AUDITOR'S REPORT

September 6, 2018

Board of Directors  
Solid Ground Washington  
Seattle, Washington

We have audited the accompanying consolidated financial statements of Solid Ground Washington (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Solid Ground Washington as of December 31, 2017 and 2016, and the changes in its net assets and partners' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Consolidating information is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets and partners' equity of the individual organizations, and is not a required part of the consolidated financial statements. Similarly, the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 September 6, 2018 on our consideration of Solid Ground Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Solid Ground Washington's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017				2016			
	Solid Ground	Sand Point Housing	Eliminations	Total	Solid Ground	Sand Point Housing	Eliminations	Total
<b>ASSETS</b>								
Current Assets								
Cash	\$ 3,305,484	\$ 1,442,052		\$ 4,747,536	\$ 3,594,314	\$ 200,847		\$ 3,795,161
Short-term investments	217,532	-		217,532	170,034	-		170,034
Grants receivable	3,020,875	-		3,020,875	1,999,443	10,526		2,009,969
Promises to give	301,254	-		301,254	213,113	-		213,113
Other receivables	585,834	52,844	\$ (424,030)	214,648	406,988	175,759	\$ (389,577)	193,170
Other assets	404,809	177,871	(66,000)	516,680	390,386	128,101	-	518,487
Total Current Assets	7,835,788	1,672,767	(490,030)	9,018,525	6,774,278	515,233	(389,577)	6,899,934
Notes Receivable from Related Parties	3,556,574	-	(3,556,574)	-	2,497,046	-	(2,497,046)	-
Restricted Cash and Cash Equivalents	1,295,487	1,383,404		2,678,891	1,501,411	1,296,835		2,798,246
Long-term Promises to Give	-	-		-	78,941	-		78,941
Investment in Sand Point Entities	608,621	-	(608,621)	-	2,212,606	-	(2,212,606)	-
Property and Equipment, net	3,772,654	29,936,753		33,709,407	4,549,961	27,932,434		32,482,395
	<u>\$ 17,069,124</u>	<u>\$ 32,992,924</u>	<u>\$ (4,655,225)</u>	<u>\$ 45,406,823</u>	<u>\$ 17,614,243</u>	<u>\$ 29,744,502</u>	<u>\$ (5,099,229)</u>	<u>\$ 42,259,516</u>
<b>LIABILITIES AND NET ASSETS</b>								
Current Liabilities								
Accounts payable	\$ 409,792	\$ 134,045	\$ (69,187)	\$ 474,650	\$ 338,087	\$ 162,930	\$ (75,882)	\$ 425,135
Accrued expenses	738,380	790,517	(157,950)	1,370,947	914,140	300,724	(77,621)	1,137,243
Current portion of long-term debt	12,500	-	-	12,500	12,500	-	-	12,500
Total Current Liabilities	1,160,672	924,562	(227,137)	1,858,097	1,264,727	463,654	(153,503)	1,574,878
Notes Payable, net of current portion	175,000	17,247,685	-	17,422,685	187,500	13,908,919	-	14,096,419
Forgivable Loans and Accrued Interest Payable	3,446,810	3,819,188	(3,819,467)	3,446,531	4,649,290	2,733,120	(2,733,120)	4,649,290
Total Liabilities	4,782,482	21,991,435	(4,046,604)	22,727,313	6,101,517	17,105,693	(2,886,623)	20,320,587
Net Assets and Partners' Equity								
Net Assets								
Unrestricted	11,226,413			11,226,413	10,303,981			10,303,981
Temporarily restricted	1,060,229			1,060,229	1,208,745			1,208,745
Total Net Assets	12,286,642			12,286,642	11,512,726			11,512,726
Partners' Equity		11,001,489	(608,621)	10,392,868		12,638,809	(2,212,606)	10,426,203
Total Net Assets and Partners' Equity	12,286,642	11,001,489	(608,621)	22,679,510	11,512,726	12,638,809	(2,212,606)	21,938,929
	<u>\$ 17,069,124</u>	<u>\$ 32,992,924</u>	<u>\$ (4,655,225)</u>	<u>\$ 45,406,823</u>	<u>\$ 17,614,243</u>	<u>\$ 29,744,502</u>	<u>\$ (5,099,229)</u>	<u>\$ 42,259,516</u>

SOLID GROUND WASHINGTON  
CONSOLIDATED STATEMENTS OF ACTIVITY  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Solid Ground	Sand Point		Total	Solid Ground	Sand Point		Total
		Housing	Eliminations			Housing	Eliminations	
Change in Unrestricted Net Assets and Partners' Equity								
Unrestricted public support								
Federal contracts and grants	\$ 2,649,890			\$ 2,649,890	\$ 2,734,802			\$ 2,734,802
State, city, and county contracts and grants	16,671,773			16,671,773	15,319,974			15,319,974
Contributions	1,320,265			1,320,265	205,302			205,302
United Way of King County	-			-	2,897			2,897
Private grants	442,994			442,994	1,028,674			1,028,674
Total Unrestricted Public Support	<u>21,084,922</u>			<u>21,084,922</u>	<u>19,291,649</u>			<u>19,291,649</u>
Revenue								
Fees for services	675,064	\$ 1,821,818	\$ (308,833)	2,188,049	740,775	\$ 1,659,757	\$ (335,437)	2,065,095
Gain on transfer of property	795,079	-	-	795,079	-	-	-	-
Gain on legal settlement	-	650,000	-	650,000	-	150,000	-	150,000
Investment income	32,600	101	-	32,701	30,436	169	-	30,605
Other revenue	300,105	34,671	(168,198)	166,578	198,727	147,404	(160,523)	185,608
Total Revenue	<u>1,802,848</u>	<u>2,506,590</u>	<u>(477,031)</u>	<u>3,832,407</u>	<u>969,938</u>	<u>1,957,330</u>	<u>(495,960)</u>	<u>2,431,308</u>
Net Assets Released from Purpose Restrictions	1,424,955	-	-	1,424,955	1,558,942	-	-	1,558,942
Total Unrestricted Public Support and Revenue	<u>24,312,725</u>	<u>2,506,590</u>	<u>(477,031)</u>	<u>26,342,284</u>	<u>21,820,529</u>	<u>1,957,330</u>	<u>(495,960)</u>	<u>23,281,899</u>
Expenses								
Program services	19,698,948	2,962,300	(711,321)	21,949,927	19,124,865	3,156,622	(1,038,106)	21,243,381
Supporting services	3,691,345	-	-	3,691,345	3,392,827	-	-	3,392,827
Total Expenses	<u>23,390,293</u>	<u>2,962,300</u>	<u>(711,321)</u>	<u>25,641,272</u>	<u>22,517,692</u>	<u>3,156,622</u>	<u>(1,038,106)</u>	<u>24,636,208</u>
Change in Unrestricted Net Assets and Partners' Equity	<u>922,432</u>	<u>(455,710)</u>	<u>234,290</u>	<u>701,012</u>	<u>(697,163)</u>	<u>(1,199,292)</u>	<u>542,146</u>	<u>(1,354,309)</u>
Change in Temporarily Restricted Net Assets								
Contributions	530,712			530,712	1,103,491			1,103,491
United Way of King County	90,100			90,100	189,200			189,200
Private grants	655,627			655,627	159,330			159,330
Net assets released from purpose restrictions	(1,424,955)	-	-	(1,424,955)	(1,558,942)	-	-	(1,558,942)
Change in Temporarily Restricted Net Assets	<u>(148,516)</u>	<u>-</u>	<u>-</u>	<u>(148,516)</u>	<u>(106,921)</u>	<u>-</u>	<u>-</u>	<u>(106,921)</u>
Total Change in Net Assets and Partners' Equity	<u>773,916</u>	<u>(455,710)</u>	<u>234,290</u>	<u>552,496</u>	<u>(804,084)</u>	<u>(1,199,292)</u>	<u>542,146</u>	<u>(1,461,230)</u>
Net Assets and Partners' Equity - Beginning of Year	11,512,726	12,638,809	(2,212,606)	21,938,929	12,316,810	13,066,126	(2,255,777)	23,127,159
Partner Equity (Distributions) Contributions	-	(1,181,610)	1,369,695	188,085	-	771,975	(498,975)	273,000
Net Assets and Partners' Equity - End of Year	<u>\$ 12,286,642</u>	<u>\$ 11,001,489</u>	<u>\$ (608,621)</u>	<u>\$ 22,679,510</u>	<u>\$ 11,512,726</u>	<u>\$ 12,638,809</u>	<u>\$ (2,212,606)</u>	<u>\$ 21,938,929</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 9,547,121	\$ 144,396	\$ 9,691,517	\$ 1,685,425	\$ 477,908	\$ 2,163,333	\$ 11,854,850
Employee taxes and benefits	2,802,847	70,073	2,872,920	377,955	121,746	499,701	3,372,621
	12,349,968	214,469	12,564,437	2,063,380	599,654	2,663,034	15,227,471
Contracted services	2,562,360	824,841	3,387,201	178,379	122,975	301,354	3,688,555
Client assistance	1,566,742	-	1,566,742	-	-	-	1,566,742
Depreciation	-	969,070	969,070	200,185	-	200,185	1,169,255
Insurance	847,282	209,864	1,057,146	37,217	6,820	44,037	1,101,183
Repairs and maintenance	518,984	165,561	684,545	104,972	9,360	114,332	798,877
Utilities	173,570	337,928	511,498	23,168	6,260	29,428	540,926
Rent	390,547	-	390,547	(18,556)	9,446	(9,110)	381,437
Supplies	184,961	46,349	231,310	41,633	13,771	55,404	286,714
Mailing and printing	111,259	4,732	115,991	60,523	39,833	100,356	216,347
Other	37,262	35,632	72,894	49,026	(165)	48,861	121,755
Communication	64,760	12,421	77,181	16,285	3,779	20,064	97,245
Training	65,681	199	65,880	18,947	2,290	21,237	87,117
Taxes and licenses	23,120	49,515	72,635	4,312	1,716	6,028	78,663
Interest	(31,591)	90,776	59,185	1,160	11,930	13,090	72,275
Equipment rental	38,161	-	38,161	1,596	21,348	22,944	61,105
Travel and transportation	45,917	943	46,860	8,693	2,238	10,931	57,791
Dues and subscriptions	14,880	-	14,880	29,826	3,707	33,533	48,413
Advertising	5,108	-	5,108	11,716	3,921	15,637	20,745
Fuel	18,656	-	18,656	-	-	-	18,656
Total Expenses	<u>\$ 18,987,627</u>	<u>\$ 2,962,300</u>	<u>\$ 21,949,927</u>	<u>\$ 2,832,462</u>	<u>\$ 858,883</u>	<u>\$ 3,691,345</u>	<u>\$ 25,641,272</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 9,256,207	\$ 162,726	\$ 9,418,933	\$ 1,637,857	\$ 426,154	\$ 2,064,011	\$ 11,482,944
Employee taxes and benefits	2,773,376	57,636	2,831,012	382,850	111,868	494,718	3,325,730
	12,029,583	220,362	12,249,945	2,020,707	538,022	2,558,729	14,808,674
Contracted services	2,141,625	843,654	2,985,279	129,330	81,346	210,676	3,195,955
Client assistance	1,549,216	-	1,549,216	-	-	-	1,549,216
Depreciation	73,528	1,090,609	1,164,137	193,837	-	193,837	1,357,974
Insurance	675,550	115,295	790,845	36,595	6,553	43,148	833,993
Repairs and maintenance	470,100	318,696	788,796	57,339	2,876	60,215	849,011
Utilities	152,446	320,818	473,264	21,680	5,427	27,107	500,371
Rent	390,278	-	390,278	(17,742)	8,970	(8,772)	381,506
Supplies	165,431	65,201	230,632	50,567	7,235	57,802	288,434
Mailing and printing	104,355	4,098	108,453	54,419	29,995	84,414	192,867
Other	81,886	30,170	112,056	36,479	(185)	36,294	148,350
Communication	60,695	14,285	74,980	17,144	3,781	20,925	95,905
Training	67,922	550	68,472	12,285	1,984	14,269	82,741
Taxes and licenses	20,374	45,767	66,141	3,950	869	4,819	70,960
Interest	(27,086)	83,507	56,421	18,424	6,818	25,242	81,663
Equipment rental	40,662	-	40,662	8,153	17,501	25,654	66,316
Travel and transportation	55,008	3,610	58,618	9,113	1,724	10,837	69,455
Dues and subscriptions	18,789	-	18,789	16,293	1,542	17,835	36,624
Advertising	4,642	-	4,642	4,718	5,078	9,796	14,438
Fuel	11,755	-	11,755	-	-	-	11,755
Total Expenses	\$ 18,086,759	\$ 3,156,622	\$ 21,243,381	\$ 2,673,291	\$ 719,536	\$ 3,392,827	\$ 24,636,208

SOLID GROUND WASHINGTON  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from:		
Governmental agencies	\$ 18,310,757	\$ 18,509,395
Donors	2,509,970	2,885,444
Service recipients	2,016,571	2,004,396
Investments	32,701	30,605
Other	166,578	185,608
Cash paid for:		
Personnel	(15,400,402)	(14,884,368)
Services and supplies	(8,596,836)	(7,899,748)
Interest	<u>(17,238)</u>	<u>(13,645)</u>
Net Cash (Used) Provided by Operating Activities	<u>(977,899)</u>	<u>817,687</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	67,631	-
Purchase of investments	(115,129)	(36,132)
Purchases of property and equipment	<u>(2,833,372)</u>	<u>(595,645)</u>
Net Cash Used by Investing Activities	<u>(2,880,870)</u>	<u>(631,777)</u>
<b>Cash Flows from Financing Activities</b>		
Syndication costs	(50,000)	-
Partner equity contributions	238,085	273,000
Proceeds from grants restricted to investment in property	100,000	100,000
Proceeds from legal settlement	800,000	-
Repayments on notes payable	(2,730,871)	(12,500)
Borrowings on notes payable	<u>6,453,930</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>4,811,144</u>	<u>360,500</u>
Changes in Cash	952,375	546,410
Cash - beginning of year	<u>3,795,161</u>	<u>3,248,751</u>
Cash - end of year	<u>\$ 4,747,536</u>	<u>\$ 3,795,161</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Reconciliation of Change in Net Assets and Partners' Equity to Net Cash Flows from Operating Activities</b>		
Change in net assets and partners' equity	\$ 552,496	\$ (1,461,230)
Adjustments to reconcile change in net assets and partners' equity to net cash (used) provided by operating activities		
Depreciation	1,169,255	1,357,974
Amortization of debt issuance costs	19,070	11,411
Accrued interest on loans	35,967	56,607
Forgiveness of debt	(15,770)	(15,491)
Gain on legal settlement	(650,000)	(150,000)
Gain on transfer of property	(795,079)	-
Change in assets and liabilities		
Grants receivable	(1,010,906)	454,619
Promises to give	(109,200)	585,492
Other receivables	(171,478)	89,301
Other assets	1,807	1,273
Restricted cash and cash equivalents	119,355	(83,656)
Accounts payable	49,515	47,081
Accrued expenses	<u>(172,931)</u>	<u>(75,694)</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (977,899)</u>	<u>\$ 817,687</u>

## SOLID GROUND WASHINGTON

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Solid Ground Washington (Solid Ground) is a not-for-profit organization established in 1974 in Seattle, Washington. Solid Ground assists governmental, educational, and private agencies with operating community service programs and provides assistance to underprivileged and economically distressed persons. Major program areas include:

**Residential Services:** We provide service-enriched housing, including emergency shelter and transitional and permanent housing, for homeless individuals and families throughout King County. Services to the singles and families we house include life skills training, children's programs, and financial assistance.

**Stability Services:** For families who are at high risk of displacement, we prevent homelessness through mortgage default counseling, financial skills training, tenant counseling and one-time financial assistance to regain stability and thrive.

**Transportation:** We provide door-to-door specialized transportation to elders and people living with disabilities who cannot access fixed-route transportation, as well as provide a shuttle for people accessing human services in the downtown core.

**Advocacy:** We provide one-on-one advocacy to help people access government benefits, as well as broad-based political advocacy, helping low-income communities to participate in the political process. We also provide free legal representation to the growing number of vulnerable people seeking our help and prevent the dismantling of our state's safety net of basic health and social service programs.

**Hunger and Food Resources:** We create access to fresh, organic produce as well as education around the importance of healthy eating. Our strategies include: growing and providing fresh produce to Seattle food banks; teaching people living on low incomes how to grow their own produce; and providing instruction on nutritious cooking on a limited budget.

#### Principles of consolidation

The financial statements consolidate the assets, liabilities, and activities of Solid Ground and Sand Point Community Connections, LLC (SPCC); SPH Two, LLLP (SPH Two); Sand Point Site B Stage 1, LP; and Sand Point Phase 2, LP. Solid Ground is the sole member of SPCC. SPCC is the sole general partner of the three limited partnerships. As such, Solid Ground has a controlling financial and legal interest in these entities. All significant intercompany transactions have been eliminated in the consolidation.

#### Basis of presentation

In accordance with financial accounting standards, Solid Ground reports information regarding its financial position and activities according to three classes of net assets, based on the existence and nature of donor restrictions.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets - Support received without donor restrictions is considered unrestricted.

Temporarily Restricted Net Assets - Support received subject to a donor-imposed time restriction or stipulation for a particular purpose is considered temporarily restricted. When donor restrictions are satisfied or expire, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted net assets at December 31 were as follows:

	<u>2017</u>	<u>2016</u>
Sandpoint Programs	\$ 646,173	\$ 583,214
Capacity Building	122,135	250,000
Advocacy	2,295	207,647
Other programs	<u>289,626</u>	<u>167,884</u>
	<u>\$ 1,060,229</u>	<u>\$ 1,208,745</u>

Permanently Restricted Net Assets - Support received in the form of endowment or sustaining funds is considered permanently restricted. In accordance with purposes established by donors, only the income from such funds may be expended. As of December 31, 2017 and 2016, Solid Ground had no net assets that were permanently restricted.

Income taxes

Solid Ground Washington is exempt from federal income tax as an entity described in Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. Solid Ground did not incur unrelated business income tax for the years ended December 31, 2017 and 2016. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

No provision or benefit for income taxes has been included in these consolidated financial statements for the partnerships and LLCs, since taxable income or loss passes through to, and is reportable by, the partners or members individually.

Use of estimates

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform with the presentation of the 2017 financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2016.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash consists of general checking and savings accounts. In accordance with the terms of its partnership agreements and various loans, Solid Ground is required to establish and maintain various operating and replacement reserves with required minimum balances and/or minimum annual deposits. In addition, the Board of Directors of Solid Ground has established certain reserve funds. Required and designated restricted reserve account balances as of December 31 are as follows:

	<u>2017</u>	<u>2016</u>
Board Established Reserve		
Headquarters Depreciation Fund	\$ 572,836	\$ 682,616
Unemployment Compensation Trust	417,883	447,435
Broadview		
Operating Reserve	209,764	205,831
Replacement Reserve	20,042	26,990
Bethlehem House		
Operating Reserve	32,334	30,649
Replacement Reserve	42,628	59,900
Sand Point Community Connections, LLC		
Youth Home Replacement Reserve	-	47,990
SPH Two, LLLP/SPH One, LLC		
Security Deposits	15,735	11,633
Operating Reserve	224,817	223,833
Replacement Reserve	241,547	203,746
Sand Point Site B Stage 1, LP		
Security Deposits	27,908	27,902
Operating Reserve	315,782	315,656
Replacement Reserve	84,192	63,693
Sand Point Phase 2, LP		
Security Deposits	18,925	18,923
Operating Reserve	212,599	212,535
Replacement Reserve	241,899	218,914
	<u>\$ 2,678,891</u>	<u>\$ 2,798,246</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Promises to give and grants receivable

Unconditional promises to give are recognized as revenues in the period received as assets or reductions of liabilities, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grants receivable, promises to give and other receivables are stated at the amount management expects to collect from outstanding balances. As of December 31, 2017 and 2016, an allowance for doubtful accounts was not deemed necessary. Solid Ground has established credit policies and historically the losses related to nonpayment have been very low as a percentage of public support and revenue.

The fair value of promises to give is estimated by discounting future cash flows using a rate of 3%. Unconditional promises to give were due as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 319,945	\$ 231,804
Due in one to five years	<u>                    -</u>	<u>100,000</u>
	319,945	331,804
Less: Discount to net present value	<u>(18,691)</u>	<u>(39,750)</u>
Total Unconditional Promises to Give	<u>\$ 301,254</u>	<u>\$ 292,054</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are stated at cost or, if donated, at fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Solid Ground capitalizes assets purchased in excess of \$1,000 with a useful life longer than one year.

Property acquired under certain government grant programs is considered to be owned by Solid Ground while used in the program for which it was purchased or in other future authorized programs. However, some governmental grantors have a reversionary interest in the property and its disposition as well, as the ownership of any proceeds therefrom are subject to governmental regulation.

At December 31, property and equipment consisted of the following:

	Estimated <u>Useful Lives</u>	<u>2017</u>	<u>2016</u>
Building and improvements	20 - 40 years	\$43,909,229	\$45,612,743
Furniture and equipment	2 - 7 years	871,308	996,670
Vehicles	7 years	60,611	60,611
Leasehold improvements	Lease term	<u>199,769</u>	<u>199,769</u>
		45,040,917	46,869,793
Less accumulated depreciation		<u>(15,153,856)</u>	<u>(15,160,884)</u>
		29,887,061	31,708,909
Land		773,486	773,486
Construction in progress		<u>3,048,860</u>	-
		<u>\$33,709,407</u>	<u>\$32,482,395</u>

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Government grants and contracts

Government grants and contracts are subject to audit which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2017 and 2016, no such adjustments were made.

## SOLID GROUND WASHINGTON

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Revenue

Revenue is defined as income earned through fee-for-service agreements that is paid by the recipients of the services provided and rental subsidies paid by third parties.

##### Donated goods and services

Solid Ground receives donations of food, supplies, property and equipment, and the use of facilities for program services and events. Such goods are recognized as support at their estimated fair value on the date of receipt. The estimated fair value of goods donated to Solid Ground totaled \$401,748 and \$386,302, respectively, for the years ended December 31, 2017 and 2016.

Solid Ground reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Solid Ground reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

During the years ended December 31, 2017 and 2016, Solid Ground received non-cash donations of \$18,780 and \$2,640, respectively, for services. Solid Ground recognizes donated services if the services received: (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not donated. Many volunteers have donated significant time to Solid Ground's activities. The values of these volunteer services are not recorded in the accompanying consolidated financial statements as they do not meet the criteria for recognition. Solid Ground was the recipient of approximately 9,900 and 15,500 volunteer service hours, respectively, for the years ended December 31, 2017 and 2016. In addition, another 126,200 and 138,300 volunteer service hours, respectively, were coordinated in 2017 and 2016, by Solid Ground through its Volunteer Programs to assist others in the community.

##### Allocation of expenses

Certain expenses are allocated between various programs and supporting services. Allocated expenses include rent, utilities, and building depreciation, which are allocated based on square footage used, and salaries and general expenses, which are allocated based on employee hours incurred.

##### Amortization

Organization costs are expensed as incurred. Tax credit fees are amortized over the term of the tax credit period using the straight-line method.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE B - INVESTMENTS

At December 31, 2017, short-term investments are classified within the fair value hierarchy and consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 112,894	\$ -	\$ -	\$ 112,894
Money market funds	<u>104,638</u>	<u>-</u>	<u>-</u>	<u>104,638</u>
	<u>\$ 217,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,532</u>

At December 31, 2016, short-term investments are classified within the fair value hierarchy and consist of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 112,388	\$ -	\$ -	\$ 112,388
Money market funds	<u>57,646</u>	<u>-</u>	<u>-</u>	<u>57,646</u>
	<u>\$ 170,034</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,034</u>

NOTE C - TRANSFER OF PROPERTY

In March 2017, Solid Ground transferred all interest in the Youth Home buildings owned by SPCC, including the related reserve account, to Friends of Youth and YouthCare. The buildings had a net book value upon transfer of \$795,735. In conjunction with the transfer of the property, two forgivable loans, as discussed in Note F, totaling \$1,638,819, inclusive of related accrued interest, were transferred to the new building owners. The transfer resulted in a gain of \$795,079.

NOTE D - LINE OF CREDIT

Solid Ground maintains a revolving line of credit with maximum borrowings of \$1,000,000 bearing interest at 3.0% plus the one-month LIBOR rate, which was .580% at signing. The line is secured by Solid Ground's assets and matured on June 1, 2018.

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
Non-interest bearing note payable from Solid Ground to the State of Washington, Department of Community Development, secured by property. The note is due in annual installments of \$12,500 with final payment due January 2033.	\$ 187,500	\$ 200,000

Notes payable from SPH One, LLC to the City of Seattle bear interest at 1%, are collateralized by a deed of trust on the real property, and mature in 2049. Notes were repaid in full, including accrued interest, upon transfer of property to SPH Two, LLLP in 2017.

- 2,725,204

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE E - NOTES PAYABLE (Continued)	<u>2017</u>	<u>2016</u>
Notes payable from SPH Two, LLLP to State of Washington, Department of Community, Trade and Economic Development. The notes were assigned from SPH One, LLC to SPH Two, LLLP during 2017, and are non-interest bearing, collateralized by a deed of trust on the real property, all payments deferred, and mature in 2042.	1,532,810	1,532,810
Construction note payable from SPH Two, LLLP to Homestreet Bank in an amount up to \$6,020,000. Loan bears interest at LIBOR plus 1.95% (3.311% as of December 31, 2017) and matures August 2019. The note is secured by general partner equity interest and tax credits awarded to SPH Two, LLLP.	5,637,118	-
Note payable from SPH Two, LLLP to the City of Seattle, created in the August 2017 closing of SPH Two, LLLP allows advances of \$3,616,880 and matures July 2068. Interest on this note accrues at 1% per annum and all payments are deferred until 2068. Note is collateralized by a deed of trust on the real property.	452,769	-
Construction note payable from Sand Point Phase 2, LP to the City of Seattle in an amount up to \$5,873,465, with all payments deferred until maturity March 2054, with the possibility of one 25-year extension. The loan is non-interest bearing, with a contingent interest rate in place in the event of a default.	3,773,465	3,773,465
Note payable from Sand Point Site B Stage 1, LP to the City of Seattle maturing in 2042. Interest on this note accrues at 1% per annum and all payments are deferred until maturity. Note is collateralized by a deed of trust on the real property.	3,479,701	3,447,343
Notes payable from Sand Point Site B Stage 1, LP to State of Washington, Department of Community, Trade and Economic Development, non-interest bearing, collateralized by a deed of trust on the real property, and maturing in 2061.	<u>2,500,000</u>	<u>2,500,000</u>
	17,563,363	14,178,822
Less unamortized loan issuance costs	(128,178)	(69,903)
Less current portion	<u>(12,500)</u>	<u>(12,500)</u>
	<u>\$17,422,685</u>	<u>\$14,096,419</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE E - NOTES PAYABLE (Continued)

Principal payments for the notes payable are as follows for the years ending December 31:

2018	\$ 12,500
2019	5,649,618
2020	12,500
2021	12,500
2022	12,500
Thereafter	<u>11,863,745</u>
	<u>\$17,563,363</u>

NOTE F - FORGIVABLE LOANS AND ACCRUED INTEREST PAYABLE

*Solid Ground*

**Emergency Shelter Loan** - Solid Ground owns and operates an emergency shelter for women and children. The acquisition and renovation of the facility was partially financed with loan proceeds from the City of Seattle, Department of Housing and Human Services. The loan, bearing interest at 1%, is collateralized by a deed of trust on the real property, and matures in the year 2031 with an option to extend maturity for an additional 35 years. At December 31, 2017 and 2016, the loan balance, including accrued interest payable, totaled \$1,818,991 and \$1,834,482, respectively.

Under the terms of the loan agreement, as long as Solid Ground does not sell or use the property for an unauthorized purpose, the loan will be forgiven at the extended maturity date. Beginning in 2012, accrued interest payable is forgiven at the rate of 5% per year over the following 20 years. In the event the property is sold or used for an unauthorized purpose, the loan is payable on demand and subject to additional interest representing the lender's pro rata share of the appreciated value of the property.

**Headquarters Loan** - During 2001, construction of Solid Ground's headquarters building was partially financed with loan proceeds from the City of Seattle, Department of Housing and Human Services. The loan is non-interest bearing, collateralized by a deed of trust on the real property, and matures in 2018. At December 31, 2017 and 2016, the outstanding loan balance totaled \$800,000.

Under the terms of the loan agreement, as long as Solid Ground does not sell or use the property for an unauthorized purpose, the loan will be forgiven on the maturity date. In the event the property is sold or used for an unauthorized purpose, the loan is payable on demand and subject to additional interest representing the lender's pro rata share of the appreciated value of the property.

## SOLID GROUND WASHINGTON

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE F - FORGIVABLE LOANS AND ACCRUED INTEREST PAYABLE (Continued)

**Bethlehem House Loans** - During 2000, Solid Ground received two forgivable loans from the State of Washington, Department of Community, Trade and Economic Development, and from the City of Seattle. In accordance with the loan agreements, the loan proceeds were used to partially finance the purchase of the Bethlehem House, an emergency and extended shelter for families of up to ten people.

The forgivable loan of \$162,888 from the State of Washington is non-interest bearing, collateralized by a deed of trust on the real property, and matures in 2051. The forgivable loan of \$182,913 from the City of Seattle bears interest at 1%, is collateralized by a deed of trust on the real property, and matures in the year 2041, with an option to extend maturity for an additional 35 years. At December 31, 2017 and 2016, the loan balances (including accrued interest payable) totaled \$377,817 and \$375,984, respectively.

Under the terms of the Bethlehem House loans, as long as Solid Ground does not sell or use the property for an unauthorized purpose, the loans will be forgiven at the maturity date. In the event the property is sold or used for an unauthorized purpose, the loans are payable on demand and subject to additional interest representing the lenders' pro rata shares of the property's appreciated value.

**Santos Place Loan** - During 2017, Solid Ground received a forgivable loan from the Federal Home Loan Bank in the amount of \$450,000. In accordance with the loan agreements, the loan proceeds are to be used to partially finance the rehabilitation and construction of Santos Place, an affordable housing program building. The forgivable loan is non-interest bearing, collateralized by a deed of trust on the real property, and matures fifteen years from the date of the project completion.

Under the terms of the loan, as long as Solid Ground does not sell or use the property for an unauthorized purpose, the loans will be forgiven at the maturity date. In the event the property is sold or used for an unauthorized purpose, the loan is payable on demand.

#### ***Sand Point Organizations***

Sand Point Community Connections, LLC had two forgivable loans from the State of Washington, Department of Community, Trade and Economic Development and from the City of Seattle. The forgivable loan of \$744,001 from the State of Washington was non-interest bearing, collateralized by a deed of trust on the real property, and matures in 2049. The forgivable loan of \$762,507 from the City of Seattle bears interest at 1%, was collateralized by a deed of trust on the real property, and matures in 2049. These two loans were transferred in March 2017, to the agencies occupying the homes, along with related assets. At December 31, 2016, the loan balances (including accrued interest payable) totaled \$1,638,819.

## SOLID GROUND WASHINGTON

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

#### NOTE G - BOARD-DESIGNATED ENDOWMENT

Solid Ground's Board of Directors established an endowment to provide a permanent source of revenue. The endowment policies allow for both a donor-restricted endowment and a board-designated endowment. The board-designated endowment is managed in accordance with the same policies as those applied to the donor-restricted endowment, except that a supermajority of 75% of the board may choose to exceed the spending policies that govern the donor-restricted endowment.

While the Board has some discretion over the use of the board-designated endowment, it consists of amounts that are intended to be held in perpetuity by the Board. At December 31, 2017 and 2016, the Board has designated reserves of \$27,150 and \$2,500, respectively, for the endowment.

#### NOTE H - CONCENTRATIONS

**Credit Risk** - Financial instruments that potentially subject Solid Ground to concentrations of credit risk consist of cash, investments, and accounts receivable. Solid Ground places its temporary cash deposits with major financial institutions. At times, balances may exceed federally insured limits. Investments consist primarily of money market funds and certificates of deposit.

Receivable balances are primarily from a variety of federal, Washington State and local government agencies. Collateral is generally not required on any of these assets. Solid Ground has not experienced a history of significant credit-related losses.

Solid Ground receives the majority of its support for its operating activities from federal and local governments. A severe reduction in the level of this support, if this were to occur, may have a significant effect on Solid Ground's activities.

**Support and Revenue** - For the years ended December 31, 2017 and 2016, Solid Ground received 50% of its support and revenue from one funding source. For the years ended December 31, 2017 and 2016, 69% and 58%, respectively, of Solid Ground's total outstanding receivable balance was from the same funding source. For the years ended December 31, 2017 and 2016, 27% and 55%, respectively, of Solid Ground's total outstanding pledge receivable balance was from one donor.

Solid Ground has three different unions representing employees. There are 96 office and professional employees represented by OPEIU Local 8 under a contract ending on June 30, 2020. The 111 employees who are Solid Ground Transportation Operators are represented by Amalgamated Transit Union Local 587 under a contract ending on December 31, 2018. The seven Solid Ground Transportation Supervisors are represented by International Association of Machinists and Aerospace Workers, AFL-CIO, district Lodge 751 under a contract ending on August 31, 2021. Solid Ground's other employees are not represented by labor unions.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE I - NONCONTROLLING INTEREST - SAND POINT HOUSING

Prior to 2015, Solid Ground held the controlling interest in three Sand Point Housing tax credit limited partnerships. Effective January 31, 2015, the oldest of the tax credit partnerships unwound, with limited partners exiting and donating their (negative) equity to a new LLC housing entity of which Solid Ground was the sole member. This LLC housing entity, SPH One, LLC, was dissolved in the resyndication of the equity, assets and liability into a new entity, SPH Two, LLLP, in August 2017. The change in partners' equity attributed to controlling interest and noncontrolling interest is as follows:

	Controlling <u>Interest</u>	Noncontrolling <u>Interest</u>	<u>Total</u>
Balance January 1, 2016	\$ 2,255,777	\$10,810,349	\$13,066,126
Change in net assets and partners' equity	(542,146)	(657,146)	(1,199,292)
Partners' capital contributions	<u>498,975</u>	<u>273,000</u>	<u>771,975</u>
Balance December 31, 2016	2,212,606	10,426,203	12,638,809
Change in net assets and partners' equity	(234,290)	(221,420)	(455,710)
Partners' capital (distributions) contributions	<u>(1,369,695)</u>	<u>188,085</u>	<u>(1,181,610)</u>
Balance December 31, 2017	<u>\$ 608,621</u>	<u>\$10,392,868</u>	<u>\$11,001,489</u>

NOTE J - LEGAL SETTLEMENT

Sand Point Site B Stage 1, LP experienced a roof leakage and water damage which was first discovered in 2015. As the damage was found to be the result of construction defects, Solid Ground conducted mediation with the responsible parties and received settlements of \$150,000 in 2016 and \$650,000 in 2017. Repairs and investigation costs have totaled \$491,000 through December 31, 2017. The remaining repairs, investigation, tenant relocation and other related costs are expected to total approximately \$1,045,000.

NOTE K - RETIREMENT PLAN

Solid Ground's 401(k) plan (the Plan), covers all employees who have completed six months of service, average 20 hours per week, and have attained the age of 18. Solid Ground contributes 3% of eligible employees' gross income to the Plan each month. Beginning January 1, 2015, Solid Ground instituted an employer match of 50% of an employee's first 1% salary deferral and 25% of the employee's next 2% salary deferral. Employer contributions are 100% vested at the time contributions are made.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE K - RETIREMENT PLAN (Continued)

Union employees may elect to participate in a union-sponsored retirement plan rather than Solid Ground's plan. Employees are eligible for the union-sponsored plan immediately upon being hired, regardless of the number of hours worked. For the years ended December 31, 2017 and 2016, Solid Ground contributed \$392,603 and \$381,062, respectively, in total to the plans.

NOTE L - COMMITMENTS

Rental Payment Commitments - Solid Ground has noncancellable operating lease agreements for office space, operating facilities and equipment, expiring on various dates through 2025. Monthly payments range from \$78 to \$22,776. Generally, the leases provide that insurance and maintenance are the responsibility of Solid Ground. Total rent expense for lease agreements for the years ended December 31, 2017 and 2016 was \$442,542 and \$447,822, respectively.

Obligations under non-cancelable operating leases for future years ending December 31 are as follows:

2018	\$	393,344
2019		391,440
2020		378,308
2021		357,386
2022		287,798
Thereafter		<u>822,760</u>
		<u>\$ 2,631,036</u>

Rental Income Commitments - A portion of the office space owned by Solid Ground is leased to one tenant under a non-cancelable operating lease that expires in 2030. Total rental income from this tenant for the years ended December 31, 2017 and 2016 was \$49,153 and \$47,988, respectively.

NOTE M- SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2017 through September 6, 2018, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2017, including the estimates inherent in the processing of financial statements.

**SUPPLEMENTARY INFORMATION**

SOLID GROUND WASHINGTON

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2017

Grantor Program Title	Contract Number	State Expenditures
<b>Washington State Department of Agriculture</b>		
Hunger Action Center	K1675	\$ 272,954
<b>Washington State Department of Social &amp; Health Services</b>		
Broadview Emergency Shelter	1612-68561	34,638
Broadview Emergency Shelter	1712-96065	21,899
		<u>56,537</u>
<b>Washington Housing Finance Commission</b>		
Attorney General's Office - Housing Counseling	AGO	2,310
<b>Washington Department of Commerce</b>		
DV Legal Advocacy	S16-31108 046	11,743
DV Legal Advocacy	S18-31108-023	12,728
Family Assistance	S16-32101-227	8,366
RSVP	NO CONTRACT #	32,903
Housing Stability	5900391 - VII	286,872
Journey Home	5724853 - V	435,108
Family Shelter	5900391 - III	10,129
Broadview Transitional Housing	5900391 - V	45,700
		<u>843,549</u>
Total State Financial Assistance		<u>\$ 1,175,350</u>

UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

Federal Grantor <i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Agriculture</b>				
<i>Washington State Department of Health</i>				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Programs"	N21993			\$ 175,610
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Programs"	CBO022832			<u>42,744</u>
	SNAP Cluster	10.561		<u>218,354</u>
<b>Department of Housing and Urban Development</b>				
"Continuum of Care"	WA0009L0T001508			84,507
"Continuum of Care"	WA0009L0T001609			77,276
<i>King County Department of Community and Human Services</i>				
"Continuum of Care"	5859192 EX II			267,371
<i>City of Seattle Human Services Department</i>				
"Continuum of Care"	DA16-5526			218,741
"Continuum of Care"	DA17-5526			390,461
"Continuum of Care"	DA16-1626			84,535
"Continuum of Care"	DA17-1626			299,359
		14.267*		<u>1,422,250</u>
<i>Washington State Housing Finance Commission</i>				
"Housing Counseling Assistance Program"	HCFY2016H	14.169		<u>12,318</u>
<i>King County Department of Community and Human Services</i>				
"Community Development Block Grants/ Entitlement Grants"	5859192 EX II			20,000
"Community Development Block Grants/ Entitlement Grants"	5900391 Ex III			11,496
"Community Development Block Grants/ Entitlement Grants"	5900391 EX VII		\$ 193,656	291,090
	CDBG - Entitlement Grants Cluster	14.218	<u>193,656</u>	<u>322,586</u>

\* Denotes major program

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

<b>Federal Grantor</b>	Contract	CFDA	Passed Through	Federal
<i>Pass-through Grantor</i>	Number	Number	to Subrecipients	Expenditures
<u>"Program Title"</u>	<u>Number</u>	<u>Number</u>	<u>to Subrecipients</u>	<u>Expenditures</u>
<b>Department of Housing and Urban Development (Continued)</b>				
<i>City of Seattle Human Services Department</i>				
"Emergency Solutions Grant Program"	DA16-1106			
	477 Cluster	14.231		<u>160,000</u>
 <i>Enterprise Community Partners</i>				
"Section 4 Capacity Building for Community Development and Affordable Housing"	16SG0465	14.252		<u>30,000</u>
Total Department of Housing and Urban Development				<u>1,947,154</u>
 <b>Department of Justice</b>				
<i>Washington State Department of Social and Health Services</i>				
"Crime Victim Assistance"	1612-68451			59,613
"Crime Victim Assistance"	1712-96065			48,359
 <i>Washington State Department of Commerce</i>				
"Crime Victim Assistance"	F16-31119-736			5,834
"Crime Victim Assistance"	F17-31119-705			<u>2,791</u>
			16.575	<u>116,597</u>
 <b>Department of Health and Human Services</b>				
<i>Washington State Department of Commerce</i>				
"Community Services Block Grant"	F16-32100-027			1,619
"Community Services Block Grant"	F17-32101-027			<u>167,209</u>
			93.569	<u>168,828</u>
 <i>Washington State Department of Social and Health Services</i>				
"Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services"	1712-96065			20,986
"Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services"	1612-68451			<u>18,572</u>
			93.671	<u>39,558</u>
Total Department of Health and Human Services				<u>208,386</u>



SOLID GROUND WASHINGTON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Solid Ground Washington and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B - INDIRECT COST RATE

Solid Ground Washington has a negotiated indirect cost rate for use on federal grants and contracts. For 2017, the provisional rate is 14%, based on total direct costs excluding capital expenditures, subawards and flow-through funds. As such, Solid Ground Washington is not eligible to elect use of the 10% de minimus indirect cost rate.

INDEPENDENT AUDITOR'S REPORT  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

September 6, 2018

Board of Directors  
Solid Ground Washington  
Seattle, 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 consolidated financial statements of Solid Ground Washington, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activity, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 6, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Solid Ground Washington'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solid Ground Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of Solid Ground Washington's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Solid Ground Washington's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Solid Ground Washington'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 Solid Ground Washington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

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

September 6, 2018

Board of Directors  
Solid Ground Washington  
Seattle, Washington

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

We have audited Solid Ground Washington's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Solid Ground Washington's major federal programs for the year ended December 31, 2017. Solid Ground Washington's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Solid Ground Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Solid Ground Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Solid Ground Washington's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Solid Ground Washington complied, in all material respects, with the types of compliance requirements referred to in the first paragraph of this letter that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Report on Internal Control Over Compliance**

Management of Solid Ground Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Solid Ground Washington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Solid Ground Washington's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.



Jacobson Jarvis & Co, PLLC

SOLID GROUND WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Solid Ground Washington.
2. No material weaknesses relating to the consolidated financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the consolidated financial statements of Solid Ground Washington were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal awards programs are reported in the "Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award program for Solid Ground Washington expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for Solid Ground Washington are reported in Part C of this Schedule.
7. The program tested as major was CFDA No. 14.267 "Continuum of Care."
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Solid Ground Washington was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None