

SOLID GROUND WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2020 AND 2019

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2020



SOLID GROUND WASHINGTON
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

June 3, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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 June 3, 2021, 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, 2020 AND 2019

	2020				2019			
	Solid Ground	Sand Point Housing	Eliminations	Total	Solid Ground	Sand Point Housing	Eliminations	Total
ASSETS								
Current Assets								
Cash	\$ 6,387,182	\$ 763,751		\$ 7,150,933	\$ 1,199,700	\$ 1,048,567		\$ 2,248,267
Short-term investments	198,433	-		198,433	146,832	-		146,832
Grants receivable	4,956,707	-		4,956,707	4,438,141	-		4,438,141
Promises to give	362,320	-		362,320	451,177	-		451,177
Other receivables, net	1,056,438	32,239	\$ (839,646)	249,031	957,292	47,864	\$ (795,655)	209,501
Other assets	467,032	72,896	-	539,928	582,388	68,183	-	650,571
Total Current Assets	13,428,112	868,886	(839,646)	13,457,352	7,775,530	1,164,614	(795,655)	8,144,489
Notes Receivable from Related Parties	5,357,286	-	(5,357,286)	-	5,792,921	-	(5,792,921)	-
Restricted Cash and Cash Equivalents	1,320,202	1,702,917		3,023,119	1,271,417	1,653,925		2,925,342
Long-term Promises to Give	15,000	-		15,000	120,000	-		120,000
Investment in Sand Point Entities	808,352	-	(808,352)	-	744,513	-	(744,513)	-
Property and Equipment, net	3,463,572	29,681,462		33,145,034	3,564,871	30,526,300		34,091,171
	<u>\$ 24,392,524</u>	<u>\$ 32,253,265</u>	<u>\$ (7,005,284)</u>	<u>\$ 49,640,505</u>	<u>\$ 19,269,252</u>	<u>\$ 33,344,839</u>	<u>\$ (7,333,089)</u>	<u>\$ 45,281,002</u>
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable	\$ 2,230,433	\$ 81,706	\$ (50,536)	\$ 2,261,603	\$ 538,802	\$ 127,669	\$ (99,349)	\$ 567,122
Accrued expenses	896,412	721,840	(312,771)	1,305,481	722,190	659,331	(297,114)	1,084,407
Refundable advances	35,687	-	-	35,687	530,000	-	-	530,000
Current portion of long-term debt	12,500	-	-	12,500	12,500	-	-	12,500
Total Current Liabilities	3,175,032	803,546	(363,307)	3,615,271	1,803,492	787,000	(396,463)	2,194,029
Notes Payable, net of current portion	137,500	15,847,306	-	15,984,806	150,000	15,727,897	-	15,877,897
Forgivable Loans and Accrued Interest Payable	2,604,592	5,833,625	(5,833,625)	2,604,592	2,619,486	6,192,113	(6,192,113)	2,619,486
Total Liabilities	5,917,124	22,484,477	(6,196,932)	22,204,669	4,572,978	22,707,010	(6,588,576)	20,691,412
Net Assets and Partners' Equity								
Net Assets								
Without Donor Restrictions	15,954,023			15,954,023	13,245,059			13,245,059
With Donor Restrictions	2,521,377			2,521,377	1,451,215			1,451,215
Total Net Assets	18,475,400			18,475,400	14,696,274			14,696,274
Partners' Equity		9,768,788	(808,352)	8,960,436		10,637,829	(744,513)	9,893,316
Total Net Assets and Partners' Equity	18,475,400	9,768,788	(808,352)	27,435,836	14,696,274	10,637,829	(744,513)	24,589,590
	<u>\$ 24,392,524</u>	<u>\$ 32,253,265</u>	<u>\$ (7,005,284)</u>	<u>\$ 49,640,505</u>	<u>\$ 19,269,252</u>	<u>\$ 33,344,839</u>	<u>\$ (7,333,089)</u>	<u>\$ 45,281,002</u>

See notes to consolidated financial statements. 4

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Solid Ground	Sand Point Housing	Eliminations	Total	Solid Ground	Sand Point Housing	Eliminations	Total
Change in Net Assets Without Donor Restrictions and Partners' Equity								
Public support without donor restrictions								
Federal contracts and grants	\$ 5,258,916			\$ 5,258,916	\$ 2,562,873			\$ 2,562,873
State, city, and county contracts and grants	21,103,935			21,103,935	20,050,498			20,050,498
Contributions	3,294,170			3,294,170	2,754,970			2,754,970
Paycheck Protection Program funds	3,123,100			3,123,100	-			-
United Way of King County	1,196,498			1,196,498	229,411			229,411
Private grants	97,800			97,800	162,150			162,150
Total Public Support Without Donor Restrictions	<u>34,074,419</u>			<u>34,074,419</u>	<u>25,759,902</u>			<u>25,759,902</u>
Revenue								
Fees for services	530,241	\$ 2,149,304	\$ (317,981)	2,361,564	780,437	\$ 2,013,158	\$ (298,000)	2,495,595
Investment income	81,215	79	-	81,294	94,673	383	-	95,056
Other revenue	229,600	114,857	(77,145)	267,312	175,382	68,316	(98,337)	145,361
Total Revenue	<u>841,056</u>	<u>2,264,240</u>	<u>(395,126)</u>	<u>2,710,170</u>	<u>1,050,492</u>	<u>2,081,857</u>	<u>(396,337)</u>	<u>2,736,012</u>
Net Assets Released from Purpose Restrictions	<u>727,356</u>	-	-	<u>727,356</u>	<u>921,572</u>	-	-	<u>921,572</u>
Total Public Support Without Donor Restrictions and Revenue	<u>35,642,831</u>	<u>2,264,240</u>	<u>(395,126)</u>	<u>37,511,945</u>	<u>27,731,966</u>	<u>2,081,857</u>	<u>(396,337)</u>	<u>29,417,486</u>
Expenses								
Program services	28,360,040	3,327,000	(366,287)	31,320,753	23,056,439	3,313,654	(367,509)	26,002,584
Supporting services	4,573,827	-	-	4,573,827	4,445,110	-	-	4,445,110
Total Expenses	<u>32,933,867</u>	<u>3,327,000</u>	<u>(366,287)</u>	<u>35,894,580</u>	<u>27,501,549</u>	<u>3,313,654</u>	<u>(367,509)</u>	<u>30,447,694</u>
Change in Net Assets Without Donor Restrictions and Partners' Equity	<u>2,708,964</u>	<u>(1,062,760)</u>	<u>(28,839)</u>	<u>1,617,365</u>	<u>230,417</u>	<u>(1,231,797)</u>	<u>(28,828)</u>	<u>(1,030,208)</u>
Change in Net Assets With Donor Restrictions								
Contributions	1,797,518			1,797,518	671,877			671,877
Net assets released from purpose restrictions	(727,356)			(727,356)	(921,572)			(921,572)
Change in Net Assets With Donor Restrictions	<u>1,070,162</u>			<u>1,070,162</u>	<u>(249,695)</u>			<u>(249,695)</u>
Total Change in Net Assets and Partners' Equity	3,779,126	(1,062,760)	(28,839)	2,687,527	(19,278)	(1,231,797)	(28,828)	(1,279,903)
Net Assets and Partners' Equity - Beginning of Year	14,696,274	10,637,829	(744,513)	24,589,590	14,715,552	11,869,626	(715,685)	25,869,493
Partner Equity Contributions, (Distributions) and Syndication	-	193,719	(35,000)	158,719	-	-	-	-
Net Assets and Partners' Equity - End of Year	<u>\$ 18,475,400</u>	<u>\$ 9,768,788</u>	<u>\$ (808,352)</u>	<u>\$ 27,435,836</u>	<u>\$ 14,696,274</u>	<u>\$ 10,637,829</u>	<u>\$ (744,513)</u>	<u>\$ 24,589,590</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 11,217,815	\$ 266,315	\$ 11,484,130	\$ 1,783,610	\$ 721,760	\$ 2,505,370	\$ 13,989,500
Employee taxes and benefits	3,275,260	120,943	3,396,203	387,447	173,624	561,071	3,957,274
	<u>14,493,075</u>	<u>387,258</u>	<u>14,880,333</u>	<u>2,171,057</u>	<u>895,384</u>	<u>3,066,441</u>	<u>17,946,774</u>
Contracted services	8,453,416	546,760	9,000,176	778,092	53,601	831,693	9,831,869
Client assistance	1,994,823	-	1,994,823	4,557	-	4,557	1,999,380
Insurance	1,289,594	187,270	1,476,864	47,898	7,416	55,314	1,532,178
Repairs and maintenance	828,312	256,821	1,085,133	72,007	29,894	101,901	1,187,034
Depreciation	-	893,680	893,680	206,696	-	206,696	1,100,376
Utilities	223,422	403,119	626,541	31,110	6,692	37,802	664,343
Rent	420,057	-	420,057	(20,309)	10,284	(10,025)	410,032
Supplies	222,259	43,536	265,795	41,173	4,391	45,564	311,359
Mailing and printing	86,496	5,716	92,212	30,107	59,714	89,821	182,033
Communication	108,414	16,006	124,420	30,131	5,162	35,293	159,713
Other	102,896	47,604	150,500	6,393	(198)	6,195	156,695
Taxes and licenses	18,413	64,606	83,019	1,309	5,745	7,054	90,073
Training	52,948	832	53,780	20,821	1,963	22,784	76,564
Interest	(13,374)	77,864	64,490	221	11,683	11,904	76,394
Equipment rental	50,656	-	50,656	4,181	-	4,181	54,837
Advertising	3,139	-	3,139	27,947	8,963	36,910	40,049
Travel and transportation	33,981	802	34,783	1,588	391	1,979	36,762
Dues and subscriptions	15,261	-	15,261	13,792	2,377	16,169	31,430
Fuel	5,091	-	5,091	1,594	-	1,594	6,685
Total Expenses	<u>\$ 28,388,879</u>	<u>\$ 2,931,874</u>	<u>\$ 31,320,753</u>	<u>\$ 3,470,365</u>	<u>\$ 1,103,462</u>	<u>\$ 4,573,827</u>	<u>\$ 35,894,580</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 10,871,785	\$ 242,093	\$ 11,113,878	\$ 2,000,269	\$ 627,329	\$ 2,627,598	\$ 13,741,476
Employee taxes and benefits	3,256,471	58,235	3,314,706	379,002	152,189	531,191	3,845,897
	14,128,256	300,328	14,428,584	2,379,271	779,518	3,158,789	17,587,373
Contracted services	3,935,920	560,674	4,496,594	362,448	167,330	529,778	5,026,372
Client assistance	1,677,539	-	1,677,539	236	1,100	1,336	1,678,875
Insurance	1,061,597	162,003	1,223,600	41,636	7,732	49,368	1,272,968
Repairs and maintenance	837,543	248,151	1,085,694	118,168	27,726	145,894	1,231,588
Depreciation	-	1,002,191	1,002,191	204,146	-	204,146	1,206,337
Utilities	208,157	365,144	573,301	32,548	7,240	39,788	613,089
Rent	413,985	-	413,985	(18,826)	10,278	(8,548)	405,437
Supplies	228,277	46,274	274,551	91,861	20,300	112,161	386,712
Mailing and printing	111,287	7,048	118,335	27,482	67,439	94,921	213,256
Communication	70,071	17,036	87,107	23,768	4,940	28,708	115,815
Other	132,122	40,271	172,393	404	(1,621)	(1,217)	171,176
Taxes and licenses	30,681	60,059	90,740	5,462	965	6,427	97,167
Training	70,033	404	70,437	23,670	6,842	30,512	100,949
Interest	(10,957)	104,755	93,798	2,144	5,582	7,726	101,524
Equipment rental	50,842	-	50,842	3	155	158	51,000
Advertising	10,893	-	10,893	8,487	8,210	16,697	27,590
Travel and transportation	98,109	1,312	99,421	7,761	2,009	9,770	109,191
Dues and subscriptions	19,252	1,667	20,919	12,816	5,880	18,696	39,615
Fuel	11,660	-	11,660	-	-	-	11,660
Total Expenses	<u>\$ 23,085,267</u>	<u>\$ 2,917,317</u>	<u>\$ 26,002,584</u>	<u>\$ 3,323,485</u>	<u>\$ 1,121,625</u>	<u>\$ 4,445,110</u>	<u>\$ 30,447,694</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from:		
Governmental agencies	\$ 28,967,385	\$ 20,733,172
Donors	5,629,103	3,746,140
Service recipients	2,322,034	2,505,215
Investments	81,294	95,056
Other	267,312	145,361
Cash paid for:		
Personnel	(17,722,645)	(17,453,711)
Services and supplies	<u>(14,522,908)</u>	<u>(11,450,453)</u>
Net Cash Provided (Used) by Operating Activities	<u>5,021,575</u>	<u>(1,679,220)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	-	144,713
Purchase of investments	(51,601)	(58,634)
Purchases of property and equipment	<u>(157,294)</u>	<u>(826,506)</u>
Net Cash Used by Investing Activities	<u>(208,895)</u>	<u>(740,427)</u>
Cash Flows from Financing Activities		
Partner equity contributions	158,719	-
Repayments on notes payable	(12,500)	(6,032,500)
Borrowings on notes payable	<u>41,544</u>	<u>458,456</u>
Net Cash Provided (Used) by Financing Activities	<u>187,763</u>	<u>(5,574,044)</u>
Changes in Cash	5,000,443	(7,993,691)
Cash and Restricted Cash and Cash Equivalents - beginning of year	<u>5,173,609</u>	<u>13,167,300</u>
Cash and Restricted Cash and Cash Equivalents - end of year	<u>\$ 10,174,052</u>	<u>\$ 5,173,609</u>

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Net Assets and Partners' Equity to Net Cash Flows from Operating Activities		
Change in net assets and partners' equity	\$ 2,687,527	\$ (1,279,903)
Adjustments to reconcile change in net assets and partners' equity to net cash provided (used) by operating activities		
Depreciation	1,100,376	1,206,337
Amortization of debt issuance costs	4,338	28,892
Accrued interest on loans	74,124	73,692
Forgiveness of debt	(15,491)	(15,491)
Change in assets and liabilities		
Grants receivable	(518,566)	(1,880,199)
Promises to give	193,857	(210,761)
Other receivables	(39,530)	9,620
Other assets	110,643	(163,051)
Accounts payable	1,694,481	(112,018)
Accrued expenses	224,129	133,662
Refundable advance	<u>(494,313)</u>	<u>530,000</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,021,575</u>	<u>\$ (1,679,220)</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

Stabilization Services: For families who are at high risk of displacement, we prevent homelessness through rapid re-housing, support for navigating the homeless service system, and financial assistance to regain stability. Our case management and skill building nurture success. Tenant services support renters to know their rights and responsibilities under the Revised Code of Washington and connect at-risk renters to legal aid.

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 shuttle service 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 people concerning state benefits and work to expand and bring equity to the state's safety net of basic health and social service programs.

Hunger and Food Resources: We create access to healthy food as well as education around cooking, nutrition and healthy lifestyles. Our strategies include distributing food to Seattle food banks, as well as teaching people living on low incomes how to cook nutritious food on a limited budget, in a culturally-relevant manner.

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; 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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019. 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.

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Residential Services	\$ 99,036	\$ 86,848
Sand Point Programs	293,746	650,035
Hunger and Food Resources	107,093	47,534
Advocacy	729,589	207,082
Capacity Building	685,777	242,498
Stabilization Services	531,136	207,218
Other programs	<u>75,000</u>	<u>10,000</u>
	<u>\$ 2,521,377</u>	<u>\$ 1,451,215</u>

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

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>2020</u>	<u>2019</u>
Board Established Reserve		
Headquarters Depreciation Fund	\$ 699,812	\$ 648,518
Unemployment Compensation Trust	422,004	436,939
Broadview		
Operating Reserve	120,933	117,682
Replacement Reserve	54,875	51,762
Bethlehem House		
Operating Reserve	6,568	5,000
Replacement Reserve	16,010	11,516
SPH Two, LLLP		
Security Deposits	17,386	16,494
Operating Reserve	328,055	328,023
Replacement Reserve	317,165	317,163
Sand Point Site B Stage 1, LP		
Security Deposits	28,174	27,701
Operating Reserve	316,296	316,264
Replacement Reserve	148,869	127,123
Sand Point Phase 2, LP		
Security Deposits	19,522	18,071
Operating Reserve	212,904	212,883
Replacement Reserve	314,546	290,203
	<u>\$ 3,023,119</u>	<u>\$ 2,925,342</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

Grants receivable, promises to give, and other receivables

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. Grants receivable, promises to give, and other receivables are stated at the amount management expects to collect from outstanding balances. As of December 31, 2020 and 2019, other receivables are shown net of an allowance for doubtful accounts in the amount of \$29,285 and \$1,873, respectively. 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. Discounts on long term promises and potentially uncollected amounts are deemed to be insignificant. Unconditional promises to give were due as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 362,320	\$ 451,177
Due in one to five years	15,000	120,000
	<u>\$ 377,320</u>	<u>\$ 571,177</u>

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, 2020 AND 2019

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>2020</u>	<u>2019</u>
Building and improvements	20 - 40 years	\$ 49,641,448	\$ 49,579,256
Furniture and equipment	2 - 7 years	975,791	902,630
Vehicles	7 years	60,611	60,611
Leasehold improvements	Lease term	<u>208,288</u>	<u>199,769</u>
		50,886,138	50,742,266
Less accumulated depreciation		<u>(18,546,241)</u>	<u>(17,452,316)</u>
		32,339,897	33,289,950
Land		773,486	773,486
Construction in progress		<u>31,651</u>	<u>27,735</u>
		<u>\$ 33,145,034</u>	<u>\$ 34,091,171</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, 2020 and 2019, no such adjustments were made.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue recognition

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. Revenue is recognized in the period in which the related service is provided. Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenues, which result from fees earned for late payments, cleaning, damages, and laundry facilities, are recorded when earned. Advance receipts of rental income are deferred and classified as liabilities until earned.

Solid Ground recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Solid Ground's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, as of December 31, 2020, conditional contributions and grants for which no amounts had been received in advance totaling \$90,943,488, have not been recognized in the accompanying consolidated financial statements.

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 \$456,427 and \$391,507, respectively, for the years ended December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, Solid Ground received non-cash donations of \$4,195 and \$4,270, 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 10,779 and 16,300 volunteer service hours, respectively, for the years ended December 31, 2020 and 2019. In addition, another 24,526 and 130,700 volunteer service hours, respectively, were coordinated in 2020 and 2019, by Solid Ground through its volunteer programs to assist others in the community.

Advertising

Advertising costs are expensed as incurred and totaled \$40,049 and \$27,590, respectively, for the years ended December 31, 2020 and 2019.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on employee hours (such as salaries and general expenses) or square footage used (such as rent, utilities, and building depreciation).

Reclassifications

Certain accounts in the 2019 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year 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, 2019.

NOTE B - LIQUIDITY

Solid Ground receives the majority of its revenue from government contracts, which are always paid in arrears, therefore Solid Ground pays significant attention to its cash flow in order to fund operations while waiting for reimbursement. Solid Ground also receives contributions and promises to give restricted by donors, and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Solid Ground manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Solid Ground monitors its liquidity quarterly and maintains current cash and marketable securities to fund at least 45 days' operating expenses, and current assets divided by current liabilities of at least 1. To achieve these targets, Solid Ground forecasts its future cash flows quarterly and actively manages its receivables. During the years ended December 31, 2020 and 2019, the level of liquidity exceeded all minimums.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE B - LIQUIDITY (Continued)

Financial assets available to meet general expenditures within one year were as follows as of December 31:

Consolidated	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 15,955,543	\$ 10,539,260
Restrictions on the use of financial assets		
Restricted cash	(3,023,119)	(2,925,342)
Promises to give due in more than one year	(15,000)	(120,000)
Net assets with donor restrictions as to purpose	<u>(293,746)</u>	<u>(650,035)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,623,678</u>	<u>\$ 6,843,883</u>
Solid Ground only		
Total financial assets	\$ 14,296,282	\$ 8,584,559
Restrictions on the use of financial assets		
Restricted cash	(1,320,202)	(1,271,417)
Promises to give due in more than one year	(15,000)	(120,000)
Net assets with donor restrictions as to purpose	<u>(293,746)</u>	<u>(650,035)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 12,667,334</u>	<u>\$ 6,543,107</u>

NOTE C - INVESTMENTS

Short-term investments are classified within the fair value hierarchy and consist of the following:

As of December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	<u>\$ 198,433</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,433</u>
As of December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	<u>\$ 146,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,832</u>

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 2.522% at signing. The line is secured by Solid Ground's deposit account. Effective January 2021, the line was extended to January 2022 and now bears interest at a fixed rate of 2.15%.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE E - NOTES PAYABLE

Notes payable consist of the following:	<u>2020</u>	<u>2019</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.	\$ 150,000	\$ 162,500
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
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.	3,701,621	3,665,452
Note payable from SPH Two, LLLP to the Seattle Housing Authority, non-interest bearing, collateralized by a deed of trust on the real property, and maturing in 2067.	150,175	150,175
Notes payable from SPH Two, LLLP to the Housing Trust Fund, with all payments deferred, non -interest bearing and maturing on January 31, 2068.	195,000	195,000
Construction note payable from Sand Point Phase 2, LP to the City of Seattle in an amount up to \$3,883,465, 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 2061. 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.	3,576,776	3,547,474

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE E - NOTES PAYABLE (Continued)	<u>2020</u>	<u>2019</u>
Notes payable from Sand Point Site B Stage 1, LP to the City of Seattle, with all payments deferred maturing April 2061. Interest accrues at 1% per annum, with a contingent interest rate in place in the event of a default.	508,056	458,456
Notes payable from Sand Point Site B Stage 1, LP to State of Washington, Department of Commerce, 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>
	16,087,903	15,985,332
Less unamortized loan issuance costs	(90,597)	(94,935)
Less current portion	<u>(12,500)</u>	<u>(12,500)</u>
	<u>\$ 15,984,806</u>	<u>\$ 15,877,897</u>

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

2021	\$ 12,500
2022	12,500
2023	12,500
2024	12,500
2025	12,500
Thereafter	<u>16,025,403</u>
	<u>\$ 16,087,903</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, 2020 and 2019, the loan balance, including accrued interest payable, totaled \$1,772,519 and \$1,788,010, 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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 2041, with an option to extend maturity for an additional 35 years. At December 31, 2020 and 2019, the loan balances (including accrued interest payable) totaled \$383,305 and \$381,746, 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 Loans - 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.

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 by the Board to be held in perpetuity. At both December 31, 2020 and 2019, the Board has designated reserves of \$42,275 for the endowment.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, Solid Ground received 38% and 50%, respectively, of its support and revenue from one funding source. For the years ended December 31, 2020 and 2019, 29% and 67%, respectively, of Solid Ground's total outstanding receivable balance was from the same funding source. Additionally, for the year ended December 31, 2020, 41% of Solid Ground's total outstanding receivable balance was from a second single funding source. Finally, for the years ended December 31, 2020 and 2019, 53% and 35%, respectively, of Solid Ground's total outstanding pledge receivable balance was from two donors in 2020 and one donor in 2019, though the donors were unique in each year.

Solid Ground has three different unions representing employees. There are 104 office and professional employees represented by OPEIU Local 8 under a contract ending on December 31, 2023. The 104 employees who are Solid Ground Transportation Operators are represented by Amalgamated Transit Union (ATU) Local 587 under a contract ending December 31, 2021. 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.

NOTE I - 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 \$650,000 in 2017 and \$150,000 in 2016. Repairs and investigation costs have totaled \$1,494,117 through December 31, 2019. The last payment on these expenses of \$41,544 was made on January 23, 2020 for construction retainage, from a City loan to the LP. Solid Ground funded \$175,745 of repair and investigation costs, which is recorded as an intercompany payable from the LP to Solid Ground.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE J - NONCONTROLLING INTEREST - SAND POINT HOUSING

Solid Ground, through its sole membership in SPCC, holds the controlling interest in three Sand Point Housing tax credit limited partnerships. 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, 2019	\$ 715,685	\$ 11,153,941	\$ 11,869,626
Change in net assets and partners' equity	28,828	(1,260,625)	(1,231,797)
Partners' capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Balance December 31, 2019	744,513	9,893,316	10,637,829
Change in net assets and partners' equity	28,839	(1,091,599)	(1,062,760)
Partners' capital contributions	<u>35,000</u>	<u>158,719</u>	<u>193,719</u>
Balance December 31, 2020	<u>\$ 808,352</u>	<u>\$ 8,960,436</u>	<u>\$ 9,768,788</u>

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.

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, 2020 and 2019, Solid Ground contributed \$467,482 and \$450,366, 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 \$190 to \$23,834. 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, 2020 and 2019 was \$464,869 and \$456,437, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE L - COMMITMENTS (Continued)

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

2021	\$	153,060
2022		63,687
2023		48,756
2024		22,680
2025		22,680
		<u>310,863</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, 2020 and 2019 was \$68,976 and \$62,066, respectively.

NOTE M - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, Solid Ground applied for and received a Paycheck Protection Program ("PPP") loan through HomeStreet Bank in the amount of \$3,123,100. The loan was funded on April 23, 2020 and has a maturity date of April 23, 2022. PPP loans have a forgiveness option for employers who maintain their staffing levels and salaries at pre-COVID-19 pandemic levels. Expenses eligible to trigger forgiveness include employee wages, benefits, and office lease payments. Solid Ground entered into the program with the intention of complying with the terms for forgiveness and recognized the loan as a conditional grant. Solid Ground believes they have met the conditions for forgiveness as of December 31, 2020 and has therefore recognized the amount as support in 2020. Should it be determined that Solid Ground failed to meet the terms for forgiveness, interest at a rate of 1% will be added to the amount owing and monthly payments of \$174,882 would be due.

NOTE N - RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management is continually evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Solid Ground's financial position, change in net asset and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE O - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2020 through June 3, 2021, 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, 2020, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2020

Grantor Program Title	Contract Number	State Expenditures
Washington State Department of Agriculture		
Emergency Food Assistance Program (EFAP)	K2738	\$ 372,710
Washington State Department of Social & Health Services		
Statewide Poverty Action Network (SPAN)	1832-32220	16,325
Broadview Emergency Shelter	1912-58366	42,297
Broadview Emergency Shelter	2012-86931	31,511
		<u>90,133</u>
Washington State Department of Commerce		
Coronavirus Relief Fund (CRF) Pass-through Funding for Food Banks	DA20-1190	2,475,000
Broadview Emergency Shelter	S20-31108-024	8,390
Broadview Emergency Shelter	S21-31108-022	9,244
RSVP	009	26,085
Housing Stability	6059305 - XI	243,749
Journey Home	6059305-II	402,357
Benefits Legal Assistance	S20-32101-227	22,634
Sand Point Singles Housing	6059305-IV	60,000
Broadview Transitional Housing	6059305-III	35,000
		<u>3,282,459</u>
	Total State Financial Assistance	<u>\$ 3,745,302</u>

UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor	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>Federal Expenditures</u>
Department of Agriculture				
<i>Washington State Department of Health</i>				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	CBO022832			\$ 172,695
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	CBO022832-7			53,605
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	CBO25727			3,452
	SNAP Cluster	10.561		<u>229,752</u>
Department of Housing and Urban Development				
"Continuum of Care Program"	WA0009L0T001811			35,565
"Continuum of Care Program"	WA0009L0T001912			56,080
<i>King County Department of Community and Human Services</i>				
"Continuum of Care Program"	6059305 EX IX			189,218
"Continuum of Care Program"	6059305 EX XVI			53,060
"Continuum of Care Program"	5859192 EX V			212,431
<i>City of Seattle Human Services Department</i>				
"Continuum of Care Program"	DA19-1543			257,362
"Continuum of Care Program"	DA20-1543			468,545
"Continuum of Care Program"	DA19-1626			77,361
"Continuum of Care Program"	DA20-1626			342,309
		14.267		<u>1,691,931</u>
<i>King County Department of Community and Human Services</i>				
"Community Development Block Grants/ Entitlement Grants"	6059305 EX XI		\$ 126,330	253,480
"Community Development Block Grants/ Entitlement Grants"	5859192 EX V			29,042
	CDBG - Entitlement Grants Cluster	14.218	<u>126,330</u>	<u>282,522</u>
Total Department of Housing and Urban Development			<u>126,330</u>	<u>1,974,453</u>

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor				
<i>Pass-through Grantor</i>	Contract	CFDA	Passed Through	Federal
"Program Title"	Number	Number	to Subrecipients	Expenditures
Department of Justice				
<i>Washington State Department of Social and Health Services</i>				
"Crime Victim Assistance"	2012-86931			47,633
"Crime Victim Assistance"	1912-58366			45,592
		16.575		<u>93,225</u>
Department of Health and Human Services				
<i>Washington State Department of Commerce</i>				
"Community Services Block Grant"	F20-32101-027	93.569		<u>214,106</u>
<i>City of Seattle Human Services Department</i>				
"Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers"	MOA NJP / DA20-1389	93.044		<u>13,158</u>
<i>Washington State Department of Social and Health Services</i>				
"Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services"	1912-58366			29,418
"Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services"	2012-86931			21,962
		93.671		<u>51,380</u>
Total Department of Health and Human Services				<u>278,644</u>
Corporation for National and Community Service				
"Retired and Senior Volunteer Program"	17SRPWA001			44,210
"Retired and Senior Volunteer Program"	20SRPWA001			108,462
		94.002		<u>152,672</u>
Department of Homeland Security				
"Emergency Food and Shelter Board Program"	889000-014	97.024		<u>5,314</u>

SOLID GROUND WASHINGTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2020

Federal Grantor				
<i>Pass-through Grantor</i>				
<u>"Program Title"</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Department of the Treasury				
<i>Washington State Department of Agriculture</i>				
"Coronavirus Relief Fund"	K2738-5		<u>637,058</u>	<u>677,641</u>
 <i>King County Department of Community and Human Services</i>				
"Coronavirus Relief Fund"	6198305			98,027
"Coronavirus Relief Fund"	6059305 XIV			110,000
"Coronavirus Relief Fund"	4122			<u>1,639,188</u>
				<u>1,847,215</u>
 Total Department of the Treasury		21.019*	<u>637,058</u>	<u>2,524,856</u>
			<u>\$ 763,388</u>	<u>\$ 5,258,916</u>
		Total Expenditures of Federal Awards		

* Denotes major program

SOLID GROUND WASHINGTON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

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 2020, the provisional rate is 15.60%, based on total direct costs excluding capital expenditures, rental assistance, subawards and flow-through funds. As such, Solid Ground Washington is not eligible to elect use of the 10% *de minimis* indirect cost rate.

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

June 3, 2021

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, 2020, 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 June 3, 2021.

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

June 3, 2021

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, 2020. 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, 2020.

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, 2020

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. 21.019 "Coronavirus Relief Fund."
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