

SOLID GROUND WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2014 AND 2013

OMB A-133 SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2014



SOLID GROUND WASHINGTON
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

June 4, 2015

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, 2014 and 2013, 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 above present fairly, in all material respects, the financial position of Solid Ground Washington as of December 31, 2014 and 2013, and the changes in its net assets 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 4, 2015 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, 2014 AND 2013

	2014				2013			
	Solid Ground	Sand Point LPs	Eliminations	Total	Solid Ground	Sand Point LPs	Eliminations	Total
<u>ASSETS</u>								
Current Assets								
Cash	\$ 3,467,575	\$ 198,089		\$ 3,665,664	\$ 2,888,289	\$ 323,948		\$ 3,212,237
Short-term investments	170,349	-		170,349	162,288	-		162,288
Grants receivable	2,101,538	50,922		2,152,460	2,360,657	3,388		2,364,045
Promise to give	310,328	-		310,328	658,380	-		658,380
Other receivables	789,548	4,641	\$ (723,799)	70,390	563,319	51,236	\$ (443,881)	170,674
Other assets	321,355	148,059	-	469,414	474,937	155,695	-	630,632
Total Current Assets	<u>7,160,693</u>	<u>401,711</u>	<u>(723,799)</u>	<u>6,838,605</u>	<u>7,107,870</u>	<u>534,267</u>	<u>(443,881)</u>	<u>7,198,256</u>
Notes Receivable from Related Parties	3,019,447	-	(3,019,447)	-	3,019,447	-	(3,019,447)	-
Restricted Cash and Cash Equivalents	1,643,197	1,230,011		2,873,208	1,659,954	1,055,621		2,715,575
Long-term Promises to Give	247,103	-		247,103	330,259	-		330,259
Investment in Sand Point Limited Partnerships	2,679,348	-	(2,679,348)	-	2,277,810	-	(2,277,810)	-
Property and Equipment, net	5,321,497	29,680,687		35,002,184	5,544,873	28,972,697		34,517,570
	<u>\$ 20,071,285</u>	<u>\$ 31,312,409</u>	<u>\$ (6,422,594)</u>	<u>\$ 44,961,100</u>	<u>\$ 19,940,213</u>	<u>\$ 30,562,585</u>	<u>\$ (5,741,138)</u>	<u>\$ 44,761,660</u>
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities								
Accounts payable	\$ 441,477	\$ 293,772	\$ (185,644)	\$ 549,605	\$ 331,008	\$ 970,871	\$ (177,574)	\$ 1,124,305
Accrued expenses	753,144	455,167	(285,500)	922,811	734,170	904,864	(43,536)	1,595,498
Current portion of long-term debt	26,519	-	-	26,519	25,926	5,257,736	-	5,283,662
Total Current Liabilities	<u>1,221,140</u>	<u>748,939</u>	<u>(471,144)</u>	<u>1,498,935</u>	<u>1,091,104</u>	<u>7,133,471</u>	<u>(221,110)</u>	<u>8,003,465</u>
Notes payable, net of current portion	439,469	4,820,866	(1,047,401)	4,212,934	465,959	4,820,866	(1,047,401)	4,239,424
Forgivable loans and accrued interest payable	4,979,065	12,287,649	(2,224,701)	15,042,013	5,005,102	11,633,922	(2,194,817)	14,444,207
Total Liabilities	<u>6,639,674</u>	<u>17,857,454</u>	<u>(3,743,246)</u>	<u>20,753,882</u>	<u>6,562,165</u>	<u>23,588,259</u>	<u>(3,463,328)</u>	<u>26,687,096</u>
Net Assets and Partners' Equity								
Net Assets								
Unrestricted	12,473,681			12,473,681	12,263,720			12,263,720
Temporarily restricted	957,930			957,930	1,114,328			1,114,328
Total Net Assets	<u>13,431,611</u>			<u>13,431,611</u>	<u>13,378,048</u>			<u>13,378,048</u>
Partners' Equity		13,454,955	(2,679,348)	10,775,607		6,974,326	(2,277,810)	4,696,516
Total Net Assets and Partners' Equity	<u>13,431,611</u>	<u>13,454,955</u>	<u>(2,679,348)</u>	<u>24,207,218</u>	<u>13,378,048</u>	<u>6,974,326</u>	<u>(2,277,810)</u>	<u>18,074,564</u>
	<u>\$ 20,071,285</u>	<u>\$ 31,312,409</u>	<u>\$ (6,422,594)</u>	<u>\$ 44,961,100</u>	<u>\$ 19,940,213</u>	<u>\$ 30,562,585</u>	<u>\$ (5,741,138)</u>	<u>\$ 44,761,660</u>

See notes to financial statements.

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Solid Ground	Sand Point LPs	Eliminations	Total	Solid Ground	Sand Point LPs	Eliminations	Total
Changes in Unrestricted Net Assets and Partners' Equity								
Unrestricted public support								
Federal contracts and grants	\$ 2,195,524			\$ 2,195,524	\$ 2,268,195			\$ 2,268,195
State, city, and county contracts and grants	15,919,034			15,919,034	16,395,264			16,395,264
Contributions	1,267,789			1,267,789	661,352			661,352
United Way of King County	998			998	2,057			2,057
Private grants	146,170			146,170	1,159,234			1,159,234
Total Unrestricted Public Support	<u>19,529,515</u>			<u>19,529,515</u>	<u>20,486,102</u>			<u>20,486,102</u>
Revenue								
Fees for services	865,212	\$ 1,613,163	\$ (316,000)	2,162,375	810,966	\$ 1,303,878	\$ (294,576)	1,820,268
Investment income	29,566	176	110	29,852	63,088	160	61	63,309
Other revenue	576,146	102,476	(302,498)	376,124	184,493	33,136	(61,538)	156,091
Total Revenue	<u>1,470,924</u>	<u>1,715,815</u>	<u>(618,388)</u>	<u>2,568,351</u>	<u>1,058,547</u>	<u>1,337,174</u>	<u>(356,053)</u>	<u>2,039,668</u>
Net assets released from restrictions	<u>2,242,120</u>	<u>-</u>	<u>-</u>	<u>2,242,120</u>	<u>2,146,974</u>	<u>-</u>	<u>-</u>	<u>2,146,974</u>
Total Unrestricted Public Support and Revenue	<u>23,242,559</u>	<u>1,715,815</u>	<u>(618,388)</u>	<u>24,339,986</u>	<u>23,691,623</u>	<u>1,337,174</u>	<u>(356,053)</u>	<u>24,672,744</u>
Expenses								
Program services	19,551,192	2,892,214	(618,498)	21,824,908	19,534,812	1,934,236	(337,629)	21,131,419
Supporting services	3,481,406	-	-	3,481,406	2,999,692	-	(18,485)	2,981,207
Total Expenses	<u>23,032,598</u>	<u>2,892,214</u>	<u>(618,498)</u>	<u>25,306,314</u>	<u>22,534,504</u>	<u>1,934,236</u>	<u>(356,114)</u>	<u>24,112,626</u>
Change in Unrestricted Net Assets	<u>209,961</u>	<u>(1,176,399)</u>	<u>110</u>	<u>(966,328)</u>	<u>1,157,119</u>	<u>(597,062)</u>	<u>61</u>	<u>560,118</u>
Changes in Temporarily Restricted Net Assets								
Contributions	413,492			413,492	1,191,235			1,191,235
United Way of King County	209,978			209,978	239,552			239,552
Private grants	1,462,252			1,462,252	481,000			481,000
Net assets released from restrictions	<u>(2,242,120)</u>	<u>-</u>	<u>-</u>	<u>(2,242,120)</u>	<u>(2,146,974)</u>	<u>-</u>	<u>-</u>	<u>(2,146,974)</u>
Change in Temporarily Restricted Net Assets	<u>(156,398)</u>	<u>-</u>	<u>-</u>	<u>(156,398)</u>	<u>(235,187)</u>	<u>-</u>	<u>-</u>	<u>(235,187)</u>
Total Change in Net Assets and Partners' Equity	<u>53,563</u>	<u>(1,176,399)</u>	<u>110</u>	<u>(1,122,726)</u>	<u>921,932</u>	<u>(597,062)</u>	<u>61</u>	<u>324,931</u>
Net Assets and Partners' Equity - Beginning of year	13,378,048	6,974,326	(2,277,810)	18,074,564	12,456,116	7,021,740	(1,683,233)	17,794,623
Partner Equity Contributions	-	7,757,028	(501,648)	7,255,380	-	594,648	(594,648)	-
Distributions and syndication	-	(100,000)	100,000	-	-	(45,000)	10	(44,990)
Net Assets and Partners' Equity - End of year	<u>\$ 13,431,611</u>	<u>\$ 13,454,955</u>	<u>\$ (2,679,348)</u>	<u>\$ 24,207,218</u>	<u>\$ 13,378,048</u>	<u>\$ 6,974,326</u>	<u>\$ (2,277,810)</u>	<u>\$ 18,074,564</u>

See notes to financial statements.

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point LPs	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 9,212,311	\$ 171,747	\$ 9,384,058	\$ 1,570,896	\$ 451,162	\$ 2,022,058	\$ 11,406,116
Employee taxes and benefits	3,005,430	67,668	3,073,098	349,060	117,225	466,285	3,539,383
	<u>12,217,741</u>	<u>239,415</u>	<u>12,457,156</u>	<u>1,919,956</u>	<u>568,387</u>	<u>2,488,343</u>	<u>14,945,499</u>
Contracted services	2,209,793	721,182	2,930,975	108,019	168,388	276,407	3,207,382
Client assistance	1,906,323	-	1,906,323	48	-	48	1,906,371
Depreciation	73,528	1,041,810	1,115,338	224,309	-	224,309	1,339,647
Insurance	731,633	91,618	823,251	36,538	7,109	43,647	866,898
Repairs and maintenance	481,529	268,405	749,934	64,432	2,899	67,331	817,265
Utilities	139,032	320,851	459,883	18,028	5,567	23,595	483,478
Supplies	307,289	35,450	342,739	52,129	43,333	95,462	438,201
Rent	393,218	-	393,218	(23,825)	10,288	(13,537)	379,681
Mailing and printing	115,634	3,780	119,414	74,517	40,295	114,812	234,226
Training	84,365	3,217	87,582	25,778	3,461	29,239	116,821
Travel and transportation	77,772	6,102	83,874	1,245	13,789	15,034	98,908
Communication	65,165	13,216	78,381	16,775	3,532	20,307	98,688
Other	62,360	19,149	81,509	12,802	193	12,995	94,504
Interest	(22,593)	83,727	61,134	16,660	10,824	27,484	88,618
Taxes and licenses	20,908	44,292	65,200	3,811	892	4,703	69,903
Equipment rental	29,747	-	29,747	1,774	15,884	17,658	47,405
Advertising	9,482	-	9,482	13,053	8,359	21,412	30,894
Dues and subscriptions	12,013	-	12,013	9,231	2,926	12,157	24,170
Fuel	17,755	-	17,755	-	-	-	17,755
Total Expenses	<u>\$ 18,932,694</u>	<u>\$ 2,892,214</u>	<u>\$ 21,824,908</u>	<u>\$ 2,575,280</u>	<u>\$ 906,126</u>	<u>\$ 3,481,406</u>	<u>\$ 25,306,314</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point LPs	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 9,460,088	\$ 101,101	\$ 9,561,189	\$ 1,445,412	\$ 386,312	\$ 1,831,724	\$ 11,392,913
Employee taxes and benefits	3,016,518	29,080	3,045,598	217,216	94,605	311,821	3,357,419
	12,476,606	130,181	12,606,787	1,662,628	480,917	2,143,545	14,750,332
Contracted services	2,333,016	572,149	2,905,165	169,083	166,516	335,599	3,240,764
Client assistance	1,698,311	-	1,698,311	-	-	-	1,698,311
Depreciation	155,836	629,681	785,517	153,855	610	154,465	939,982
Insurance	729,744	77,843	807,587	34,034	6,241	40,275	847,862
Repairs and maintenance	470,067	120,161	590,228	51,375	19,899	71,274	661,502
Utilities	139,751	225,899	365,650	14,484	4,904	19,388	385,038
Supplies	297,385	26,747	324,132	48,860	7,549	56,409	380,541
Rent	392,871	-	392,871	(28,212)	10,008	(18,204)	374,667
Mailing and printing	110,860	2,859	113,719	56,964	18,123	75,087	188,806
Training	87,809	254	88,063	15,392	2,882	18,274	106,337
Travel and transportation	96,267	4,367	100,634	4,713	849	5,562	106,196
Communication	63,395	8,540	71,935	30,199	2,728	32,927	104,862
Other	50,768	19,887	70,655	9,933	(108)	9,825	80,480
Interest	2,353	76,887	79,240	3,731	1,920	5,651	84,891
Taxes and licenses	18,520	38,781	57,301	3,212	948	4,160	61,461
Equipment rental	37,582	-	37,582	1,774	-	1,774	39,356
Advertising	4,916	-	4,916	4,459	3,168	7,627	12,543
Dues and subscriptions	13,774	-	13,774	12,886	4,683	17,569	31,343
Fuel	17,352	-	17,352	-	-	-	17,352
Total Expenses	<u>\$ 19,197,183</u>	<u>\$ 1,934,236</u>	<u>\$ 21,131,419</u>	<u>\$ 2,249,370</u>	<u>\$ 731,837</u>	<u>\$ 2,981,207</u>	<u>\$ 24,112,626</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash received from:		
Governmental agencies	\$ 18,166,094	\$ 18,280,065
Donors	3,160,581	3,210,307
Service recipients	2,262,657	1,888,201
Investments	21,681	38,963
Other	376,234	156,152
Cash paid for:		
Personnel	(14,883,764)	(14,712,825)
Services and supplies	(8,493,279)	(8,327,839)
Interest	<u>(16,321)</u>	<u>(4,440)</u>
Net Cash Provided by Operating Activities	<u>593,883</u>	<u>528,584</u>
Cash Flows Used by Investing Activities		
Purchases of property and equipment	<u>(3,087,252)</u>	<u>(11,125,655)</u>
Cash Flows from Financing Activities		
Partner equity contributions	7,255,380	-
Syndication costs	-	(44,990)
Proceeds from forgivable loans	570,000	-
Proceeds from grants restricted to investment in property	405,049	594,201
Repayments on notes payable	(6,674,927)	(23,126)
Borrowings on notes payable	<u>1,391,294</u>	<u>9,031,201</u>
Net Cash Provided by Financing Activities	<u>2,946,796</u>	<u>9,557,286</u>
Changes in Cash	453,427	(1,039,785)
Cash - beginning of year	<u>3,212,237</u>	<u>4,252,022</u>
Cash - end of year	<u>\$ 3,665,664</u>	<u>\$ 3,212,237</u>

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Change in Net Assets and Partners' Equity to Net Cash Flows from Operating Activities		
Change in net assets and partners' equity	\$ (1,122,726)	\$ 324,931
Adjustments to reconcile change in net assets and partners' equity to net cash provided by operating activities		
Depreciation	1,339,647	939,982
Accrued interest on forgivable loans	72,297	69,760
Reinvested investment earnings	(8,061)	(24,285)
Forgiveness of debt	(44,491)	(45,091)
Grants restricted to investment in property	-	(509,250)
Change in assets and liabilities		
Grants receivable	51,536	125,856
Promise to give	186,208	(107,265)
Other receivables	100,282	67,933
Other assets	161,218	(358,404)
Restricted cash and cash equivalents	(157,633)	112,325
Accounts payable	(46,129)	(116,106)
Accrued expenses	<u>61,735</u>	<u>48,198</u>
Net Cash Provided by Operating Activities	<u>\$ 593,883</u>	<u>\$ 528,584</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

Supportive 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. 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.

Transportation: We provide door-to-door specialized transportation to elders and people living with disabilities who cannot access fixed-route transportation, as well as providing 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.

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); Sand Point Housing Associates I, LP; Sand Point Site B Stage 1, LP; and Sand Point Phase 2, LP. Solid Ground is the sole member of SPCC, and SPCC is the sole general partner of each 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, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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>2014</u>	<u>2013</u>
Sandpoint Capital Campaign	\$ 480,259	\$ 469,108
Other programs	<u>477,671</u>	<u>645,220</u>
	<u>\$ 957,930</u>	<u>\$ 1,114,328</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. Accordingly, such income is recognized as an increase in unrestricted or temporarily restricted net assets based on donor stipulations. At December 31, 2014 and 2013, 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, 2014 and 2013. 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 financial statements for the partnerships since taxable income or loss passes through to, and is reportable by the partners or members individually.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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>2014</u>	<u>2013</u>
Board Established Reserve		
Headquarters Depreciation Fund	\$ 708,851	\$ 655,776
Unemployment Compensation Trust	543,896	539,538
Broadview		
Broadview Operating Reserve	198,015	194,134
Broadview Replacement Reserve	78,086	75,070
Bethlehem House		
Operating Reserve	27,500	25,949
Replacement Reserve	50,878	46,413
Sand Point Community Connections, LLC		
Youth Home Replacement Reserve	20,784	9,172
Sand Point Reserve	15,187	113,902
Sand Point Housing Associates I, LP		
Security Deposits	12,761	13,854
Operating Reserve	235,416	232,346
Replacement Reserve	221,657	186,976
Sand Point Site B Stage 1, LP		
Security Deposits	28,406	28,400
Operating Reserve	315,404	315,278
Replacement Reserve	298,191	278,767
Sand Point Phase 2, LP		
Security Deposits	18,864	-
Operating Reserve	39,510	-
Replacement Reserve	59,802	-
	<u>\$ 2,873,208</u>	<u>\$ 2,715,575</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, 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 revenues.

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>2014</u>	<u>2013</u>
Due in less than one year	\$ 324,067	\$ 669,531
Due in one to five years	303,000	400,000
	<u>627,067</u>	<u>1,069,531</u>
Less: Discount to net present value	<u>(69,636)</u>	<u>(80,892)</u>
Total Unconditional Promises to Give	<u>\$ 557,431</u>	<u>\$ 988,639</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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>2014</u>	<u>2013</u>
Building and improvements	20 - 40 years	\$45,803,599	\$43,265,021
Furniture and equipment	2-7 years	901,083	890,259
Vehicles	7 years	160,611	160,611
Leasehold improvements	Lease term	<u>98,900</u>	<u>98,900</u>
		46,964,193	44,414,791
Less accumulated depreciation		<u>(12,735,495)</u>	<u>(11,472,147)</u>
		34,228,698	32,942,644
Land		773,486	773,486
Construction in progress		<u>-</u>	<u>801,440</u>
		<u>\$35,002,184</u>	<u>\$34,517,570</u>

Revenue

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

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, 2014 and 2013, no such adjustments were made.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$503,019 and \$365,684 for the years ended December 31, 2014 and 2013, respectively.

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, 2014 and 2013, Solid Ground received non-cash donations of \$23,287 and \$12,135, respectively, for services. During 2013, Solid Ground received non-cash donations of \$39,096 for facilities. It received no donated facilities in 2014. 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 109,000 and 92,000 volunteer service hours for the years ended December 31, 2014 and 2013, respectively.

In addition, another 139,000 and 252,000 volunteer service hours were coordinated in 2014 and 2013, respectively, 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.

Reclassifications

Certain accounts in the 2013 financial statements have been reclassified for comparative purposes to conform with the current year presentation. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2013.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

NOTE B - INVESTMENTS

At December 31, 2014, 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	\$ 111,382	\$ -	\$ -	\$ 111,382
Money market funds	<u>58,967</u>	<u>-</u>	<u>-</u>	<u>58,967</u>
	<u>\$ 170,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,349</u>

At December 31, 2013, 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	\$ 110,883	\$ -	\$ -	\$ 110,883
Money market funds	<u>51,405</u>	<u>-</u>	<u>-</u>	<u>51,405</u>
	<u>\$ 162,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,288</u>

NOTE C - 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, 2014 and 2013, the Board has designated reserves of \$2,500 for the endowment.

NOTE D - LINE OF CREDIT

Solid Ground maintains a revolving line of credit with maximum borrowings of \$600,000 bearing interest at 3.0% plus the one-month LIBOR rate. The line is secured by Solid Ground's assets and matures on August 31, 2015. There was no outstanding balance on the line as of December 31, 2014 or 2013.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE E - NOTES PAYABLE

Notes payable consist of the following:	<u>2014</u>	<u>2013</u>
Construction loan payable to Wells Fargo Bank in an amount up to \$6,985,922. The construction loan bore an interest rate of 2.44% and was secured by a deed of trust. The note matured on September 4, 2014 and the outstanding balance and accrued interest were repaid at that time.	\$ -	\$ 5,257,736
Note payable to financial institution, collateralized by Francis Street property (See note K). The note bears interest at LIBOR+1.27% (4.27% throughout 2014). Principal and interest payments of \$2,019 are required monthly with final payment due June 2023.	240,988	254,385
Non-interest bearing note payable 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.	225,000	237,500
Construction note payable to the City of Seattle in an amount up to \$5,873,465, with all payments deferred, maturing March 31, 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.	<u>\$ 3,773,465</u>	<u>\$ 3,773,465</u>
	4,239,453	9,523,086
Less current portion	<u>(26,519)</u>	<u>(5,283,662)</u>
	<u>\$ 4,212,934</u>	<u>\$ 4,239,424</u>

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

2015	\$ 26,519
2016	27,110
2017	27,783
2018	28,458
2019	29,163
Thereafter	<u>4,100,420</u>
	<u>\$ 4,239,453</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013, the loan balance, including accrued interest payable, totaled \$1,865,464 and \$1,880,995, 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, 2014 and 2013, 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.

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, 2014 and 2013, the loan balances (including accrued interest payable) totaled \$372,326 and \$370,497, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

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 Lender's pro rata share of the property's appreciated value.

Francis Street Property - In 2008, Solid Ground purchased a residential four-plex building, known as Francis Street, for \$696,000. In addition to bank financing referenced in Note E, \$400,000 of the purchase price was financed with loan proceeds from Seattle Housing Authority. Beginning in 2009, the loan from the Seattle Housing Authority is being forgiven at \$20,000 per year plus 3% interest forgiven annually, as long as Solid Ground does not sell or use the property for an unauthorized purpose. At December 31, 2014 and 2013, the loan balance from the Seattle Housing Authority totaled \$280,000 and \$300,000, respectively. (See Note K)

Sand Point Community Connections, LLC (SPCC) has 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 is 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%, is collateralized by a deed of trust on the real property, and matures in 2049. At December 31, 2014 and 2013, the loan balances (including accrued interest payable) totaled \$1,623,548 and \$1,615,923, respectively.

Sand Point LPs

Sand Point Housing Associates I, LP has four forgivable loans, two from the State of Washington Department of Community, Trade and Economic Development and two from the City of Seattle. The forgivable loans of \$1,532,810 from the State of Washington are non-interest bearing, collateralized by a deed of trust on the real property, and mature in 2042.

The forgivable loans of \$2,369,701 from the City of Seattle bear interest at 1%, are collateralized by a deed of trust on the real property, and mature in 2049. During 2014, the City made an additional advance of \$570,000 under the terms of these loans. At December 31, 2014 and 2013, the loan balances (including accrued interest payable) totaled \$4,180,322 and \$3,588,838, respectively.

Sand Point Site B Stage 1, LP has 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 \$2,500,000 from the State of Washington is non-interest bearing, collateralized by a deed of trust on the real property, and matures in 2061. The forgivable loan of \$3,235,831 from the City of Seattle bear interest at 1%, is collateralized by a deed of trust on the real property, and matures in 2042. At December 31, 2014 and 2013, the loan balances (including accrued interest payable) totaled \$5,882,626 and \$5,850,267, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE G - NONCONTROLLING INTEREST

The change in partners' equity attributed to controlling interest and noncontrolling interest is as follows:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance January 1, 2013	\$ 1,683,233	\$ 5,338,507	\$ 7,021,740
Change in net assets and Partners' equity	(61)	(597,001)	(597,062)
Partners' capital contributions	594,648	-	594,648
Partners' withdrawals	<u>(10)</u>	<u>(44,990)</u>	<u>(45,000)</u>
Balance December 31, 2013	2,277,810	4,696,516	6,974,326
Change in net assets and Partners' equity	(110)	(1,176,289)	(1,176,399)
Partners' capital contributions	501,648	7,255,380	7,757,028
Distributions and syndication costs	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Balance December 31, 2014	<u>\$ 2,679,348</u>	<u>\$10,775,607</u>	<u>\$13,454,955</u>

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, 2014 and 2013, Solid Ground received 47% and 48%, respectively, from one funding source. For the years ended December 31, 2014 and 2013, 50% and 44%, respectively, of Solid Ground's total outstanding receivable balance was from the same funding source. For the years ended December 31, 2014 and 2013, 59% and 42%, respectively, of Solid Ground's total outstanding pledge receivable balance was from one funding source.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE I - RETIREMENT PLAN

Solid Ground 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 employee's gross income to the Plan each month. Beginning March 1, 2014, Solid Ground instituted an employer match of 50% of an employee's first 1% salary deferral and 25% of an employee's next 1% 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, 2014 and 2013, Solid Ground contributed \$362,135 and \$306,127, respectively, in total to the plans.

NOTE J - COMMITMENTS

Rental Payment Commitments - Solid Ground has noncancelable 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, 2014 and 2013 were \$367,062 and \$352,511, respectively. Obligations under non-cancelable operating leases for future years ending December 31 are as follows:

2015	\$	382,334
2016		381,005
2017		372,574
2018		348,136
2019		293,699
Thereafter		<u>1,620,712</u>
		<u>\$ 3,398,460</u>

Rental Income Commitments - A portion of the office space owned by Solid Ground is leased to two tenants under non-cancelable operating leases, both expiring in 2015. Monthly payments under these leases range from \$3,500 - \$3,900. Total rental income from these tenants for the years ended December 31, 2014 and 2013 was \$97,401 and \$95,265, respectively.

NOTE K- SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2014 through June 4, 2015, 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, 2014, including the estimates inherent in the processing of financial statements.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE K- SUBSEQUENT EVENTS (Continued)

The following events arose after December 31, 2014 relating to conditions that did not exist as of December 31, 2014:

In January 2015, the fifteen year term of the tax credit partnership, Sand Point Housing Associates I, LP, came to an end. The limited partners contributed their equity interest and exited the partnership. Subsequently, Solid Ground created a new wholly-owned subsidiary, SPH One, LLC, to hold the affected property.

In April 2015, Solid Ground completed a sale of its Francis Street four-plex for \$1.2 million. Associated with this sale, loans from a financial institution and the Seattle Housing Authority were repaid. Remaining proceeds are being held.

SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2014

Grantor	Contract	State
<u>Program Title</u>	<u>Number</u>	<u>Expenditures</u>
Washington State Department of Agriculture		
Hunger Action Center	K1184	\$ 316,289
Washington State Department of Social & Health Services		
Broadview Emergency Shelter	1312-078059	59,507
Washington Housing Finance Commission		
Housing Counseling	FY2013FFA	32,530
Housing Counseling	FY2014FFA	<u>58,440</u>
		90,970
Washington Department of Commerce		
Community Voice Mail	S12-32102-05	20,628
Community Voice Mail	S14-32202-05	<u>29,916</u>
		50,544
DV Legal Advocacy	S1431108 045	12,556
DV Legal Advocacy	S1531108 045	<u>12,194</u>
		24,750
Family Assistance	S15- 32100 227	10,887
Family Assistance	S14-32100-227	<u>15,812</u>
		26,699
RSVP	NO CONTRACT #	23,890
Journey Home	NO CONTRACT #	30,260
Journey Home	5624622-II	140,000
Family Shelter	5624578 - IV	66,000
Housing Stability	5624626 II	103,925
Sand Point Families	11-93205-045	35,000
Broadview Transitional Hsg	533329 - III	<u>90,000</u>
	Total State Financial Assistance	<u>\$ 1,057,834</u>

OMB A-133 SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Federal Expenditures
Department of Agriculture			
<i>King County Department of Public Health</i>			
"State Administrative Matching Grants for Supplemental Nutrition Assistance Programs"	N20720	10.561	\$ 199,004
"State Administrative Matching Grants for Supplemental Nutrition Assistance Programs"	N20820	10.561	68,190
			<u>267,194</u>
Department of Housing and Urban Development			
"Continuum of Care"	WA01B500021	14.267*	42,415
"Continuum of Care"	WA01B600022	14.267*	46,239
"Continuum of Care"	WA01B600021	14.267*	30,541
"Continuum of Care"	WA01B500022	14.267*	39,857
<i>City of Seattle Human Services Department</i>			
"Continuum of Care"			
"Continuum of Care"	DA13-1513	14.267*	98,642
"Continuum of Care"	DA13-1554	14.267*	17,016
"Continuum of Care"	DA13-5526	14.267*	156,433
"Continuum of Care"	DA14-1513	14.267*	2,161
"Continuum of Care"	DA14-1554	14.267*	203,887
"Continuum of Care"	DA14-5526	14.267*	338,405
			<u>975,596</u>
<i>Washington State Housing Finance Commission</i>			
"Housing Counseling Assistance Program"	HCFY2014H	14.169	15,141
<i>King County Community Service Division</i>			
"Community Development Block Grants/ Entitlement Grants"	5624626 III	14.218	259,261
<i>City of Seattle Human Services Department</i>			
"Emergency Solutions Grant Program"	DA14-1106	14.231*	160,000

* Denotes major program

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Federal Grantor

<i>Pass-through Grantor</i>	Contract	CFDA	Federal
<u>"Program Title"</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Department of Justice			
<i>Washington State Department of Social and Health Services</i>			
"Crime Victim Assistance"	1312-78059	16.575	28,788
"Crime Victim Assistance"	1412-16114	16.575	66,575
 <i>Washington State Department of Commerce</i>			
"Crime Victim Assistance"	F13-31119-736	16.575	537
"Crime Victim Assistance"	F14-31119-736	16.575	3,586
			<u>99,486</u>
 Department of Health and Human Services			
<i>Washington State Department of Commerce</i>			
"Community Services Block Grant"	F14-32100-027	93.569	159,888
 <i>Washington State Department of Social and Health Services</i>			
"Family Violence Prevention and Services"	1412016114	93.671	16,022
 Corporation for National and Community Service			
"Volunteers in Service to America"	07VSP	94.013	12,000
"Retired and Senior Volunteer Program"	011VSP	94.002	145,281
 Department of Homeland Security			
"Emergency Food and Shelter Board Program"	889000-014	97.024	<u>85,655</u>
Total Expenditures of Federal Awards			<u>\$2,195,524</u>

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 - SUBRECIPIENTS

<u>"Program Title"</u>	<u>CFDA Number</u>	<u>Provided to Subrecipients</u>
"Community Development Block Grants/Entitlement Grants"	14.218	\$ 205,474
"Emergency Food and Shelter Board Program"	97.024	\$ 67,586
"Continuum of Care"	14.267	\$ 79,631

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

June 4, 2015

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, 2014, 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 4, 2015.

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 REQUIRED BY OMB CIRCULAR A-133

June 4, 2015

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 Circular A-133 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, 2014. Solid Ground Washington's major federal programs are identified in the summary of auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of Solid Ground Washinton 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 Washinton'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 OMB Circular A-133, 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 Washinton'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

Other Matters

Solid Ground Washington's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Solid Ground Washington's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

SOLID GROUND WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified 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. A significant deficiency relating to the audit of the major federal award programs is reported in the "Independent Auditor's Report Based on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133" as item 2014-001. This deficiency was not deemed to be a material weakness.
5. The auditor's report on compliance for the major federal award program for Solid Ground Washington expresses an unqualified 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 programs tested as major were CFDA No. 14.231 "Emergency Solutions Grant Program," and CFDA No. 14.267 "Continuum of Care."
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Solid Ground Washington was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

2014-001 Internal Control over Suspension and Debarment

Federal Agency: Department of Housing and Urban Development

CFDA Number 14.267

Criteria: Award recipients are required to establish and maintain internal controls designed to provide reasonable assurance that procurement contracts for goods and services for \$25,000 or more are not entered into with parties that have been suspended or debarred.

SOLID GROUND WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

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

Condition: The Solid Ground headquarters finance department has a process in place to monitor compliance with suspension and debarment requirements. However, Solid Ground did not have a system in place to monitor suspension and debarment compliance in the circumstance where payments charged to the federal award were made by the property management firm of one of Solid Ground's consolidated limited partnerships.

Questioned costs: No reportable questioned costs.

Context: This finding arose during compliance testing when we noted that over \$25,000 was paid by the consolidated limited partnership to a particular vendor using federally originating funds.

Cause: Internal controls were not designed or implemented to include consolidated entities.

Recommendation: We recommend implementation of a suspension and debarment policy that includes all consolidated entities.

Views of a Responsible Official: Management concurs with the finding and recommendation as reflected in the corrective action plan.



1501 North 45th Street
Seattle, WA 98103-6708

PHONE 206.694.6700
FAX 206.694.6777
TTY 7.1.1

EMAIL info@solid-ground.org
WEB solid-ground.org

Corrective Action Plan

June 4, 2015

Solid Ground Washington submits the following corrective action plan for the year ended December 31, 2014.

Name and address of independent accounting firm: Jacobson Jarvis & Co, PLLC, 200 First Ave. West, Suite 200, Seattle, WA 98119

Audit period: January 1 to December 31, 2014

Contact person responsible for corrective action: Shelly Holmes Parrish, Director of Finance

2014-001: Internal Control over Suspension and Debarment

Federal Agency: Department of Housing and Urban Development
CFDA No. 14.267

Solid Ground did not have a system in place to monitor suspension and debarment compliance in the circumstance where payments charged to the federal award were made by the property management firm of one of Solid Ground's consolidated limited partnerships.

Response: If federal funds are passed through to a limited partnership and the limited partnership spends more than \$25,000 on any entity, Solid Ground will ensure that the entity be checked on the System for Award Management's website for suspension and debarment.