

SOLID GROUND WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2015 AND 2014

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2015



SOLID GROUND WASHINGTON
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

June 2, 2016

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, 2015 and 2014, 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, 2015 and 2014, 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 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 2, 2016 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, 2015 AND 2014

	2015				2014			
	Sand Point		Eliminations	Total	Sand Point		Eliminations	Total
	Solid Ground	Housing			Solid Ground	Housing		
<u>ASSETS</u>								
Current Assets								
Cash	\$ 3,001,300	\$ 247,451		\$ 3,248,751	\$ 3,467,575	\$ 198,089		\$ 3,665,664
Short-term investments	133,902	-		133,902	170,349	-		170,349
Grants receivable	2,461,383	3,205		2,464,588	2,101,538	50,922		2,152,460
Promises to give	733,548	-		733,548	310,328	-		310,328
Other receivables	421,399	887	\$ (289,815)	132,471	789,548	4,641	\$ (723,799)	70,390
Other assets	385,594	206,250	(66,000)	525,844	321,355	148,059	-	469,414
Total Current Assets	7,137,126	457,793	(355,815)	7,239,104	7,160,693	401,711	(723,799)	6,838,605
Notes Receivable from Related Parties	2,497,046	-	(2,497,046)	-	3,019,447	-	(3,019,447)	-
Restricted Cash and Cash Equivalents	1,510,097	1,204,493		2,714,590	1,643,197	1,230,011		2,873,208
Long-term Promises to Give	243,998	-		243,998	247,103	-		247,103
Investment in Sand Point Entities	2,255,775	-	(2,255,775)	-	2,679,348	-	(2,679,348)	-
Property and Equipment, net	4,632,515	28,612,209		33,244,724	5,321,497	29,680,687		35,002,184
	<u>\$ 18,276,557</u>	<u>\$ 30,274,495</u>	<u>\$ (5,108,636)</u>	<u>\$ 43,442,416</u>	<u>\$ 20,071,285</u>	<u>\$ 31,312,409</u>	<u>\$ (6,422,594)</u>	<u>\$ 44,961,100</u>
<u>LIABILITIES AND NET ASSETS</u>								
Current Liabilities								
Accounts payable	\$ 287,717	\$ 90,337	\$ -	\$ 378,054	\$ 441,477	\$ 293,772	\$ (185,644)	\$ 549,605
Accrued expenses	804,229	487,418	(144,710)	1,146,937	753,144	455,167	(285,500)	922,811
Current portion of long-term debt	12,500	-	-	12,500	26,519	-	-	26,519
Total Current Liabilities	1,104,446	577,755	(144,710)	1,537,491	1,221,140	748,939	(471,144)	1,498,935
Notes payable, net of current portion	200,000	3,773,465	-	3,973,465	439,469	4,820,866	(1,047,401)	4,212,934
Forgivable loans and accrued interest payable	4,655,301	12,857,149	(2,708,149)	14,804,301	4,979,065	12,287,649	(2,224,701)	15,042,013
Total Liabilities	5,959,747	17,208,369	(2,852,859)	20,315,257	6,639,674	17,857,454	(3,743,246)	20,753,882
Net Assets and Partners' Equity								
Net Assets								
Unrestricted	11,001,144			11,001,144	12,473,681			12,473,681
Temporarily restricted	1,315,666			1,315,666	957,930			957,930
Total Net Assets	12,316,810			12,316,810	13,431,611			13,431,611
Partners' Equity		13,066,126	(2,255,777)	10,810,349		13,454,955	(2,679,348)	10,775,607
Total Net Assets and Partners' Equity	12,316,810	13,066,126	(2,255,777)	23,127,159	13,431,611	13,454,955	(2,679,348)	24,207,218
	<u>\$ 18,276,557</u>	<u>\$ 30,274,495</u>	<u>\$ (5,108,636)</u>	<u>\$ 43,442,416</u>	<u>\$ 20,071,285</u>	<u>\$ 31,312,409</u>	<u>\$ (6,422,594)</u>	<u>\$ 44,961,100</u>

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Sand Point			Total	Sand Point			Total
	Solid Ground	Housing	Eliminations		Solid Ground	Housing	Eliminations	
Change in Unrestricted Net Assets and Partners' Equity								
Unrestricted public support								
Federal contracts and grants	\$ 2,276,650			\$ 2,276,650	\$ 2,195,524			\$ 2,195,524
State, city, and county contracts and grants	14,999,005			14,999,005	15,919,034			15,919,034
Contributions	1,145,260			1,145,260	1,267,789			1,267,789
United Way of King County	3,495			3,495	998			998
Private grants	238,036			238,036	146,170			146,170
Total Unrestricted Public Support	<u>18,662,446</u>			<u>18,662,446</u>	<u>19,529,515</u>			<u>19,529,515</u>
Revenue								
Fees for services	708,555	\$ 1,703,372	\$ (283,300)	2,128,627	865,212	\$ 1,613,163	\$ (316,000)	2,162,375
Investment income	30,171	236	-	30,407	29,566	176	-	29,742
Other revenue	86,917	893,216	(58,610)	921,523	576,146	102,476	(302,498)	376,124
Total Revenue	<u>825,643</u>	<u>2,596,824</u>	<u>(341,910)</u>	<u>3,080,557</u>	<u>1,470,924</u>	<u>1,715,815</u>	<u>(618,498)</u>	<u>2,568,241</u>
Net assets released from restrictions	<u>1,519,211</u>	<u>-</u>	<u>-</u>	<u>1,519,211</u>	<u>2,242,120</u>	<u>-</u>	<u>-</u>	<u>2,242,120</u>
Total Unrestricted Public Support and Revenue	<u>21,007,300</u>	<u>2,596,824</u>	<u>(341,910)</u>	<u>23,262,214</u>	<u>23,242,559</u>	<u>1,715,815</u>	<u>(618,498)</u>	<u>24,339,876</u>
Expenses								
Program services	18,885,142	3,220,186	(765,481)	21,339,847	19,551,192	2,892,214	(618,608)	21,824,798
Supporting services	3,594,695	-	-	3,594,695	3,481,406	-	-	3,481,406
Total Expenses	<u>22,479,837</u>	<u>3,220,186</u>	<u>(765,481)</u>	<u>24,934,542</u>	<u>23,032,598</u>	<u>2,892,214</u>	<u>(618,608)</u>	<u>25,306,204</u>
Change in Unrestricted Net Assets and Partners' Equity	<u>(1,472,537)</u>	<u>(623,362)</u>	<u>423,571</u>	<u>(1,672,328)</u>	<u>209,961</u>	<u>(1,176,399)</u>	<u>110</u>	<u>(966,328)</u>
Change in Temporarily Restricted Net Assets								
Contributions	324,565			324,565	413,492			413,492
United Way of King County	246,645			246,645	209,978			209,978
Private grants	1,305,737			1,305,737	1,462,252			1,462,252
Net assets released from restrictions	<u>(1,519,211)</u>	<u>-</u>	<u>-</u>	<u>(1,519,211)</u>	<u>(2,242,120)</u>	<u>-</u>	<u>-</u>	<u>(2,242,120)</u>
Change in Temporarily Restricted Net Assets	<u>357,736</u>	<u>-</u>	<u>-</u>	<u>357,736</u>	<u>(156,398)</u>	<u>-</u>	<u>-</u>	<u>(156,398)</u>
Total Change in Net Assets and Partners' Equity	<u>(1,114,801)</u>	<u>(623,362)</u>	<u>423,571</u>	<u>(1,314,592)</u>	<u>53,563</u>	<u>(1,176,399)</u>	<u>110</u>	<u>(1,122,726)</u>
Net Assets and Partners' Equity - Beginning of year	13,431,611	13,454,955	(2,679,348)	24,207,218	13,378,048	6,974,326	(2,277,810)	18,074,564
Partner Equity Contributions	-	234,533	-	234,533	-	7,757,028	(501,648)	7,255,380
Distributions and Syndication	-	-	-	-	-	(100,000)	100,000	-
Net Assets and Partners' Equity - End of year	<u>\$ 12,316,810</u>	<u>\$ 13,066,126</u>	<u>\$ (2,255,777)</u>	<u>\$ 23,127,159</u>	<u>\$ 13,431,611</u>	<u>\$ 13,454,955</u>	<u>\$ (2,679,348)</u>	<u>\$ 24,207,218</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	Total Program Services	Administrative	Resource Development	Total Supporting Services	
Salaries and wages	\$ 9,003,847	\$ 171,983	\$ 9,175,830	\$ 1,738,450	\$ 481,012	\$ 2,219,462	\$ 11,395,292
Employee taxes and benefits	2,822,152	72,617	2,894,769	386,713	116,334	503,047	3,397,816
	11,825,999	244,600	12,070,599	2,125,163	597,346	2,722,509	14,793,108
Contracted services	2,199,367	673,219	2,872,586	150,124	90,628	240,752	3,113,338
Client assistance	1,639,366	-	1,639,366	-	-	-	1,639,366
Depreciation	73,528	1,086,575	1,160,103	205,550	-	205,550	1,365,653
Repairs and maintenance	437,652	550,077	987,729	64,725	4,824	69,549	1,057,278
Insurance	807,204	108,474	915,678	35,754	6,579	42,333	958,011
Utilities	140,787	322,937	463,724	20,067	5,358	25,425	489,149
Rent	388,443	-	388,443	(17,986)	9,824	(8,162)	380,281
Supplies	151,647	46,265	197,912	33,873	8,614	42,487	240,399
Mailing and printing	101,108	4,010	105,118	61,163	32,253	93,416	198,534
Other	46,529	29,929	76,458	34,457	5,185	39,642	116,100
Taxes and licenses	42,950	53,201	96,151	3,900	902	4,802	100,953
Communication	61,891	12,808	74,699	19,970	4,225	24,195	98,894
Interest	(10,102)	81,399	71,297	16,388	7,990	24,378	95,675
Travel and transportation	66,341	5,641	71,982	7,253	2,411	9,664	81,646
Training	65,258	1,051	66,309	3,056	2,833	5,889	72,198
Equipment rental	34,654	-	34,654	1,420	25,467	26,887	61,541
Dues and subscriptions	13,250	-	13,250	17,034	3,277	20,311	33,561
Advertising	19,744	-	19,744	2,825	2,243	5,068	24,812
Fuel	14,045	-	14,045	-	-	-	14,045
Total Expenses	\$ 18,119,661	\$ 3,220,186	\$ 21,339,847	\$ 2,784,736	\$ 809,959	\$ 3,594,695	\$ 24,934,542

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services			Supporting Services			Total
	Solid Ground	Sand Point Housing	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
Repairs and maintenance	481,529	268,405	749,934	64,432	2,899	67,331	817,265
Insurance	731,633	91,618	823,251	36,538	7,109	43,647	866,898
Utilities	139,032	320,851	459,883	18,028	5,567	23,595	483,478
Rent	393,218	-	393,218	(23,825)	10,288	(13,537)	379,681
Supplies	307,289	35,450	342,739	52,129	43,333	95,462	438,201
Mailing and printing	115,634	3,780	119,414	74,517	40,295	114,812	234,226
Other	62,250	19,149	81,399	12,802	193	12,995	94,394
Taxes and licenses	20,908	44,292	65,200	3,811	892	4,703	69,903
Communication	65,165	13,216	78,381	16,775	3,532	20,307	98,688
Interest	(22,593)	83,727	61,134	16,660	10,824	27,484	88,618
Travel and transportation	77,772	6,102	83,874	1,245	13,789	15,034	98,908
Training	84,365	3,217	87,582	25,778	3,461	29,239	116,821
Equipment rental	29,747	-	29,747	1,774	15,884	17,658	47,405
Dues and subscriptions	12,013	-	12,013	9,231	2,926	12,157	24,170
Advertising	9,482	-	9,482	13,053	8,359	21,412	30,894
Fuel	17,755	-	17,755	-	-	-	17,755
Total Expenses	<u>\$ 18,932,584</u>	<u>\$ 2,892,214</u>	<u>\$ 21,824,798</u>	<u>\$ 2,575,280</u>	<u>\$ 906,126</u>	<u>\$ 3,481,406</u>	<u>\$ 25,306,204</u>

SOLID GROUND WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Cash received from:		
Governmental agencies	\$ 16,963,527	\$ 18,166,094
Donors	2,337,057	3,160,581
Service recipients	2,066,546	2,262,657
Investments	30,407	21,681
Other	366,164	376,234
Cash paid for:		
Personnel	(14,502,982)	(14,883,764)
Services and supplies	(8,408,903)	(8,493,279)
Interest	<u>(39,625)</u>	<u>(16,321)</u>
Net Cash (Used) Provided by Operating Activities	<u>(1,187,809)</u>	<u>593,883</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	36,447	-
Purchases of property and equipment	(124,878)	(3,087,252)
Proceeds from sale of property	<u>1,028,282</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>939,851</u>	<u>(3,087,252)</u>
Cash Flows from Financing Activities		
Proceeds from forgivable loans	-	570,000
Partner equity contributions	234,533	7,255,380
Proceeds from grants restricted to investment in property	100,000	405,049
Repayments on notes payable	(533,488)	(6,674,927)
Borrowings on notes payable	<u>30,000</u>	<u>1,391,294</u>
Net Cash (Used) Provided by Financing Activities	<u>(168,955)</u>	<u>2,946,796</u>
Changes in Cash	(416,913)	453,427
Cash - beginning of year	<u>3,665,664</u>	<u>3,212,237</u>
Cash - end of year	<u>\$ 3,248,751</u>	<u>\$ 3,665,664</u>

SOLID GROUND WASHINGTON
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of Change in Net Assets and Partners' Equity to Net Cash Flows from Operating Activities		
Change in net assets and partners' equity	\$ (1,314,592)	\$ (1,122,726)
Adjustments to reconcile change in net assets and partners' equity to net cash (used) provided by operating activities		
Depreciation	1,365,653	1,339,647
Accrued interest on forgivable loans	56,050	72,297
Reinvested investment earnings	-	(8,061)
Forgiveness of debt	-	(44,491)
Gain on sale of property	(511,597)	-
Change in assets and liabilities		
Grants receivable	(312,128)	51,536
Promises to give	(520,115)	186,208
Other receivables	(105,843)	100,282
Other assets	(122,430)	161,218
Restricted cash and cash equivalents	158,618	(157,633)
Accounts payable	(171,551)	(46,129)
Accrued expenses	<u>290,126</u>	<u>61,735</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (1,187,809)</u>	<u>\$ 593,883</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Transportation: We provide door-to-door specialized transportation to elders and people living with disabilities who cannot access fixed-route transportation, as well as 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. We also provide free legal representation to the growing number of vulnerable people seeking our help and prevent the dismantling of our state's safety net of basic health and social service programs.

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

Principles of consolidation

The financial statements consolidate the assets, liabilities, and activities of Solid Ground and Sand Point Community Connections, LLC (SPCC); SPH One, LLC (SPH One); Sand Point Site B Stage 1, LP; and Sand Point Phase 2, LP. Solid Ground is the sole member of SPCC and SPH One. SPCC is the sole general partner of the two 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, 2015 AND 2014

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>2015</u>	<u>2014</u>
Sandpoint Capital Campaign	\$ 796,343	\$ 480,259
Other programs	<u>519,323</u>	<u>477,671</u>
	<u>\$ 1,315,666</u>	<u>\$ 957,930</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, 2015 and 2014, 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, 2015 and 2014. 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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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>2015</u>	<u>2014</u>
Board Established Reserve		
Headquarters Depreciation Fund	\$ 628,988	\$ 708,851
Unemployment Compensation Trust	503,341	543,896
Broadview		
Operating Reserve	201,913	198,015
Replacement Reserve	59,355	78,086
Bethlehem House		
Operating Reserve	29,080	27,500
Replacement Reserve	55,399	50,878
Sand Point Community Connections, LLC		
Youth Home Replacement Reserve	16,834	20,784
Sand Point Reserve	15,187	15,187
SPH One, LLC		
Security Deposits	10,695	12,761
Operating Reserve	223,766	235,416
Replacement Reserve	168,885	221,657
Sand Point Site B Stage 1, LP		
Security Deposits	27,703	28,406
Operating Reserve	315,530	315,404
Replacement Reserve	303,504	298,191
Sand Point Phase 2, LP		
Security Deposits	18,922	18,864
Operating Reserve	39,518	39,510
Replacement Reserve	95,970	59,802
	<u>\$ 2,714,590</u>	<u>\$ 2,873,208</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, an allowance for doubtful accounts was not deemed necessary. Solid Ground has established credit policies and historically the losses related to nonpayment have been very low as a percentage of public support and revenue.

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

	<u>2015</u>	<u>2014</u>
Due in less than one year	\$ 733,548	\$ 324,067
Due in one to five years	300,000	303,000
	<u>1,033,548</u>	<u>627,067</u>
Less: Discount to net present value	<u>(56,002)</u>	<u>(69,636)</u>
Total Unconditional Promises to Give	<u>\$ 977,546</u>	<u>\$ 557,431</u>

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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>2015</u>	<u>2014</u>
Building and improvements	20 - 40 years	\$45,199,521	\$45,803,599
Furniture and equipment	2 - 7 years	925,237	901,083
Vehicles	7 years	160,611	160,611
Leasehold improvements	Lease term	<u>99,906</u>	<u>98,900</u>
		46,385,275	46,964,193
Less accumulated depreciation		<u>(13,914,037)</u>	<u>(12,735,495)</u>
		32,471,238	34,228,698
Land		<u>773,486</u>	<u>773,486</u>
		<u>\$33,244,724</u>	<u>\$35,002,184</u>

Revenue

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

Government contracts 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, 2015 and 2014, no such adjustments were made.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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 \$402,898 and \$503,019 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, Solid Ground received non-cash donations of \$3,668 and \$23,287, respectively, for services. It received no donated facilities in 2015 or 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 40,000 and 109,000 volunteer service hours for the years ended December 31, 2015 and 2014, respectively.

In addition, another 159,000 and 139,000 volunteer service hours were coordinated in 2015 and 2014, 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.

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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE B - INVESTMENTS

At December 31, 2015, 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	\$ 111,883	\$ -	\$ -	\$ 111,883
Money market funds	<u>22,019</u>	<u>-</u>	<u>-</u>	<u>22,019</u>
	<u>\$ 133,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,902</u>

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>

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, 2015 and 2014, the Board has designated reserves of \$2,500 for the endowment.

NOTE D - LINE OF CREDIT

Solid Ground maintains a revolving line of credit which for the period of January to August 2015, had 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 matured on August 31, 2015. Beginning September 2015, the line of credit is \$1,000,000 with the same terms. The maturity date is December 1, 2016. There was no outstanding balance on the line as of December 31, 2015 or 2014.

NOTE E - NOTES PAYABLE

Notes payable consist of the following:

	<u>2015</u>	<u>2014</u>
Note payable to a financial institution, collateralized by Francis Street property. 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. This loan was paid off with the Francis Street sale, which closed April, 2015.	\$ -	\$ 240,988

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE E - NOTES PAYABLE (Continued)

	<u>2015</u>	<u>2014</u>
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.	212,500	225,000
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>
	3,985,965	4,239,453
Less current portion	<u>(12,500)</u>	<u>(26,519)</u>
	<u>\$ 3,973,465</u>	<u>\$ 4,212,934</u>

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

2016	\$ 12,500
2017	12,500
2018	12,500
2019	12,500
2020	12,500
Thereafter	<u>3,923,465</u>
	<u>\$ 3,985,965</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, 2015 and 2014, the loan balance, including accrued interest payable, totaled \$1,849,973 and \$1,865,464, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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, 2015 and 2014, 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, 2015 and 2014, the loan balances (including accrued interest payable) totaled \$374,155 and \$372,326, 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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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

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 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. In April 2015, Solid Ground sold the Francis Street Property, paying off the bank financing and the Seattle Housing Authority loan. At December 31, 2015 and 2014, the loan balance from Seattle Housing Authority totaled \$0 and \$280,000, respectively. Solid Ground and Seattle Housing Authority are in discussions about the possible refund of some of the funds paid to Seattle Housing Authority in return for using those funds to construct additional housing units.

Sand Point Organizations

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, 2015 and 2014, the loan balances (including accrued interest payable) totaled \$1,631,173 and \$1,623,548, respectively.

SPH One, LLC 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, 2015 and 2014, the loan balances (including accrued interest payable) totaled \$4,234,016 and \$4,180,322, 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 sinterest at 1%, is collateralized by a deed of trust on the real property, and matures in 2042. At December 31, 2015 and 2014, the loan balances (including accrued interest payable) totaled \$5,914,984 and \$5,882,626, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE G - NONCONTROLLING INTEREST - SAND POINT HOUSING

During 2014, Solid Ground held the controlling interest in three Sand Point Housing tax credit limited partnerships. Effective January 31, 2015, the oldest of the tax credit partnerships unwound, with the limited partners exiting and donating their (negative) equity to a new LLC housing entity of which Solid Ground is the sole member.

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, 2014	\$ 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
Partners' withdrawals	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Balance December 31, 2014	2,679,348	10,775,607	13,454,955
Change in net assets and partners' equity	336,029	(959,391)	(623,362)
Partners' capital contributions	-	234,533	234,533
Controlling interest assumption of noncontrolling interest	<u>(759,600)</u>	<u>759,600</u>	<u>-</u>
Balance December 31, 2015	<u>\$ 2,255,777</u>	<u>\$10,810,349</u>	<u>\$13,066,126</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.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE H - CONCENTRATIONS (Continued)

Support and Revenue - For the years ended December 31, 2015 and 2014, Solid Ground received 46% and 47%, respectively, from one funding source. For the years ended December 31, 2015 and 2014, 43% and 50%, respectively, of Solid Ground's total outstanding receivable balance was from the same funding source. For the years ended December 31, 2015 and 2014, 15% and 59%, respectively, of Solid Ground's total outstanding pledge receivable balance was from one funding source.

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 January 1, 2015, Solid Ground instituted an employer match of 50% of an employee's first 1% salary deferral and 25% of an 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, 2015 and 2014, Solid Ground contributed \$388,063 and \$362,135, respectively, in total to the plans.

NOTE J - COMMITMENTS

Rental Payment Commitments - Solid Ground has noncancellable operating lease agreements for office space, operating facilities and equipment, expiring on various dates through 2025. Monthly payments range from \$78 to \$22,776. Generally, the leases provide that insurance and maintenance are the responsibility of Solid Ground. Total rent expense for lease agreements for the years ended December 31, 2015 and 2014 was \$384,890 and \$367,062, respectively. Obligations under non-cancelable operating leases for future years ending December 31 are as follows:

2016	\$	392,018
2017		384,813
2018		364,205
2019		309,174
2020		292,265
Thereafter		<u>1,334,704</u>
		<u>\$ 3,077,179</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, 2015 and 2014 was \$47,000 and \$46,379, respectively.

SOLID GROUND WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE K- SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2015 through June 2, 2016, 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, 2015, including the estimates inherent in the processing of financial statements.

The following events arose after December 31, 2015 relating to conditions that did not exist as of December 31, 2015:

Solid Ground is in the process of switching operating and depository banking relationships from one financial institution to another. This process began in January 2016 and is expected to be completed by June 2016.

SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2015

Grantor Program Title	Contract Number	State Expenditures
Washington State Department of Agriculture		
Hunger Action Center	K1184/K1675	\$ 276,847
Washington State Department of Social & Health Services		
Broadview Emergency Shelter	1412-16114	58,337
Washington Housing Finance Commission		
Housing Counseling	FY2014FFA	25,050
Housing Counseling	FY2015FFA	<u>20,540</u>
		45,590
Washington Department of Commerce		
DV Legal Advocacy	S15-31108 045	11,806
DV Legal Advocacy	S16-31108 046	<u>11,765</u>
		23,571
Family Assistance	S15-32100 227	9,031
Family Assistance	S16-32101-227	<u>19,631</u>
		28,662
Community Voice Mail	S-15-32202-05	35,532
RSVP	NO CONTRACT #	21,437
Journey Home	5724853 - V	468,000
Housing Stability	5724851 - II	298,665
Shelter Diversion	5724853 - VII	106,354
Sand Point Families	5724853 - VIII	13,704
Broadview Transitional Housing	5724853 - III	<u>50,000</u>
	Total State Financial Assistance	<u>\$ 1,426,699</u>

UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor	Contract	CFDA	Federal
<i>Pass-through Grantor</i>	Number	Number	Expenditures
"Program Title"			
Department of Agriculture			
<i>King County Department of Public Health</i>			
"State Administrative Matching Grants for Supplemental Nutrition Assistance Programs"	N20820	10.561	\$ 273,499
Department of Housing and Urban Development			
"Continuum of Care"	WA0009L0T001306	14.267*	81,843
"Continuum of Care"	WA0009L0T001407	14.267*	70,605
<i>City of Seattle Human Services Department</i>			
"Continuum of Care"	DA14-5526	14.267*	156,867
"Continuum of Care"	DA15-5526	14.267*	316,856
"Continuum of Care"	DA15-1543	14.267*	57,355
"Continuum of Care"	DA14-1555	14.267*	10,418
"Continuum of Care"	DA15-1555	14.267*	199,832
"Continuum of Care"	DA14-1513	14.267*	105,911
"Continuum of Care"	DA15-1513	14.267*	1,039
			<u>1,000,726</u>
<i>Washington State Housing Finance Commission</i>			
"Housing Counseling Assistance Program"	HCFY2014H	14.169	5,668
"Housing Counseling Assistance Program"	HCFY2015H	14.169	13,467
			<u>19,135</u>
<i>King County Department of Community and Human Services</i>			
"Community Development Block Grants/ Entitlement Grants"	5724851 EX II	14.218	291,090
<i>King County Department of Community and Human Services</i>			
"Emergency Solutions Grant Program"	5724851 EX II	14.231	54,809
<i>City of Seattle Human Services Department</i>			
"Emergency Solutions Grant Program"	DA15-1106	14.231	160,000
			<u>214,809</u>

* Denotes major program

SOLID GROUND WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

Federal Grantor	Contract	CFDA	Federal
<i>Pass-through Grantor</i>	Number	Number	Expenditures
"Program Title"	Number	Number	Expenditures
Department of Housing and Urban Development (Continued)			
<i>Enterprise Community Partners</i>			
"Capacity Building for Community Development and Affordable Housing"	NO CONTRACT #	14.252	25,000
Department of Justice			
<i>Washington State Department of Social and Health Services</i>			
"Crime Victim Assistance"	1412-16114	16.575	12,428
"Crime Victim Assistance"	1512-38357	16.575	33,057
<i>Washington State Department of Commerce</i>			
"Crime Victim Assistance"	F14-31119-736	16.575	3,713
"Crime Victim Assistance"	F15-31119-736	16.575	3,851
			<u>53,049</u>
Department of Health and Human Services			
<i>Washington State Department of Commerce</i>			
"Community Services Block Grant"	F15-32100-027	93.569	159,902
<i>Washington State Department of Social and Health Services</i>			
"Family Violence Prevention and Services"	1412-16114	93.671	20,278
"Family Violence Prevention and Services"	1512-38357	93.671	53,936
			<u>74,214</u>
Corporation for National and Community Service			
"Retired and Senior Volunteer Program"	14SRPWA007	94.002	153,043
Department of Homeland Security			
"Emergency Food and Shelter Board Program"	889000-014	97.024	<u>12,183</u>
Total Expenditures of Federal Awards			<u><u>\$2,276,650</u></u>

SOLID GROUND WASHINGTON

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2015

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 - SUBRECIPIENTS

"Program Title"	CFDA Number	Provided to Subrecipients
"Community Development Block Grants/Entitlement Grants"	14.218	\$ 184,496

NOTE C - INDIRECT COST RATE

Solid Ground has a negotiated indirect cost rate for use on federal grants and contracts. For 2015, the provisional rate is 12.9%, based on total direct costs excluding capital expenditures, subawards and flow-through funds. As such, Solid Ground is not eligible to elect use of the 10% *de minimus* indirect cost rate.

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

June 2, 2016

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, 2015, 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 2, 2016.

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 2, 2016

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, 2015. 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, 2015.

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.

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 the Uniform Guidance. 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, 2015

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. 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 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 program tested as major was CFDA No. 14.267 "Continuum of Care."
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Solid Ground Washington was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None