MULTI-SERVICE CENTER

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2018 AND 2017

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2018

MULTI-SERVICE CENTER

MULTI-SERVICE CENTER

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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JACOBSON JARVIS & CO PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

January 24, 2019

Board of Directors
Multi-Service Center
Federal Way, Washington

We have audited the accompanying consolidated financial statements of Multi-Service Center which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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.

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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 Multi-Service Center as of June 30, 2018 and 2017, and the changes in its net assets and members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Other Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets and members' 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), is presented for purposes of additional analysis and is 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 January 24, 2019 on our consideration of Multi-Service Center'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 Multi-Service Center’s internal control over financial reporting and compliance.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018					2017				
	Multi-Service Center	Foundation	Housing Entities	Eliminations	Consolidated Total	Multi-Service Center	Foundation	Housing Entities	Eliminations	Consolidated Total
ASSETS										
Current Assets										
Cash and cash equivalents	$ 1,344,775	$ 9,954	$ 91,518		$ 1,446,247	$ 904,794	$ 9,954	$ 200,879		$ 1,115,627
Investments	-	688,461	-		688,461	-	658,220	-		658,220
Grants and other receivables	1,633,399	-	83,706	$ (223,977)	1,493,128	1,193,770	-	(11,760)	$ (197,159)	984,851
Prepaid expenses	81,217	-	116,231	-	197,448	41,631	-	121,083	-	162,714
Total Current Assets	3,059,391	698,415	291,455	(223,977)	3,825,284	2,140,195	668,174	310,202	(197,159)	2,921,412
Restricted Cash Deposits and Funded Reserves	593,588	-	5,273,162		5,866,750	619,443	-	1,988,532		2,607,975
Deferred Financing Costs, net	-	-	212,066		212,066	-	-	217,388		217,388
Investment in Affiliates	434,889	-	-	(434,889)	-	538,949	-	-	(538,949)	-
Notes Receivable from Affiliates	1,641,903	-	-	(1,641,878)	25	1,940,395	-	-	(1,940,395)	-
Property and Equipment, net	11,250,378	-	47,422,091	-	58,672,469	11,618,175	-	48,491,671	-	60,109,846
	$ 16,980,149	$ 698,415	$ 53,198,774	$ (2,300,744)	$ 68,576,594	$ 16,857,157	$ 668,174	$ 51,007,793	$ (2,676,503)	$ 65,856,621
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts payable and accrued expenses	$ 554,659	$ 3,062	$ 1,857,146	$ (223,977)	$ 2,190,890	$ 385,044	$ 3,053	$ 1,982,956	$ (495,676)	$ 1,875,377
Accrued payroll expenses	255,148	-	29,902		285,050	245,734	-	29,988		275,722
Tenant security deposits	68,046	-	209,920		277,966	69,449	-	208,858		278,307
Deferred revenue	169,723	-	12,131		181,854	280,208	-	16,869		297,077
Short-term loans and current portion of long-term	130,844	-	590,871	-	721,715	115,585	-	4,202,594	-	4,318,179
Total Current Liabilities	1,178,420	3,062	2,699,970	(223,977)	3,657,475	1,096,020	3,053	6,441,265	(495,676)	7,044,662
Accrued Interest Payable	275,287	-	518,914		794,201	239,254	-	441,563		680,817
Long-term Debt, net of current portion	9,101,821	-	42,518,712	(1,641,878)	49,978,655	9,235,168	-	36,917,049	(1,641,878)	44,510,339
Total Liabilities	10,555,528	3,062	45,737,596	(1,865,855)	54,430,331	10,570,442	3,053	43,799,877	(2,137,554)	52,235,818
Net Assets and Members' Equity										
Unrestricted net assets	6,197,690	695,353			6,893,043	6,044,620	665,121			6,709,741
Temporarily restricted net assets	226,931	-			226,931	242,095	-			242,095
Total Net Assets	6,424,621	695,353			7,119,974	6,286,715	665,121			6,951,836
Members' equity			7,461,178	(434,889)	7,026,289			7,207,916	(538,949)	6,668,967
Total Net Assets and Members' Equity	6,424,621	695,353	7,461,178	(434,889)	14,146,263	6,286,715	665,121	7,207,916	(538,949)	13,620,803
	$ 16,980,149	$ 698,415	$ 53,198,774	$ (2,300,744)	$ 68,576,594	$ 16,857,157	$ 668,174	$ 51,007,793	$ (2,676,503)	$ 65,856,621

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2018 AND 2017

	2018					2017				
	Multi-Servivce Center	Foundation	Housing Entities	Eliminations	Consolidated Total	Multi-Service Center	Foundation	Housing Entities	Eliminations	Consolidated Total
Change in Unrestricted Net Assets and Members' Equity										
Unrestricted public support										
Federal and state contracts and grants	$ 8,838,111	$ -			$ 8,838,111	$ 7,796,209	$ -			$ 7,796,209
City and county contracts and grants	639,873	-			639,873	600,348	-			600,348
Contributions and special events	824,079	-			824,079	838,077	-			838,077
In-kind contributions	2,148,091	-			2,148,091	2,336,915	-			2,336,915
Total Unrestricted Public Support	12,450,154	-			12,450,154	11,571,549	-			11,571,549
Revenue										
Fees for services	1,124,052	-	$ -	$ -	1,124,052	1,086,694	-	$ -	$ -	1,086,694
Rental income	1,312,472	-	4,225,231	-	5,537,703	1,279,100	-	3,369,988	-	4,649,088
Other revenue	691,058	36,159	1,391,691	(377,510)	1,741,398	559,098	69,161	1,454,532	(359,181)	1,723,610
Total Revenue	3,127,582	36,159	5,616,922	(377,510)	8,403,153	2,924,892	69,161	4,824,520	(359,181)	7,459,392
Net Assets Released from Purpose Restrictions	86,673	-	-	-	86,673	25,023	-	-	-	25,023
Total Unrestricted Public Support and Revenue	15,664,409	36,159	5,616,922	(377,510)	20,939,980	14,521,464	69,161	4,824,520	(359,181)	19,055,964
Expenses										
Program services	13,949,432	-	7,729,408	(481,570)	21,197,270	12,889,994	-	6,485,842	(327,534)	19,048,302
Development	307,153	-	-	-	307,153	282,741	-	-	-	282,741
General and administration	1,254,754	5,927	-	-	1,260,681	1,120,218	5,517	-	-	1,125,735
Total Expenses	15,511,339	5,927	7,729,408	(481,570)	22,765,104	14,292,953	5,517	6,485,842	(327,534)	20,456,778
Change in Unrestricted Net Assets and Members' Equity	153,070	30,232	(2,112,486)	104,060	(1,825,124)	228,511	63,644	(1,661,322)	(31,647)	(1,400,814)
Change in Temporarily Restricted Net Assets										
Contributions	71,509	-			71,509	151,645	-			151,645
Net assets released from purpose restrictions	(86,673)	-			(86,673)	(25,023)	-	-		(25,023)
Change in Temporarily Restricted Net Assets	(15,164)	-			(15,164)	126,622	-	-		126,622
Total Change in Net Assets and Members' Equity	137,906	30,232	(2,112,486)	104,060	(1,840,288)	355,133	63,644	(1,661,322)	(31,647)	(1,274,192)
Net Assets and Members' Equity - Beginning of year	6,286,715	665,121	7,207,916	(538,949)	13,620,803	5,931,582	601,477	3,989,467	(502,302)	10,020,224
Member Equity Contributions			2,365,748	-	2,365,748			4,882,271	(5,000)	4,877,271
Distributions and Syndication			-	-	-			(2,500)	-	(2,500)
Net Assets and Members' Equity - End of Year	$ 6,424,621	$ 695,353	$ 7,461,178	$ (434,889)	$ 14,146,263	$ 6,286,715	$ 665,121	$ 7,207,916	$ (538,949)	$ 13,620,803

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services									Supporting Services			
	Energy Assistance	Long-Term Care Ombudsman	Education and Employment	Food and Clothing	Housing Support	Permanent Housing	Housing Entities	Other Programs	Total Program Services	Development	General and Administration	Total Supporting Services	Total
Salaries	$ 903,906	$ 558,020	$ 645,202	$ 177,126	$ 460,118	$ 220,174	$ 1,005,042	$ 129,650	$ 4,099,238	$ 144,043	$ 690,842	$ 834,885	$ 4,934,123
Payroll taxes	74,482	44,620	53,541	14,917	38,631	22,966	103,965	10,260	363,382	11,817	55,394	67,211	430,593
Payroll benefits	259,715	87,875	162,562	51,800	104,184	11,560	86,646	32,296	796,638	34,928	129,652	164,580	961,218
Direct client support	3,007,544	4,782	198,666	2,624,171	422,053	-	1,797	2,835	6,261,848	-	934	934	6,262,782
Depreciation and amortization	16,737	2,829	1,533	8,660	39,170	318,546	2,432,600	-	2,820,075	-	19,392	19,392	2,839,467
Occupancy	141,891	46,237	103,090	66,327	262,250	204,907	1,051,537	14,452	1,890,691	17,776	116,586	134,362	2,025,053
Equipment, maintenance and repairs	49,963	7,636	8,871	4,249	190,891	228,211	756,619	-	1,246,440	56	46,996	47,052	1,293,492
Interest	-	-	-	-	-	188,786	1,087,531	-	1,276,317	-	7,633	7,633	1,283,950
Subcontractors	-	841,435	48,600	126,087	30,925	-	-	-	1,047,047	-	-	-	1,047,047
Consultants and professional services	19,366	109,056	22,795	1,907	20,733	101,358	451,635	9,498	736,348	20,531	28,411	48,942	785,290
Supplies	37,912	11,152	4,963	5,642	10,396	6,413	234,261	79	310,818	22,713	15,215	37,928	348,746
Printing, postage and advertising	38,517	7,048	5,717	2,862	6,617	3,286	126,129	335	190,511	23,240	48,259	71,499	262,010
Insurance	-	-	-	13,616	18,415	55,038	134,462	-	221,531	-	34,912	34,912	256,443
Miscellaneous	-	-	-	-	-	-	162,416	-	162,416	200	1,498	1,698	164,114
Fees and subscriptions	537	5,906	8,039	408	9,212	32,148	5,613	-	61,863	17,802	28,218	46,020	107,883
Conferences, meetings and training	6,098	20,862	18,267	572	1,657	7,841	10,656	38	65,991	13,646	26,835	40,481	106,472
Travel	19,621	38,819	17,892	925	9,348	1,058	6,081	67	93,811	401	9,863	10,264	104,075
Vehicles	-	32	4,569	23,171	1,326	-	4,777	-	33,875	-	41	41	33,916
Total Expenses	4,576,289	1,786,309	1,304,307	3,122,440	1,625,926	1,402,292	7,661,767	199,510	21,678,840	307,153	1,260,681	1,567,834	23,246,674
Eliminations	-	-	-	-	-	-	(481,570)	-	(481,570)	-	-	-	(481,570)
Total Consolidated Expense	$ 4,576,289	$ 1,786,309	$ 1,304,307	$ 3,122,440	$ 1,625,926	$ 1,402,292	$ 7,180,197	$ 199,510	$ 21,197,270	$ 307,153	$ 1,260,681	$ 1,567,834	$ 22,765,104

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services								Supporting Services			
	Energy Assistance	Long-Term Care Ombudsman	Education and Employment	Food and Clothing	Housing Support	Permanent Housing	Other Programs	Total Program Services	Development	General and Administration	Total Supporting Services	Total
Salaries	$ 897,222	$ 471,891	$ 443,381	$ 156,873	$ 389,475	$ 948,356	$ 131,607	$ 3,438,805	$ 126,330	$ 629,564	$ 755,894	$ 4,194,699
Payroll taxes	77,250	40,156	37,586	13,493	33,466	116,956	10,797	329,704	10,747	52,822	63,569	393,273
Payroll benefits	235,712	72,910	97,511	45,691	80,930	79,970	32,463	645,187	30,036	89,581	119,617	764,804
Direct client support	2,666,789	5,862	152,619	2,875,509	343,060	32,000	-	6,075,839	215	118	333	6,076,172
Depreciation and amortization	24,710	3,850	1,533	8,660	39,119	2,380,979	-	2,458,851	-	24,168	24,168	2,483,019
Occupancy	116,719	38,834	85,625	77,597	251,402	1,060,707	14,307	1,645,191	17,779	94,170	111,949	1,757,140
Equipment, maintenance and repairs	5,677	43,418	18,184	2,557	138,656	752,198	-	960,690	42	25,833	25,875	986,565
Interest	-	-	-	-	-	1,215,890	-	1,215,890	-	6,514	6,514	1,222,404
Subcontractors	-	785,416	4,400	74,224	41,397	-	-	905,437	-	-	-	905,437
Consultants and professional services	57,056	125,201	20,846	6,790	15,115	481,201	26,977	733,186	27,653	32,272	59,925	793,111
Supplies	29,768	7,892	14,162	1,772	5,342	244,644	1,255	304,835	13,424	10,600	24,024	328,859
Printing, postage and advertising	41,829	9,671	6,322	4,108	4,585	116,388	545	183,448	26,907	46,046	72,953	256,401
Insurance	29	-	1,813	14,057	20,747	122,940	-	159,586	-	47,540	47,540	207,126
Miscellaneous	-	-	150	286	75	70,376	-	70,887	-	6,621	6,621	77,508
Fees and subscriptions	250	28,839	870	474	12,127	32,289	30	74,879	13,206	25,370	38,576	113,455
Conferences, meetings and training	5,468	19,088	4,436	208	3,383	19,058	4,176	55,817	16,095	22,420	38,515	94,332
Travel	18,132	42,252	13,403	1,426	8,215	7,078	201	90,707	307	11,962	12,269	102,976
Vehicles	-	-	1,328	21,139	248	4,182	-	26,897	-	134	134	27,031
Total Expenses	4,176,611	1,695,280	904,169	3,304,864	1,387,342	7,685,212	222,358	19,375,836	282,741	1,125,735	1,408,476	20,784,312
Eliminations	-	-	-	-	-	(327,534)	-	(327,534)	-	-	-	(327,534)
Total Consolidated Expense	$ 4,176,611	$ 1,695,280	$ 904,169	$ 3,304,864	$ 1,387,342	$ 7,357,678	$ 222,358	$ 19,048,302	$ 282,741	$ 1,125,735	$ 1,408,476	$ 20,456,778

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from:		
Governmental agencies	$ 8,827,666	$ 8,276,066
Donors	895,588	989,722
Service recipients	1,102,692	1,103,747
Tenants	5,537,362	4,667,561
Other	1,776,132	1,986,139
Cash paid for:		
Personnel	(6,316,606)	(5,360,115)
Services and supplies	(10,089,149)	(9,613,043)
Interest	(1,137,522)	(1,146,051)
Net Cash Provided by Operating Activities	596,163	904,026
Cash Flows from Investing Activities		
Purchases of property and equipment	(325,980)	(5,556,459)
Proceeds from property and equipment sold	515,957	-
Net Cash Provided (Used) by Investing Activities	189,977	(5,556,459)
Cash Flows from Financing Activities		
Member equity contributions	2,365,748	-
Member equity distributions	-	(2,500)
Repayments on long-term debt	(761,642)	(634,576)
Borrowings on long-term debt	1,199,149	5,215,161
Net Cash Provided by Financing Activities	2,803,255	4,578,085
Changes in Cash and Cash Equivalents	3,589,395	(74,348)
Cash and Cash Equivalents - Beginning of Year	3,723,602	3,797,950
Cash and Cash Equivalents - End of Year	$ 7,312,997	$ 3,723,602
Noncash Investing and Financing Activity		
Repayment of long-term debt via member equity contribution	$ -	$ 4,877,271
Purchase of property through issuance of long-term debt	$ 1,401,301	$ 4,559,311

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Change in net assets and members' equity	$ (1,840,288)	$ (1,274,192)
Adjustments to reconcile change in net assets and members' equity to net cash provided by operating activities		
Depreciation and amortization	2,851,999	2,576,679
Accrued interest	113,384	106,699
Reinvested investment earnings, net of fees	5,918	1,760
Gain on sale of property	(416,595)	-
Gain on investments	(36,159)	(66,765)
Change in assets and liabilities		
Grants and other receivables	(535,095)	(86,635)
Prepaid expenses	3,632	(137,163)
Accounts payable and accrued expenses	564,931	(200,974)
Deferred revenue	(115,223)	(33,856)
Tenant security deposits	(341)	18,473
Net Cash Provided by Operating Activities	$ 596,163	$ 904,026

See notes to consolidated financial statements.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Incorporated in 1971, Multi-Service Center (MSC) was formed for the purpose of helping people achieve greater independence and discover the power of their choices. MSC is located in Federal Way, Washington, with satellite offices in Burien and Kent. The following programs are offered to individuals and families in the community:

Energy Assistance – The Low-Income Home Energy Assistance Program (LIHEAP) and other similar contracts provide South King County area low-income families with financial assistance to pay heating and emergency heating system repair bills. The program also encourages energy self-sufficiency through energy education/crisis prevention and other supportive services.

Long-Term Care Ombudsman Program (LTCO) – This program provides services throughout Washington State to improve the quality of life for individuals residing in nursing homes and other long-term care facilities. Program objectives are to insure that long-term care facility residents receive appropriate and fair medical treatment, have access to available resources and receive information about their rights.

***Education & Employment (E&E)* -** The E&E program provides adults and youth with English as a Second Language (ESL) classes; individual tutoring to improve reading, writing and math skills; and General Equivalency Diploma (GED) instruction. The E&E program provides a range of services to homeless adults and at-risk youth ages 16-24 years through its THRIVE and YES programs. Services include outreach and case management; barrier reduction assistance; pre-employment services and training; paid internship placements with community employers; leadership development; job retention and wage progression; and referrals to other agency "wrap-around services."

Food and Clothing Bank - The food and clothing bank provides emergency supplemental food and clothing to low-income individuals and families.

***Housing Support* -** The Housing Support program provides temporary housing and housing assistance services to families with dependent children, the elderly and disabled, and homeless individuals. This category includes only properties that have associated case management. Housing Support services include emergency shelter and transitional housing for single men and women in alcohol/drug abuse recovery, transitional housing for families, and housing first services for the homeless individuals.

Permanent Housing - This program operates permanent housing facilities available to low income individuals and families, as well as veterans and the elderly. This program includes all permanent housing facilities without active case management services. Permanent Housing includes "Housing Entity" properties where MSC has a minority equity interest, as well as properties fully-owned directly or indirectly by MSC.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The consolidated financial statements include the accounts and activities of Multi-Service Center, a nonprofit corporation; MSC Foundation (the Foundation), a nonprofit corporation; and the affiliated for-profit entities (the Affiliates). As of June 30, 2018, the Affiliates include SKCMSC Federal Way Associates Limited Partnership; MSC Fern Hill Terrace, LLC; MSC GP Two Apartments, LLC; Rainier View Senior, LLC; MSC Radcliffe Place Associates, LLC; Hawthorne Lane Graham Associates, LLLP; MSC Federal Way Veterans, LLC; MSC Pierce Preservation, LLC; MSC Colvos Terrace, LLC; and MSC Pierce Co Preservation, LLLP.

The affiliated entities, MSC Fern Hill Terrace, LLC and MSC Pierce Preservation, LLC, are wholly owned by Multi-Service Center and are included within the Multi-Service Center columns on the consolidated statements of financial position and of activity. All other affiliated entities are included within the Housing Entities columns.

Principles of consolidation

The consolidated financial statements include the accounts of MSC, the Foundation and the Affiliates. The consolidated entities are collectively referred to as the Center. All significant intercompany transactions have been eliminated in consolidation.

MSC controls the affiliated entities by virtue of being the sole managing member (or general partner). The properties held by these entities are expected to be transferred to MSC in the future. These partnerships and limited liability companies are subrecipients and/or assignees of government loans, grants and awards. As managing member (or general partner), MSC is contingently liable for compliance with loan, grant or award terms. MSC and the Foundation share the same board members; therefore MSC exercises control over the Foundation.

Basis of presentation

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

Unrestricted net assets are available without restriction for support of the Center's operations.

Temporarily restricted net assets are restricted by the donors to be used for certain purposes or in future periods. Temporarily restricted net assets were available for various program purposes as of June 30, 2018 and 2017.

Permanently restricted net assets represent endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. The Center had no permanently restricted net assets as of June 30, 2018 and 2017.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash consists of cash held in checking and savings accounts. For purposes of the consolidated statements of cash flows, the Center considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Center maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Center has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

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 defines 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.

Investments

Investments are reported at their fair values in the statements of financial position. Investments are subject to market risk which could have a significant impact on future valuation.

Deferred tax credit costs

Tax credit monitoring fees and related legal costs are amortized over the term of the related financing using the straight-line method. Financial accounting standards require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense for the years ended June 30, 2018 and 2017 totaled $33,044 and $33,345, respectively.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and other receivables

Trade accounts, grants and pledges receivable are stated at the amount management expects to collect from outstanding balances. Grants receivable are anticipated by management to be collected in full.

Restricted cash deposits and funded reserves

In accordance with the terms of its partnership or LLC agreements and various loans, the Center 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 MSC has established certain reserve funds. Such reserves are held in the form of cash.

Property and equipment

Land, buildings, improvements, furniture and equipment are capitalized at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided using the straight-line method over estimated useful lives of three to thirty-one years and totaled $2,851,999 and $2,576,679, respectively, for the years ended June 30, 2018 and 2017. The Center's policy is to capitalize property and equipment over $1,000. Property and equipment consists of the following at June 30:

	2018	2017
Land and improvements	$ 7,360,215	$ 6,889,833
Building and improvements	73,841,862	74,354,462
Vehicles	135,376	135,376
Furniture and equipment	2,720,376	2,576,845
Construction in progress	1,585,062	300,805
	85,642,891	84,257,321
Accumulated depreciation	(26,970,422)	(24,147,475)
	$ 58,672,469	$ 60,109,846

The Center reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net discounted cash flow expected to be generated by the rental property, including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized during the years ended June 30, 2018 and 2017.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed goods and services

Contributed materials have been recorded on the basis of rates that otherwise would have been paid for similar goods. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized.

The Center calculates the value of food donations based on the weight at the time of the donation. The dollar value per pound of food of $1.67 and $1.73 was established by the State of Washington, Emergency Food Assistance Program (EFAP) for the years ended June 30, 2018 and 2017, respectively. The Center established a value for the donation of used clothing and personal hygiene items to the emergency services program at $1.50 per pound.

Such donations cannot be resold or used internally by the organization. This method was applied consistently and the estimated fair value was not expected to be materially different from that determined using a more detailed measurement of the inventory's fair value.

The Center also received 54,400 and 60,200 hours, respectively, of donated services from volunteers assisting in office administration, food collection, food and clothing distribution and home delivery of food during the years ended June 30, 2018 and 2017. The estimated value of these services, if recorded, would be $806,500 and $897,700, respectively. No amounts have been recognized in the statements of activity for the volunteer time because the criteria for recognition under financial accounting standards have not been satisfied.

In-kind contributions for the years ended June 30:

	2018	2017
Food donations	$ 1,860,650	$ 1,908,128
Clothing and hygiene donations	287,441	428,787
	$ 2,148,091	$ 2,336,915

Restricted and unrestricted public support

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activity as net assets released from restrictions.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Revenue is defined as income earned through fee-for-service agreements that is paid by the recipients of the services provided and rental subsidies paid by third parties. Revenues are recognized in the period in which they are earned.

Concentrations

The Center receives a significant amount of its funding from governmental and private sources. In addition, a Community Services Block Grant covers a significant portion of indirect costs incurred, including administration costs. Should some of these grantors not renew the Center's grants, contracts or awards, or there were significant reductions in the federal budget related to the Center's programs, significant reductions of services would be required.

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from the estimated amounts.

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended June 30, 2017.

Income tax status

MSC and the Foundation are exempt from federal income taxes under the provisions of Section 509(a) of the Internal Revenue Code as entities described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

In addition, MSC qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(2). MSC is liable for payment on a commercial loan on one building. The portion of the building rented to for-profit entities is subject to taxation as unrelated business income if net income is realized. No such tax was due for the year ended June 30, 2018.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Affiliates with only one member, MSC Fern Hill Terrace LLC, MSC Pierce Preservation LLC and MSC Pierce Co Preservation LLLP, are considered disregarded entities for tax purposes and therefore have no tax filing requirements. The partners/members of the partnerships/limited liability companies are taxed individually on their share of earnings under applicable federal taxation laws. For the years ended June 30, 2018 and 2017, no taxes were due or payable by MSC for their share of the Affiliates' earnings.

NOTE B - AFFILIATED ORGANIZATIONS

MSC Fern Hill Terrace, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in December 2006 for the purpose of operating a 26-unit apartment project known as Fern Hill Terrace in Tacoma, WA. The project is financed by a Department of Housing and Urban Development (HUD) loan and Section 8 rent subsidies. The rent subsidy contract with HUD expires September 30, 2029. MSC is the sole member.

MSC Pierce Preservation, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in August 2013 for the purpose of operating an 18-unit apartment project known as Kenyon House in Buckley, WA. The project is financed by an Enterprise Community Loan and by the Pierce County Community Development Corporation and HUD Section 8 rent subsidies. The rent subsidy contract with HUD expires August 31, 2019. MSC is the sole member.

SKCMSC Federal Way Associates Limited Partnership

The entity was formed as a limited partnership under the laws of the State of Washington in April 2000 for the purpose of acquiring, constructing and operating a 50-unit, low-income senior housing project known as Mitchell Place Senior Residence in Federal Way, WA. MSC is the general partner with a .01% interest, and Midland Corporate Tax Credit Limited Partnership (and its subsidiaries) is the limited partner with 99.99% interest.

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit gross rent and occupant eligibility for a period of 15 consecutive years. In addition, the entity has executed an Affordable Housing Development Agreement which requires the utilization of the project pursuant to Section 42 for a minimum of 55 years, even after the disposition of the project by the entity.

NOTE B - AFFILIATED ORGANIZATIONS (Continued)

MSC Radcliffe Place Associates, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in April 2002 to construct, own and operate the Radcliffe Senior Apartments, a 135-unit senior apartment project located in Kent, WA. MSC is the managing and administrative member with a .01% total interest; AMTAX Holdings 570, LLC is the investor member with a 99.98% interest; Protech 2004-D, LLC is the special member with a .005% interest; Shelter Resources Inc. is the Class B member with a .0025% interest; and Synergy Construction Inc. is the additional Class B member with a .0025% interest.

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit gross rent and occupant eligibility for a period of 15 consecutive years. In addition, the entity has agreed to maintain 100% of the units as both rent-restricted and occupied by low-income tenants for a minimum period of 30 years beginning in 2007.

Rainier View Senior, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in January 2004 to purchase, construct and operate a 50-unit apartment project known as Rainier View Senior Apartments located in Fife, WA. MSC is the managing member with .01% interest and Community Housing Alliance III LP is the investor member with 99.99% interest.

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit rent and occupant eligibility for a period of 15 consecutive years. In addition, the entity has agreed to maintain 100% of the units, except the resident manager unit, as both rent-restricted and occupied by low-income tenants for a minimum period of 50 years beginning in 2007.

MSC GP Two Apartments, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in January 2005 to acquire, rehabilitate and operate an 86-unit, low-income residential housing project known as Villa Capri Apartments in Federal Way, WA. MSC is the managing member with .005% interest; AMTAX holdings 308, LLC is the investor member with 99.98% interest; Transamerica Affordable Housing, Inc. is the special member with a .01% interest; and Shelter Resources is the Class B member with a .005% interest.

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit gross rent and occupant eligibility for a period of 15 consecutive years. In addition, the entity has agreed to maintain 100% of the units as both rent-restricted and occupied by low-income tenants for a minimum period of 40 years beginning in 2007.

NOTE B - AFFILIATED ORGANIZATIONS (Continued)

Hawthorne Lane Graham Associates, LLLP

The entity was formed as a limited liability limited partnership under the laws of the State of Washington in August 2006 to construct and operate a 32-unit apartment project known as Hawthorne Lane Apartments located in Graham, WA. MSC is the general partner with 5.0% interest and SRI Housing Development LLC is the limited partner with 95.0% interest.

The project was financed and constructed under Section 515 of the National Housing Act. Under this program, the entity provides affordable housing to tenants, subject to regulation by Rural Development. The entity also received a grant from the Tax Credit Exchange Program. This program is administered by the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code. Under this program, housing provided by the entity is subject to monitoring of tenant eligibility by the Commission. The entity has agreed to maintain all apartment units as rent-restricted for a minimum of 37 years.

MSC Federal Way Veterans, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in July 2011 for the purpose of constructing and operating a 45-unit apartment community in Federal Way, WA. Construction began in April 2015 and was completed in November 2016. MSC is the managing member with .01% interest and NEF Assignment Corporation is the investor member with 99.99% interest.

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit gross rent and occupant eligibility for a period of 15 consecutive years. In addition, the entity has agreed to maintain all apartment units as both rent-restricted and occupied by low-income tenants for a period of 40 years.

MSC Colvos Terrace, LLC

The entity was formed as a limited liability company under the laws of the State of Washington in January 2017 for the purpose of renovating and operating a 27-unit apartment project known as Colvos Terrace in Gig Harbor, WA. In addition the entity purchased Fawcett Street Apartments from MSC Pierce Co Preservation, LLLP in June 2018. The combined project closed permanent financing on June 20, 2018. MSC is the managing member with 0.009% interest; WNC Institutional Tax Credit Fund 44, L.P. is the investor member with 99.980% interest; WNC Institutional Tax Credit Fund 44, L.P. is the special member with 0.01% interest; SRI MSC Colvos Terrace Special Member, LLC is the class B member with 0.001% interest.

NOTE B - AFFILIATED ORGANIZATIONS (Continued)

The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended, which regulates the unit rent and occupant eligibility for a period of 15 consecutive years.

MSC Pierce Co Preservation, LLLP

The entity was formed as a limited liability limited partnership under the laws of the State of Washington in January 2015 for the purpose of renovating and operating a 60 unit apartment project known as Fawcett Street Apartments in Tacoma, WA. The partnership sold the property to Colvos Terrace LLC in June 2018 and has no assets or liabilities as of June 30, 2018. The entity intends to dissolve.

NOTE C - NONCONTROLLING INTEREST

The noncontrolling Affiliate changes in consolidated members' equity are as follows:

	Managing Member (controlling)	Investor Members (noncontrolling)	Total
Members' Equity - July 1, 2016	$ 502,302	$ 3,487,165	$ 3,989,467
Change in members' equity	31,647	(1,692,969)	(1,661,322)
Members' equity contributions	5,000	4,877,271	4,882,271
Distributions and syndication	-	(2,500)	(2,500)
Members' Equity - July 1, 2017	538,949	6,668,967	7,207,916
Change in members' equity	(104,060)	(2,008,426)	(2,112,486)
Members' equity contributions	-	2,365,748	2,365,748
Members' Equity - June 30, 2018	$ 434,889	$ 7,026,289	$ 7,461,178

NOTE D - FAIR VALUE MEASUREMENTS

Assets and liabilities carried at fair value (at least annually) by the Center consist of the following:

	Input Level Hierarchy			
	(Level 1)	(Level 2)	(Level 3)	Total
As of June 30, 2018:				
Money market	$ 10,800	$ -	$ -	$ 10,800
Fixed income	300,595	-	-	300,595
Equities	377,066	-	-	377,066
	$ 688,461	$ -	$ -	$ 688,461

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

	Input Level Hierarchy			
	(Level 1)	(Level 2)	(Level 3)	Total
As of June 30, 2017:				
Money market	$ 14,090	$ -	$ -	$ 14,090
Fixed income	259,051	-	-	259,051
Equities	385,079	-	-	385,079
	$ 658,220	$ -	$ -	$ 658,220

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. The Center also use fair value concepts to test various long-lived assets for impairment.

NOTE E - LONG-TERM DEBT

Long-term debt consisted of the following at June 30:	2018	2017
MSC		
Department of Commerce, interest-only payments until May 2004, plus 50% of cash flows generated by Maple Lane Apartments for principal payment, beginning May 2005, $21,225 annually, including interest at 1%, matures May 2045. Collateralized by land and building with a recorded cost of $1,405,401, and related rents.	$ 537,611	$ 553,303
Department of Commerce, payments deferred to December 2029; thereafter payable at $25,796 per year, including 1% interest, matures December 2049. Collateralized by Victorian Place II Apartments land and building with a recorded cost of $1,448,429, and related rents.	350,000	350,000
Banner Bank, $2,212 monthly payments, including 6.5% interest, matures February 2029. Collateralized by Victorian Place II Apartments land and building with a recorded cost of $1,448,429, and related rents.	203,900	216,747
Umpqua Bank, $3,430 monthly payments which include 7% interest, matures December 2030. Collateralized by White River Apartments land and building with a recorded cost of $1,469,413. Includes certain covenants pertaining to maintenance of working capital and provision of audited financial statements.	277,623	292,410

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Department of Commerce, payments deferred until July 2006, thereafter payable at $9,463 per year, including 1% interest, matures July 2051. Collateralized by White River Apartments land and building with a recorded cost of $1,469,413.	264,884	271,631
Columbia State Bank, $1,916 monthly payments, including interest at the five-year FHLB-SEA rate plus 2.65%. Collateralized by Titusville Station land and building with a recorded cost of $1,422,015, and related rents.	136,696	161,176
Washington State HOME, 0% interest, matures December 2053, annual payments of $7,234 commenced December 2004. Collateralized by Titusville Station land and building with a recorded cost of $1,422,015.	280,234	288,018
Umpqua Bank, 5.5% interest, matures September 2040, but may be called in 2020 or 2030 at the sole discretion of lender. Monthly payments of $9,315. Collateralized by the administration land and building with a recorded cost of $3,309,253. Includes certain covenants pertaining to maintenance of working capital and provision of audited financial statements.	1,128,197	1,153,423
Federal Home Loan Bank of Seattle, 3% simple interest, annual payments from available cash flows commenced in April 2017. Matures December 2066 at which time payment of principal and accrued interest are due. Secured by deed of trust in MSC Federal Way Veterans, LLC land and building under construction with a recorded cost of $8,679,236, and recourse to MSC.	326,760	326,760
Department of Housing and Urban Development, 3.5% simple interest, due October 2039. Payments due from available cash flow. Secured by deed of trust in MSC Fern Hill Terrace, LLC land and building with a recorded cost of $1,157,016.	597,202	597,202
MSC Fern Hill Terrace, LLC		
Tacoma Community Development Authority, annual interest-only payments of $4,680. Interest accrues at 1% per annum, matures 2046. Secured by deed of trust in land and building with a recorded cost of $2,978,754.	468,000	468,000

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Pierce County Department of Community Services, 0% interest, payable in full in 2039. Secured by deed of trust in land and building with a recorded cost of $2,978,754.	300,000	300,000
State of Washington, recoverable grant of $367,000 and loan of $1,427,996, 0% interest until 2011, then interest-only quarterly payments of $3,570, principal to amortize for 10 years at 1%, then quarterly payments of $37,559 beginning March 2041. Secured by deed of trust in land and building with a recorded cost of $2,978,754.	1,794,996	1,794,996
Washington Community Reinvestment Association, 6.25% interest, monthly payments of $1,693, maturing September 2039. Secured by rental receipts and deed of trust in land and building with a recorded cost of $2,978,754.	238,670	243,894
MSC Pierce Preservation, LLC		
Washington Community Reinvestment Association, 5.5% interest, monthly payments of $1,693, maturing October 2046. Secured by rental receipts and deed of trust in land and building with a recorded cost of $2,265,291.	713,304	723,504
Pierce County Community Development Corp, non-interest bearing, annual payments based on project cash flow, matures September 2043. Secured by deed of trust in land and building with a recorded cost of $2,265,291.	1,670,000	1,670,000
	9,288,077	9,411,064
Less unamortized debt issuance costs	(55,412)	(60,311)
Less current	(130,844)	(115,585)
Total Multi-Service Center	9,101,821	9,235,168
SKCMSC Federal Way Association, LP		
Washington State HOME and HFU, 1% interest accrued until 2008, annual payments of $18,788 began November 2009, matures November 2052. Collateralized by Mitchell Place Senior Residence deed of trust in land and building with a recorded cost of $5,222,786.	552,527	565,658

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
King County note payable, 1% interest accrues annually, annual payments of $53,818 begin December 2033, matures December 2052. Collateralized by Mitchell Place Senior Residence deed of trust in land and building with a recorded cost of $5,222,786.	861,000	861,000
Washington Community Reinvestment Association, interest at prime plus 1.75%, payments of approximately $12,000 monthly until 2033. Collateralized by Mitchell Place Senior Residence deed of trust in land and building with a recorded cost of $5,222,786.	1,283,990	1,329,063
MSC Radcliffe Place Associates, LLC		
Washington State Department of Commerce HOME loan, 0% interest, matures August 2048, quarterly payments of $7,362 commenced November 2009. Collateralized by Radcliffe Place Senior Apartments deed of trust in land and building with a recorded cost of $20,079,183.	891,204	916,312
King County Housing Authority Bond, 5.65% interest, payable in monthly installments of $56,563, matures 2038. Collateralized by Radcliffe Place Senior Apartments deed of trust in land and building with a recorded cost of $20,079,183.	8,838,881	8,995,554
King County Housing and Community Development, accrues interest at 1% annually. Annual payments of $127,236 commence January 2038. Matures January 2053. Secured by Radcliffe Place Senior Apartments deed of trust in land and building with a recorded cost of $20,079,183.	1,375,000	1,375,000
Deferred developer fee payable to Class B member based on net cash flow from operations.	1,375,745	1,375,745
Rainier View Senior, LLC		
Pierce County Department of Community Services "Sponsor 2060" loan, 0% interest, annual principal and interest of $19,273 commenced March 2008 from available cash flow. Matures August 2047. Secured by Rainier View Senior Apartments land and building with a recorded cost of $7,784,806.	550,000	550,000

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Pierce County Community Development Corp. HOME loan, 9% interest, matures June 2047, annual principal payments of $10,000 based on cash flow. Secured by Rainier View Senior Apartments land and building with a recorded cost of $7,784,806.	1,669,319	1,669,319
Washington State Department of Commerce, $1,305,000 deferred until 2047 at 0% interest. $195,000 deferred two years, then annual payments of $5,000 for 39 years. Secured by Rainier View Senior Apartments land and building with a recorded cost of $7,784,806.	1,467,822	1,465,155
Enterprise Team, Inc., interest at 7%, payable through January 2048 in monthly installments of $5,736. Note is nonrecourse and is secured by the rental property and equipment.	866,969	874,811
MSC GP Two Apartments, LLC		
Department of Commerce, payments deferred until January 2017, 1% annual interest accruing for the nine year deferral period. Quarterly payments of $13,204 until October 2046. Collateralized by MSC GP Two deeds of trust in land and building with a recorded cost of $9,824,819.	1,318,246	1,367,418
King County Department of Community and Human Services note subordinated to the first mortgage, 0% interest per annum for 50 years. Payments begin January 2032 continuing through January 1, 2056. Collateralized by MSC GP Two Apartments, LLC land and building with a recorded cost of $9,824,819.	2,184,981	2,184,981
Washington Community Reinvestment Association, 7% interest per annum, monthly payments of $11,683 are due through the maturity date of August 1, 2038.	1,502,731	1,526,088
Deferred developer fee payable to Shelter Resources, Inc. based on net cash flow from operations.	95,038	95,038
Hawthorne Lane Graham Associates, LLLP		
Washington State Housing Finance Commission, Tax Credit Exchange Program, $2,906,737 approved. No payments over 15 years if remaining in compliance with use restrictions.	1,614,854	1,808,636
Washington Community Reinvestment Association, monthly payments of $9,480 at 7% per annum until December 2042.	1,331,350	1,351,166

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Rural Housing Service payable in monthly installments of $2,121 at 3.125% per annum until December 2042.	951,400	961,090
Pierce County HOME, principal payments deferred five years to 2017, subsequently principal payments from available cash flow. Due July 2050, with accrued interest at 12% per annum.	950,000	950,000
Pierce County "2060" loan, forgivable loan, matures in December 2039, if use restrictions met.	317,000	317,000
Deferred developer fee payable to Shelter Resources, Inc. based on net cash flow from operations.	61,164	69,869
MSC Federal Way Veterans, LLC		
Washington Federal construction loan, in the maximum amount of $5,500,000, accrues interest on the aggregate principal balance outstanding from time to time at an annual interest rate of 2.25% per annum above the LIBOR index, rounded to the nearest .125%, provided that at no time can the note rate be less than 2.4%. Interest-only payments are required through maturity. The note had an original maturity date of November 2016, but was extended to June 2017.	-	88,973
Washington State Department of Commerce, original amount of $1,503,528, accrues interest at 1% compounded annually beginning June 1, 2018 and ending May 31, 2068. A lump sum payment of principal and accrued interest is due May 2068.	1,503,528	1,404,378
King County Department of Community and Human Services, in the original amount of $3,448,000, accrues simple interest at the rate of 1% per annum. The note matures December 1, 2066, at which time all principal and interest are due.	3,448,000	3,448,000
MSC Colvos Terrace, LLC		
Hunt Mortgage Capital original amount of $5,470,000, accrues interest at fixed rate of 4.68%. Collateralized by MSC Colvos Terrace rental revenue and deed of trust in land and building with a recorded cost of $5,962,063. Monthly payments of $26,500 beginning August 1, 2018. Note matures July 2034, at which time all principal and interest are due.	5,470,000	-

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Pierce County in the maximum amount of $1,047,965, accrues no interest. Collateralized by MSC Colvos Terrace, LLC deed of trust in land and building subordinate to Hunt Mortgage Capital. The note matures May 1, 2048, at which time all outstanding principal is due and payable.	447,965	-
Tacoma Community Redevelopment Authority in the original amount of $400,000, accrues 1% simple interest. Collateralized by MSC Colvos Terrace, LLC deed of trust in land and building subordinate to Hunt Mortgage Capital. Annual payments from subordinated available cash flows beginning June 1, 2025. The note matures June 2048, at which time all principal and accrued interest are due and payable.	400,000	-
Washington State Department of Commerce loan, assumed balance of $988,322 from MSC Pierce Co Preservation LLLP, accrues 3.05% interest. Collateralized by MSC Colvos Terrace LLC deed of trust in land and building subordinate to Hunt Mortgage Capital. Monthly payments for 20 year amortization of principal and accrued interest begin December 31, 2034. Note matures December 2056.	988,332	-
Churchill Mortgage Construction LLC acquisition loan pending permanent financing in original amount of $2,300,000 accrues interest at 6.25% fixed per annum. Monthly installment on accrued interest due beginning May 1, 2017. Collateralized by MSC Colvos Terrace rental revenue and deed of trust in land and building with a recorded cost of $2,452,920. Loan was repaid in full in June 2018.	-	2,300,000
MSC Pierce Co Preservation, LLLP		
Churchill Mortgage Construction LLC acquisition loan pending permanent financing in original amount of $1,269,000 accrues interest at 6.25% fixed per annum. Monthly installment on accrued interest due beginning July 1, 2017. Collateralized by MSC Pierce Co Preservation, LLLP rental revenue and deed of trust in land and building with a recorded cost of $2,259,736. Loan was repaid in full in June 2018.	-	1,269,000

NOTE E - LONG-TERM DEBT (Continued)	2018	2017
Washington State Department of Commerce loan, assumed balance of $990,311 from prior owner, accrues 1% interest. Annual payments of $28,638 until December 31, 2047. Collateralized by MSC Pierce Co, LLLP deed of trust in land and building subordinate to Churchill Mortgage Construction LLC. Loan was transferred to MSC Colvos Terrace, LLC in June 2018.	-	990,311
	42,317,046	40,109,565
Less unamortized debt issuance costs	(849,341)	(631,800)
Less current portion	(590,871)	(4,202,594)
Total Housing Entities excluding intercompany notes payable	40,876,834	35,275,171
Total all long-term debt	51,605,123	49,520,629
Less unamortized debt issuance costs	(904,753)	(692,111)
Less current portion	(721,715)	(4,318,179)
	49,978,655	44,510,339

Principal reductions are as follows for the years ending June 30:

2019	$ 721,715
2020	774,234
2021	804,268
2022	835,394
2023	862,079
Thereafter	47,607,433
	$ 51,605,123

The Center capitalizes interest cost as a component of the cost of construction in progress. During the years ended June 30, 2018 and 2017, $1,378,263 and $1,283,777, respectively, of interest costs were incurred, of which $94,313 and $0, respectively, was capitalized and $1,283,950 and $1,283,777, respectively, was charged to expense.

NOTE F - RETIREMENT PLAN

The Center established a 401(k) Profit-Sharing Plan under which all employees are qualified to participate. Employer contributions to the Plan are discretionary. No such contributions were made for the years ended June 30, 2018 and 2017.

NOTE G - LEASE COMMITMENTS

The Center leases certain facilities and equipment under non-cancelable lease commitments that expire at various times through May 2022. Rental expense incurred for these leases for the year ended June 30, 2018 and 2017 was $134,910 and $57,225, respectively. Related minimum future rental commitments on these leases are:

2019	$ 135,401
2020	91,855
2021	27,095
2022	20,603
	$ 274,954

NOTE H - CONTINGENCIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Center. The amounts, if any, of expenditures which may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2018 and 2017, no such adjustments were made.

The Center has a managing member or general partner interest in the Affiliates. In addition to the general partner and managing member liabilities, the Center executed sponsor guarantee agreements guaranteeing against operating deficits and reduced tax benefits.

A significant amount of the Center’s property was obtained with grant monies. The federal and state government-funded property retains a reversionary interest to the grantor(s). Such assets may be reclaimed at the program end or if the use of the property changes from the original intent, or the grantor may relinquish title to the Center. The Center does not intend to change the use of the properties acquired with such funds.

During the year ended June 30, 2018, the Center signed construction contracts relating to the rehabilitation of the Colvos Terrance and Fawcett Street Apartments. As of June 30, 2018, $3,380,877 remained under the terms of the contracts.

NOTE I - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2018 through January 24, 2019, 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 June 30, 2018, including the estimates inherent in the processing of financial statements.

UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor *Pass-through Grantor* "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
US Department of Agriculture				
Washington State Department of Social and Health Services				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1612-74825		$ -	$ 9,641
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1712-15787		-	34,718
WithinReach			-	44,359
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1712-15506-10		-	28,097
SNAP Cluster		10.561	-	72,456
Washington State Department of Social and Health Services				
"Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP"	1512-50133		-	56,210
"Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP"	1712-16249		-	203,753
		10.596	-	259,963
Office of the Superintendent of Public Instruction				
"Summer Food Service Program for Children"	17-OSPI-SM		-	47,909
"Summer Food Service Program for Children"	18-OSPI-SM		-	2,651
Child Nutrition Cluster		10.559	-	50,560
Food Lifeline				
"Emergency Food Assistance Program (Administrative Costs)"	1518-TEFAP	10.568	-	2,525
"Emergency Food Assistance Program (Food Commodities)"	1518-TEFAP	10.569	-	420,845
Food Distribution Cluster			-	423,370
Total US Department of Agriculture			-	806,349
US Department of Labor				
King County Department of Community and Human Services				
"WIA Youth Activities"				
WIA Cluster	5855757-II		-	61,197
Total US Department of Labor		17.259	-	61,197

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor *Pass-through Grantor* "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
US Department of Housing and Urban Development				
"Continuum of Care Program"	WA0025LOT001609		-	14,997
"Continuum of Care Program"	WA0025LOT001710		-	11,135
			-	26,132
King County Community Services				
"Continuum of Care Program"	5859193-III		-	305,573
		14.267	-	331,705
King County				
"Section 8 Housing Choice Vouchers"	WA19K002002		-	42,539
"Section 8 Housing Choice Vouchers"	WA19K002002		-	29,541
Housing Voucher Cluster		14.871	-	72,080
King County				
"Community Development Block Grants/Entitlement Grants"	5899263-II		-	50,237
"Community Development Block Grants/Entitlement Grants"	5859193-III		-	24,632
Solid Ground Washington				
"Community Development Block Grants/Entitlement Grants"	5900391 EX VII		-	2,126
"Community Development Block Grants/Entitlement Grants"	SG-2018		-	1,172
City of Federal Way				
"Community Development Block Grants/Entitlement Grants"	FW BG 2017		-	20,850
"Community Development Block Grants/Entitlement Grants"	AG17-170		-	3,480
"Community Development Block Grants/Entitlement Grants"	AG17-170 AMD 1		-	6,046
City of Kent				
"Community Development Block Grants/Entitlement Grants"	BG-1705-1805		-	60,937
City of Auburn				
"Community Development Block Grants/Entitlement Grants"	BG-1702		-	5,000
"Community Development Block Grants/Entitlement Grants"	BG-1802		-	5,000
CDBG - Entitlement Grants Cluster		14.218	-	179,480
Total US Department of Housing and Urban Development			-	583,265

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor *Pass-through Grantor* "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
US Department of Health and Human Services				
Washington State Department of Commerce				
"Low-Income Home Energy Assistance"	17-32606-077		-	858,540
"Low-Income Home Energy Assistance"	18-32606-077		-	2,905,350
		93.568*	-	3,763,890
City of Seattle				
"Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation"	DA-17-1071		-	11,306
"Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation"	DA-18-1071		-	9,725
Northwest Regional Council				
"Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation"	201015-LTCO-17		-	1,980
		93.041	-	23,011
Washington State Department of Commerce				
"Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals"	18-32303-001 Amend 1		-	58,349
Northwest Regional Council				
"Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals"	201015-LTCO-18		-	1,979
		93.042	-	60,328
Washington State Department of Commerce				
"Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers"	18-32303-001 Amend 1		-	314,991
City of Seattle - King County				
"Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers"	DA-17-1071		-	5,167
"Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers"	DA-18-1071		-	3,940
Aging Cluster		93.044	-	324,098

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor *Pass-through Grantor* "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
US Department of Health and Human Services (Continued)				
Washington State Department of Commerce				
"Community Services Block Grant"	F17-32100-017		-	280,826
"Community Services Block Grant"	F18-32100-217		-	397,885
		93.569	-	678,711
Total US Department of Health and Human Services			-	4,850,038
US Department of Justice				
Disability Rights Washington				
"Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities"	2016-FW-AX-K008	16.529	-	15,966
Washington State Department of Commerce				
Crime Victim Assistance	F17-31219-521	16.575	-	22,333
Total US Department of Justice			-	38,299
US Department of Homeland Security				
"Emergency Food and Shelter National Board Program"	33-8890-00-004		17,559	17,913
"Emergency Food and Shelter National Board Program"	34-8890-00 004		135,452	168,249
		97.024	153,011	186,162
Total Expenditures of Federal Awards			$ 153,011	$ 6,525,310

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

NOTE A - BASIS OF PRESENTATION

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

NOTE B - INDIRECT COST RATE

Multi-Service Center does not have a negotiated indirect cost rate for use on federal grants and contracts. As such, Multi-Service Center has elected to use 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*

January 24, 2019

Board of Directors
Multi-Service Center
Federal Way, 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 Multi-Service Center (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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, and have issued our report thereon dated January 24, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the consolidated financial statements, we considered Multi-Service Center'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 Multi-Service Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of Multi-Service Center’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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider to be a significant deficiency.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether Multi-Service Center'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*.

Multi-Service Center's Response to Findings
Multi-Service Center's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Multi-Service Center's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 Multi-Service Center'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 Multi-Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jacobson Jarvis & Co, PLLC

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

January 24, 2019

Board of Directors
Multi-Service Center
Federal Way, Washington

Report on Compliance with Each Major Federal Program

We have audited Multi-Service Center'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 Multi-Service Center's major federal programs for the year ended June 30, 2018. Multi-Service Center'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Multi-Service Center'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 Multi-Service Center'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 Multi-Service Center's compliance.

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Opinion on Each Major Federal Program

In our opinion, Multi-Service Center 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 June 30, 2018.

Report on Internal Control Over Compliance

Management of Multi-Service Center 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 of compliance, we considered Multi-Service Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program 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 Multi-Service Center'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 a 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 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

Jacobson Jarvis & Co, PLLC

MULTI-SERVICE CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the consolidated financial statements of Multi-Service Center.

2. A significant deficiency relating to the consolidated financial statements is reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The significant deficiency was not considered to be a material weakness.

3. No instances of noncompliance material to the consolidated financial statements of Multi-Service Center 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 Multi-Service Center expresses an unmodified opinion.

6. Audit findings relative to the major federal award program for Multi-Service Center are reported in Part C of this Schedule.

7. The program tested as major was Low-Income Home Energy Assistance, CFDA No. 93.568.

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Multi-Service Center was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2018-001 Entity-level Controls

Criteria: Management is responsible for the design, implementation and maintenance of an internal control system to provide reasonable assurance that the consolidated financial statements of Multi-Service Center will be fairly presented in accordance with generally accepted accounting principles.

Condition: Multi-Service Center's internal control structure has focused on process level controls over cash receipts, cash disbursements, payroll and contract and grant compliance. However, controls over the consolidation process were not adequately designed and implemented. In addition, we noted a lack of a formal monitoring process with respect to internal controls.

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Cause: Multi-Service Center lack the depth of personnel necessary to implement controls over the consolidation process.

Effect: As a result of the situation noted above, there were adjustments made during the audit process in order for the consolidated financial statements to be presented in accordance with generally accepted accounting principles.

Recommendation: We recommend that Multi-Service Center consider resources such as hiring contract assistance during the year-end consolidation process to provide additional resources and oversight to the process. In addition, such a resource could be used in implementing a process for routine monitoring of internal controls throughout the year.

Views of a Responsible Official: Management concurs with the finding and recommendation and is taking appropriate corrective action.

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

None

MULTI-SERVICE CENTER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT AUDIT

2017-001 Entity-level Controls

Criteria: Management is responsible for the design, implementation and maintenance of an internal control system to provide reasonable assurance that the consolidated financial statements of Multi-Service Center will be fairly presented in accordance with generally accepted accounting principles.

Condition: Multi-Service Center's internal control structure has focused on process level controls over cash receipts, cash disbursements, payroll and contract and grant compliance. However, controls over certain aspects of financial reporting such as non-cash contributions, depreciation, supplementary information and consolidation were not adequately designed and implemented. In addition, we noted a lack of formal process for the review and approval of journal entries and bank reconciliations and a lack of a formal monitoring process with respect to internal controls.

Cause: Previously employed accounting personnel did not possess the level of accounting knowledge necessary to understand and properly treat the complex accounting associated with the business complexities of Multi-Service Center. Multi-Service Center has retained more experienced personnel. However, as of June 30, 2017, the accounting department had not yet been able to fully correct all prior errors and implement the necessary internal control improvements to ensure the preparation and presentation of consolidated financial statements in accordance with generally accepted accounting principles.

Effect: As a result of the situation noted above, there were significant adjustments made during the audit process in order for the consolidated financial statements to be presented in accordance with generally accepted accounting principles.

Current Status: Internal control improvements implemented during fiscal year 2017 and noted in fiscal 2017 audit have been in effect throughout fiscal 2018 with continued improvements. In addition, quarterly reconciliation process of fundraising records to accounting records and monthly re-footing of in-kind donations of food and clothing were in place all year.

At the end of fiscal 2018 the MSC Board was provided a report analyzing and grading major and select accounting functions in accordance with the five aspects of internal control per the COSO framework (control environment, risk assessment, information and communication, control activities and monitoring) as well as a detailed report of internal controls and processes related to in-kind donations.

Finally, processes for correct consolidation of housing entities with improved review, correction and elimination of inter-entity balances was in effect in compilation of fiscal 2018 consolidated financial statements.

MULTI-SERVICE CENTER
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Corrective Action Plan
January 23, 2019

Multi-service Center submits the following corrective action plan for the year ended June 30, 2018.

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

Audit period: July 1, 2017 to June 30, 2018

Contact person responsible for corrective action: Joe Evers, Finance Director

2018-001: Financial Reporting

Condition: Multi-Service Center's internal control structure has focused on process level controls over cash receipts, cash disbursements, payroll and contract and grant compliance. However, controls over the consolidation process were not adequately designed and implemented. In addition, we noted a lack of a formal monitoring process with respect to internal controls.

Cause: Multi-Service Center lack the depth of personnel necessary to implement controls over the consolidation process.

Effect: As a result of the situation noted above, there were adjustments made during the audit process in order for the consolidated financial statements to be presented in accordance with generally accepted accounting principles.

Response: Effective January 23, 2019 MSC plans to take the following corrective action:

MSC's treasurer will perform a review of the fiscal year end consolidation going forward. Currently, MSC's treasurer is a licensed CPA with consolidation experience. If in future years MSC has a treasurer who is not qualified to perform a consolidation review MSC will pursue other options to ensure adequate review takes place.

In addition, MSC's Finance Analyst who is also a licensed CPA participated in the consolidation process for the first time in fiscal year 2018 so will be in a better position to review and work in collaboration with the Finance Director for future consolidations.

Lastly, there was a complex transaction between MSC consolidated affiliate entities during fiscal year 2018 which added considerable complexity to the consolidation of fiscal year 2018 financial statements. MSC Colvos Terrace LLC purchased Colvos Terrace apartments from MSC Pierce Co Preservation, LLLP (see Note B of financial statements). MSC does not anticipate transactions with those same complexities occurring in the future.

Robin Corak
Executive Director

Joe Evers
Finance Director