MULTI-SERVICE CENTER

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2019 AND 2018

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2019

MULTI-SERVICE CENTER

MULTI-SERVICE CENTER

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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JACOBSON JARVIS & CO PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

December 12, 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, 2019 and 2018, 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, 2019 and 2018, 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 December 12, 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, 2019 AND 2018

| | 2019 | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | $ 1,079,069 | $ 6,881 | $ 807,790 | | $ 1,893,740 | $ 1,330,886 | $ 9,954 | $ 2,181,699 | | $ 3,522,539 |
| Investments | - | 719,013 | - | | 719,013 | - | 688,461 | - | | 688,461 |
| Grants and other receivables | 1,950,199 | - | 49,176 | $ (320,267) | 1,679,108 | 1,633,399 | - | 83,706 | $ (223,977) | 1,493,128 |
| Prepaid expenses | 67,132 | - | 120,661 | - | 187,793 | 81,217 | - | 116,231 | - | 197,448 |
| Total Current Assets | 3,096,400 | 725,894 | 977,627 | (320,267) | 4,479,654 | 3,045,502 | 698,415 | 2,381,636 | (223,977) | 5,901,576 |
| Restricted Cash Deposits and Funded Reserves | 613,711 | - | 2,712,497 | | 3,326,208 | 607,477 | - | 3,182,981 | | 3,790,458 |
| Deferred Financing Costs, net | - | - | 225,586 | | 225,586 | - | - | 212,066 | | 212,066 |
| Investment in Affiliates | 505,256 | - | - | (505,256) | - | 434,889 | - | - | (434,889) | - |
| Notes Receivable from Affiliates | 2,058,278 | - | - | (2,058,278) | - | 1,641,903 | - | - | (1,641,878) | 25 |
| Property and Equipment, net | 10,903,017 | - | 49,898,156 | - | 60,801,173 | 11,250,829 | - | 47,422,091 | - | 58,672,920 |
| | $ 17,176,662 | $ 725,894 | $ 53,813,866 | $ (2,883,801) | $ 68,832,621 | $ 16,980,600 | $ 698,415 | $ 53,198,774 | $ (2,300,744) | $ 68,577,045 |
| LIABILITIES AND NET ASSETS | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 790,737 | $ 1,845 | $ 2,421,926 | $ (320,267) | $ 2,894,241 | $ 554,659 | $ 3,062 | $ 1,857,146 | $ (223,977) | $ 2,190,890 |
| Accrued payroll expenses | 286,394 | - | 27,408 | | 313,802 | 255,148 | - | 29,902 | | 285,050 |
| Tenant security deposits | 70,018 | - | 209,694 | | 279,712 | 68,046 | - | 209,920 | | 277,966 |
| Deferred revenue | 71,485 | - | 20,073 | | 91,558 | 169,723 | - | 12,131 | | 181,854 |
| Short-term loans and current portion of long-term | 134,312 | - | 604,381 | - | 738,693 | 130,844 | - | 590,871 | - | 721,715 |
| Total Current Liabilities | 1,352,946 | 1,845 | 3,283,482 | (320,267) | 4,318,006 | 1,178,420 | 3,062 | 2,699,970 | (223,977) | 3,657,475 |
| Accrued Interest Payable | 304,345 | - | 655,296 | | 959,641 | 275,287 | - | 518,914 | | 794,201 |
| Long-term Debt, net of current portion | 8,879,171 | - | 43,534,789 | (2,058,278) | 50,355,682 | 9,102,272 | - | 42,518,712 | (1,641,878) | 49,979,106 |
| Total Liabilities | 10,536,462 | 1,845 | 47,473,567 | (2,378,545) | 55,633,329 | 10,555,979 | 3,062 | 45,737,596 | (1,865,855) | 54,430,782 |
| Net Assets and Members' Equity | | | | | | | | | | |
| Net assets without donor restrictions | 6,450,922 | 724,049 | | | 7,174,971 | 6,197,690 | 695,353 | | | 6,893,043 |
| Net assets with donor restrictions | 189,278 | - | | | 189,278 | 226,931 | - | | | 226,931 |
| Total Net Assets | 6,640,200 | 724,049 | | | 7,364,249 | 6,424,621 | 695,353 | | | 7,119,974 |
| Members' equity | | | 6,340,299 | (505,256) | 5,835,043 | | | 7,461,178 | (434,889) | 7,026,289 |
| Total Net Assets and Members' Equity | 6,640,200 | 724,049 | 6,340,299 | (505,256) | 13,199,292 | 6,424,621 | 695,353 | 7,461,178 | (434,889) | 14,146,263 |
| | $ 17,176,662 | $ 725,894 | $ 53,813,866 | $ (2,883,801) | $ 68,832,621 | $ 16,980,600 | $ 698,415 | $ 53,198,774 | $ (2,300,744) | $ 68,577,045 |

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Multi-Service Center | Foundation | Housing Entities | Eliminations | Consolidated Total | Multi-Service Center | Foundation | Housing Entities | Eliminations | Consolidated Total |
| Change in Net Assets Without Donor Restrictions and Members' Equity | | | | | | | | | | |
| Public support | | | | | | | | | | |
| Federal and state contracts and grants | $ 8,902,268 | $ - | | | $ 8,902,268 | $ 8,838,111 | $ - | | | $ 8,838,111 |
| City and county contracts and grants | 718,672 | - | | | 718,672 | 639,873 | - | | | 639,873 |
| Contributions and special events | 1,011,959 | - | | | 1,011,959 | 824,079 | - | | | 824,079 |
| In-kind contributions | 2,065,205 | - | | | 2,065,205 | 2,148,091 | - | | | 2,148,091 |
| Total Public Support | 12,698,104 | - | | | 12,698,104 | 12,450,154 | - | | | 12,450,154 |
| Revenue | | | | | | | | | | |
| Fees for services | 1,331,276 | - | $ - | $ - | 1,331,276 | 1,337,699 | - | $ - | $ - | 1,337,699 |
| Rental income | 1,409,073 | - | 4,432,231 | - | 5,841,304 | 1,312,472 | - | 4,225,231 | - | 5,537,703 |
| Other revenue | 723,945 | 39,207 | 1,384,678 | (707,000) | 1,440,830 | 477,411 | 36,159 | 1,391,691 | (377,510) | 1,527,751 |
| Total Revenue | 3,464,294 | 39,207 | 5,816,909 | (707,000) | 8,613,410 | 3,127,582 | 36,159 | 5,616,922 | (377,510) | 8,403,153 |
| Net Assets Released from Purpose Restrictions | 83,549 | - | - | - | 83,549 | 86,673 | - | - | - | 86,673 |
| Total Public Support and Revenue | 16,245,947 | 39,207 | 5,816,909 | (707,000) | 21,395,063 | 15,664,409 | 36,159 | 5,616,922 | (377,510) | 20,939,980 |
| Expenses | | | | | | | | | | |
| Program services | 14,230,730 | - | 8,742,642 | (707,154) | 22,266,218 | 13,949,432 | - | 7,729,408 | (481,570) | 21,197,270 |
| Development | 303,802 | - | - | - | 303,802 | 307,153 | - | - | - | 307,153 |
| General and administration | 1,458,183 | 10,511 | - | - | 1,468,694 | 1,254,754 | 5,927 | - | - | 1,260,681 |
| Total Expenses | 15,992,715 | 10,511 | 8,742,642 | (707,154) | 24,038,714 | 15,511,339 | 5,927 | 7,729,408 | (481,570) | 22,765,104 |
| Change in Net Assets Without Donor Restrictions and Members' Equity | 253,232 | 28,696 | (2,925,733) | 154 | (2,643,651) | 153,070 | 30,232 | (2,112,486) | 104,060 | (1,825,124) |
| Change in Net Assets With Donor Restrictions | | | | | | | | | | |
| Contributions | 45,896 | - | | | 45,896 | 71,509 | - | | | 71,509 |
| Net assets released from purpose restrictions | (83,549) | - | - | | (83,549) | (86,673) | - | - | | (86,673) |
| Change in Net Assets With Donor Restrictions | (37,653) | - | - | | (37,653) | (15,164) | - | - | | (15,164) |
| Total Change in Net Assets and Members' Equity | 215,579 | 28,696 | (2,925,733) | 154 | (2,681,304) | 137,906 | 30,232 | (2,112,486) | 104,060 | (1,840,288) |
| Net Assets and Members' Equity - Beginning 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 |
| Member Equity Contributions | | | 1,894,853 | - | 1,894,853 | | | 2,365,748 | - | 2,365,748 |
| Distributions and Syndication | | | (89,999) | (70,521) | (160,520) | | | - | - | - |
| Net Assets and Members' Equity - End of Year | $ 6,640,200 | $ 724,049 | $ 6,340,299 | $ (505,256) | $ 13,199,292 | $ 6,424,621 | $ 695,353 | $ 7,461,178 | $ (434,889) | $ 14,146,263 |

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

| | 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 | $ 896,079 | $ 697,181 | $ 514,735 | $ 182,961 | $ 553,878 | $ 266,193 | $ 1,055,882 | $ 123,909 | $ 4,290,818 | $ 143,207 | $ 776,700 | $ 919,907 | $ 5,210,725 |
| Payroll taxes | 75,295 | 59,215 | 42,929 | 15,552 | 47,387 | 25,978 | 106,448 | 10,256 | 383,060 | 11,865 | 64,606 | 76,471 | 459,531 |
| Payroll benefits | 258,993 | 103,125 | 116,526 | 52,330 | 99,338 | 15,082 | 77,985 | 25,705 | 749,084 | 34,075 | 161,076 | 195,151 | 944,235 |
| Direct client support | 2,782,657 | 1,904 | 223,949 | 2,565,759 | 474,478 | - | 2,368 | 4,298 | 6,055,413 | 75 | 1,190 | 1,265 | 6,056,678 |
| Depreciation and amortization | 5,258 | 2,622 | 918 | 19,624 | 29,264 | 269,035 | 2,443,220 | - | 2,769,941 | - | 21,850 | 21,850 | 2,791,791 |
| Occupancy | 157,571 | 51,207 | 98,159 | 72,080 | 270,845 | 230,493 | 1,424,309 | 15,876 | 2,320,540 | 18,344 | 130,544 | 148,888 | 2,469,428 |
| Equipment, maintenance and repairs | 51,188 | 11,781 | 7,007 | 13,629 | 184,632 | 265,977 | 930,331 | 2 | 1,464,547 | 1,416 | 54,171 | 55,587 | 1,520,134 |
| Interest | - | - | - | - | 404 | 136,780 | 1,249,515 | - | 1,386,699 | - | 6,354 | 6,354 | 1,393,053 |
| Subcontractors | - | 1,026,552 | 135,196 | 88,908 | 17,722 | - | - | - | 1,268,378 | - | - | - | 1,268,378 |
| Consultants and professional services | 9,158 | 141,256 | 35,829 | 1,994 | 16,866 | 93,931 | 742,294 | 3,657 | 1,044,985 | 30,483 | 74,997 | 105,480 | 1,150,465 |
| Supplies | 31,898 | 40,333 | 4,678 | 6,265 | 11,471 | 7,519 | 247,630 | 234 | 350,028 | 15,456 | 22,169 | 37,625 | 387,653 |
| Printing, postage and advertising | 34,475 | 9,007 | 6,294 | 2,371 | 6,038 | 3,911 | 75,702 | 497 | 138,295 | 25,155 | 39,830 | 64,985 | 203,280 |
| Insurance | - | - | - | 17,727 | 35,351 | 52,610 | 113,895 | - | 219,583 | - | 39,405 | 39,405 | 258,988 |
| Miscellaneous | - | 1,029 | (9,137) | - | 9,373 | 9 | 229,212 | - | 230,486 | - | 2,132 | 2,132 | 232,618 |
| Fees and subscriptions | 1,923 | 29,738 | 6,970 | 935 | 1,763 | 33,102 | 8,294 | 185 | 82,910 | 8,581 | 41,728 | 50,309 | 133,219 |
| Conferences, meetings and training | 10,573 | 27,857 | 13,932 | (65) | 7,632 | 13,746 | 12,116 | 805 | 86,596 | 14,819 | 25,564 | 40,383 | 126,979 |
| Travel | 13,265 | 46,657 | 10,536 | 957 | 9,251 | 3,995 | 4,079 | 114 | 88,854 | 326 | 6,377 | 6,703 | 95,557 |
| Vehicles | - | - | 2,652 | 32,159 | 5,336 | 1 | 3,006 | 1 | 43,155 | - | 1 | 1 | 43,156 |
| Total Expenses | 4,328,333 | 2,249,464 | 1,211,173 | 3,073,186 | 1,781,029 | 1,418,362 | 8,726,286 | 185,539 | 22,973,372 | 303,802 | 1,468,694 | 1,772,496 | 24,745,868 |
| Eliminations | - | - | - | - | - | - | (707,154) | - | (707,154) | - | - | - | (707,154) |
| Total Consolidated Expense | $4,328,333 | $2,249,464 | $ 1,211,173 | $ 3,073,186 | $ 1,781,029 | $ 1,418,362 | $ 8,019,132 | $ 185,539 | $ 22,266,218 | $ 303,802 | $ 1,468,694 | $1,772,496 | $ 24,038,714 |

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 STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from: | | |
| Governmental agencies | $ 9,248,374 | $ 8,827,666 |
| Donors | 1,057,855 | 895,588 |
| Service recipients | 1,355,004 | 1,331,187 |
| Tenants | 5,843,050 | 5,537,362 |
| Other | 1,853,129 | 1,368,703 |
| Cash paid for: | | |
| Personnel | (6,585,739) | (6,316,606) |
| Services and supplies | (10,180,839) | (10,103,997) |
| Interest | (1,169,962) | (1,137,296) |
| Net Cash Provided by Operating Activities | 1,420,872 | 402,607 |
| **Cash Flows from Investing Activities** | | |
| Purchases of property and equipment | (5,348,987) | (326,206) |
| Proceeds from property and equipment sold | - | 515,957 |
| Net Cash (Used) Provided by Investing Activities | (5,348,987) | 189,751 |
| **Cash Flows from Financing Activities** | | |
| Member equity contributions | 1,894,853 | 2,365,748 |
| Member equity distributions | - | - |
| Repayments on long-term debt | (659,787) | (567,860) |
| Borrowings on long-term debt | 600,000 | 1,199,149 |
| Net Cash Provided by Financing Activities | 1,835,066 | 2,997,037 |
| Changes in Cash and Cash Equivalents | (2,093,049) | 3,589,395 |
| Cash and Cash Equivalents - Beginning of Year | 7,312,997 | 3,723,602 |
| Cash and Cash Equivalents - End of Year | $ 5,219,948 | $ 7,312,997 |
| Noncash Investing and Financing Activity | | |
| Purchase of property through issuance of long-term debt | $ 767,121 | $ 1,401,301 |

See notes to consolidated financial statements.

MULTI-SERVICE CENTER

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| Change in net assets and members' equity | $ (2,751,825) | $ (1,840,288) |
| Adjustments to reconcile change in net assets and members' equity to net cash provided by operating activities | | |
| Depreciation and amortization | 2,874,313 | 2,851,999 |
| Accrued interest | 165,440 | 113,384 |
| Reinvested investment earnings, net of fees | (1,039) | 5,918 |
| Forgiveness of debt | (193,782) | (193,782) |
| Gain on sale of property | - | (416,595) |
| Gain on investments | (29,513) | (36,159) |
| Change in assets and liabilities | | |
| Grants and other receivables | (282,270) | (535,095) |
| Prepaid expenses | 53,786 | 3,858 |
| Accounts payable and accrued expenses | 1,674,312 | 564,931 |
| Deferred revenue | (90,296) | (115,223) |
| Tenant security deposits | 1,746 | (341) |
| Net Cash Provided by Operating Activities | $ 1,420,872 | $ 402,607 |

See notes to consolidated financial statements.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Since 1971, Multi-Service Center (MSC) has worked toward empowering individuals to help build a thriving South King County community. MSC's mission is to build a future without poverty by creating pathways to help, hope, and dignity for our neighbors. MSC does this through the following programs and services provided through offices in Federal Way, Kent, and Burien, as well as through outreach in other South King County communities:

***Economic Stability (Housing, Education, and Employment)*** – Recognizing that stability is the cornerstone to overcoming many barriers, MSC offers resources in housing, education, and employment. MSC's housing support programs include family shelter, transitional housing for men and women in recovery, rental assistance, and diversion funds to keep people from being homeless. MSC is also a Regional Access Point for families and individuals to gain entry to King County's Coordinated Entry for All Program. MSC utilizes volunteers to provide adult basic education, English as a second language, and GED preparation. MSC offers adults skills training, internships when available, and job-seeking training through their THRIVE employment program. MSC also has programs geared specifically towards youth and young adults to help them achieve their education and employment goals.

***Permanent Affordable Housing*** – MSC owns and operates affordable housing throughout South King County and some of Pierce County. Some of this affordable housing is geared toward target populations such as seniors and veterans. One of MSC's permanent affordable housing programs for veterans also provides case management and support for formerly homeless veterans and their families. MSC's permanent housing includes "housing entity" properties where MSC has a minority equity interest, as well as properties fully-owned directly or in-directly by MSC.

***Food and Clothing*** – MSC food bank provides supplemental food to residents of the Federal Way School District and people can visit the food bank once a week. Individuals and families can also receive assistance in signing up for Basic Food Benefits (food stamps) at the food bank. The clothing bank is open to any South King County resident and people can visit the clothing bank once a month.

***Energy Assistance*** – MSC's energy assistance program helps individuals and families to keep their lights and heat on through LIHEAP (Low-Income Energy Assistance Program) and PSE Helps funding. Assistance can be provided for electricity, gas, propane and wood, and is based on the family size and energy usage. Households do not have to be in crisis to receive help, they only need to meet the eligibility guidelines. Energy education and other support services are also provided to help encourage self-sufficiency.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Long-Term Care Ombuds Program (LTCOP) –*** A federally mandated program, MSC houses the Washington State Long-Term Care Ombuds Program which provides advocacy for residents of long-term care facilities throughout Washington State. Using a network of over 300 volunteers, LTCOP ensures that long-term care facilities residents receive appropriate and fair medical treatment, have access to valuable resources and receive information about their rights.

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, 2019, the Affiliates include MSC Pierce Preservation LLC; MSC Fern Hill Terrace, LLC; SKCMSC Federal Way Associates Limited Partnership; MSC Radcliffe Place Associates, LLC; Rainier View Senior, LLC; MSC GP Two Apartments, LLC; Hawthorne Lane Graham Associates, LLLP; MSC Federal Way Veterans, LLC; MSC Pierce Preservation, LLC; and MSC Colvos Terrace, LLC.

The affiliated entities, MSC Pierce Preservation, LLC and MSC Fern Hill Terrace, 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.

Adoption of new accounting pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. MSC has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated the investment portfolio for future reserves. Board designated net assets are a component of net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of June 30, 2019 and 2018, net assets with donor restrictions were available for various program purposes.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Cash and cash equivalents

Cash consists of cash held in checking and savings accounts. For purposes of the consolidated statements of cash flows, MSC considers all highly liquid investments without donor restriction with an initial maturity of three months or less to be cash equivalents. MSC maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. MSC has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

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 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.

Debt issuance 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, 2019 and 2018 totaled $57,651 and $33,044, respectively.

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.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 forty years and totaled $2,874,313 and $2,851,999, respectively, for the years ended June 30, 2019 and 2018. MSC's policy is to capitalize property and equipment over $1,000. Property and equipment consists of the following at June 30:

| | 2019 | 2018 |
|---|---|---|
| Land and improvements | $ 7,264,994 | $ 7,360,215 |
| Building and improvements | 79,764,113 | 73,841,862 |
| Vehicles | 203,711 | 135,376 |
| Furniture and equipment | 3,277,209 | 2,720,376 |
| Construction in progress | - | 1,585,062 |
| | 90,510,027 | 85,642,891 |
| Accumulated depreciation | (29,708,854) | (26,969,971) |
| | $60,801,173 | $58,672,920 |

MSC 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, 2019 and 2018.

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.

MSC calculates the value of food and non-food donations based on the weight at the time of the donation. The dollar value per pound of food of $1.67 was established by the State of Washington, Emergency Food Assistance Program (EFAP) for the years ended June 30, 2019 and 2018, respectively.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

MSC also received 47,300 and 54,400 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, 2019 and 2018. The estimated value of these services, if recorded, would be $827,600 and $806,500, 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:

| | 2019 | 2018 |
|---|---|---|
| Food donations | $ 1,709,286 | $ 1,860,650 |
| Clothing and hygiene donations | 355,919 | 287,441 |
| | $ 2,065,205 | $ 2,148,091 |

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

MSC 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 financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, vehicle costs, and other, which are allocated on the basis of estimates of time and effort.

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the 2018 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, 2018.

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, 2019.

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, 2019 and 2018, no taxes were due or payable by MSC for their share of the Affiliates' earnings.

NOTE B - AFFILIATED ORGANIZATIONS

***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 on August 31, 2024. MSC is the sole member.

***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.

NOTE B - AFFILIATED ORGANIZATIONS (Continued)

***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.

***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.

NOTE B - AFFILIATED ORGANIZATIONS (Continued)

***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.

***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.

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 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.

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.

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, 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 - July 1, 2018 | 434,889 | 7,026,289 | 7,461,178 |
| Change in members' equity | 70,367 | (2,996,100) | (2,925,733) |
| Members' equity distributions | - | (89,999) | (89,999) |
| Members' equity contributions | - | 1,894,853 | 1,894,853 |
| Members' Equity - June 30, 2019 | $ 505,256 | $ 5,835,043 | $ 6,340,299 |

## NOTE D - LIQUIDITY

MSC regularly monitors liquidity required to meet its operating needs and other contractual commitments. Amounts not available include balances set aside for property reserves that could be drawn upon under certain conditions.

To help manage an unanticipated liquidity need, MSC maintains a line of credit of $400,000 which may be utilized if needed. This line of credit was not accessed during either fiscal year 2018 or 2019. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution.

The following table reflects MSC's liquid assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions or internal board designations.

| | |
|---|---|
| Financial Assets | |
| Cash and cash equivalents | $ 5,219,948 |
| Investments | 719,013 |
| Grants and other receivables | 1,679,108 |
| Total Financial Assets | 7,618,069 |
| Less: Financial Assets Not Available for Use Within 1 Year | |
| Restricted cash deposits and funded reserves | 3,326,208 |
| Purpose restricted net assets | 189,278 |
| Financial Assets Not Available for Use Within 1 Year | 3,515,486 |
| **Total Financial Assets Available for Use Within 1 Year** | **$ 4,102,583** |

## NOTE E - 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, 2019: | | | | |
| Money market | $ 8,135 | $ - | $ - | $ 8,135 |
| Fixed income | 322,134 | - | - | 322,134 |
| Equities | 388,744 | - | - | 388,744 |
| | $ 719,013 | $ - | $ - | $ 719,013 |

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

| | 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 |

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. MSC also uses fair value concepts to test various long-lived assets for impairment.

NOTE F - LONG-TERM DEBT

| Long-term debt consisted of the following at June 30: | 2019 | 2018 |
|---|---|---|
| **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 $1,426,745, and related rents. | $ 521,762 | $ 537,611 |
| 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 $1,482,703, 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 $1,482,703, and related rents. | 190,021 | 203,900 |
| Umpqua Bank, $2,906 monthly payments which include 7% interest, matures December 2030. Collateralized by White River Apartments land and building with a recorded cost of $1,484,593. Includes certain covenants pertaining to maintenance of working capital and provision of audited financial statements. | 261,771 | 277,623 |

NOTE F - LONG-TERM DEBT (Continued)

| | 2019 | 2018 |
|---|---|---|
| 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 $1,484,593. | 258,070 | 264,884 |
| Columbia State Bank, $2,676 monthly payments, including interest at 5.00%. Collateralized by Titusville Station land and building with a recorded cost of $1,422,015, and related rents. | 111,354 | 136,696 |
| Washington State HOME, 0% interest, matures December 2053, annual payments of $7,784 commenced December 2004. Collateralized by Titusville Station land and building with a recorded cost of $1,433,001. | 272,450 | 280,234 |
| 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 $7,326. Collateralized by the administration land and building with a recorded cost of $3,657,093. Includes certain covenants pertaining to maintenance of working capital and provision of audited financial statements. | 1,102,698 | 1,128,197 |
| 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 with a recorded cost of $11,584,733, and recourse to MSC. | 229,582 | 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 $2,978,754. | 597,202 | 597,202 |
| **MSC Pierce Preservation, LLC** | | |
| Washington Community Reinvestment Association, 5.5% interest, monthly payments of $4,145, maturing October 2046. Secured by rental receipts and deed of trust in land and building with a recorded cost of $2,223,271. | 702,529 | 713,304 |

NOTE F - LONG-TERM DEBT (Continued)

| | 2019 | 2018 |
|---|---|---|
| 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 $2,223,271. | 1,670,000 | 1,670,000 |
| **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 |
| 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. | 233,110 | 238,670 |
| | 9,063,545 | 9,288,077 |
| Less unamortized debt issuance costs | (50,062) | (54,961) |
| Less current | (134,312) | (130,844) |
| **Total Multi-Service Center** | 8,879,171 | 9,102,272 |

| NOTE F - LONG-TERM DEBT (Continued) | 2019 | 2018 |
|---|---|---|
| **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 $5,258,975. | 539,264 | 552,527 |
| 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 $5,258,975. | 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 $5,258,975. | 1,230,463 | 1,283,990 |
| **MSC Radcliffe Place Associates, LLC** | | |
| Washington State Department of Commerce HOME loan, 1% compounded quarterly interest, matures August 2048, quarterly payments of $8,544 commenced November 2009. Collateralized by Radcliffe Place Senior Apartments deed of trust in land and building with a recorded cost of $20,151,291. | 865,843 | 891,204 |
| 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 $20,151,291. | 8,672,793 | 8,838,881 |
| 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 $20,151,291. | 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 |

| NOTE F - LONG-TERM DEBT (Continued) | 2019 | 2018 |
|---|---|---|
| **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 $7,787,180. | 550,000 | 550,000 |
| 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 $7,787,180. | 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 $7,787,180. | 1,460,000 | 1,467,822 |
| 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. | 858,561 | 866,969 |
| **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 $9,924,602. | 1,268,455 | 1,318,246 |
| 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 $9,924,602. | 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. | 1,477,206 | 1,502,731 |
| Deferred developer fee payable to Shelter Resources, Inc. based on net cash flow from operations. | 95,038 | 95,038 |

MULTI-SERVICE CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

| NOTE F - LONG-TERM DEBT (Continued) | 2019 | 2018 |
|---|---|---|
| **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. | 1,421,072 | 1,614,854 |
| Washington Community Reinvestment Association, monthly payments of $9,480 at 7% per annum until December 2042. | 1,310,100 | 1,331,350 |
| Rural Housing Service payable in monthly installments of $2,121 at 3.125% per annum until December 2042. | 945,065 | 951,400 |
| 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. | 57,585 | 61,164 |
| **MSC Federal Way Veterans, LLC** | | |
| 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 | 1,503,528 |
| 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 $10,170,561. Monthly payments of $26,500 beginning August 1, 2018. Note matures July 2034, at which time all principal and interest are due. | 5,415,669 | 5,470,000 |

NOTE F - LONG-TERM DEBT (Continued)

| | 2019 | 2018 |
|---|---|---|
| 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. | 1,047,965 | 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 | 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 | 988,332 |
| Deferred developer fee payable to Shelter Resources, Inc. based on net cash flow from operations. | 767,121 | - |
| | 43,055,105 | 42,317,046 |
| Less unamortized debt issuance costs | (974,213) | (849,341) |
| Less current portion | (604,381) | (590,871) |
| **Total Housing Entities excluding intercompany notes payable** | 41,476,511 | 40,876,834 |
| Total all long-term debt | 52,118,650 | 51,605,123 |
| Less unamortized debt issuance costs | (1,024,275) | (904,302) |
| Less current portion | (738,693) | (721,715) |
| | $ 50,355,682 | $ 49,979,106 |

NOTE F - LONG-TERM DEBT (Continued)

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

| | |
|---|---|
| 2020 | $ 738,693 |
| 2021 | 766,167 |
| 2022 | 795,318 |
| 2023 | 820,437 |
| 2024 | 826,118 |
| Thereafter | 48,171,917 |
| | $52,118,650 |

The Hawthorne Lane Graham Associates, LLLP forgivable loan with the Washington State Housing Finance Commission has been included in the principal reductions table above, but is not subject to payment so long as MSC maintains compliance with the loan provisions.

MSC capitalizes interest costs as a component of the cost of construction in progress. During the years ended June 30, 2019 and 2018, $1,393,053 and $1,378,263, respectively, of interest costs were incurred, of which $0 and $94,313, respectively, was capitalized and $1,393,053 and $1,283,950, respectively, was charged to expense.

NOTE G - RETIREMENT PLAN

MSC established a 401(k) Profit-Sharing Plan under which all employees are qualified to participate. Employer contributions to the Plan are discretionary. Employer contributions of $33,033 and $0 were made for the years ended June 30, 2019 and 2018, respectively.

NOTE H - LEASE COMMITMENTS

MSC leases certain facilities and equipment under non-cancelable lease commitments that expire at various times through October 2023. Rental expense incurred for these leases for the year ended June 30, 2019 and 2018 was $150,337 and $134,910, respectively. Related minimum future rental commitments on these leases are:

| | |
|---|---|
| 2020 | $ 134,140 |
| 2021 | 75,935 |
| 2022 | 46,355 |
| 2023 | 19,080 |
| 2024 | 1,912 |
| | $ 277,422 |

## NOTE I - 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, 2019 and 2018, 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.

## NOTE J - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2019 through December 12, 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, 2019, including the estimates inherent in the processing of financial statements. The following evets arose after June 30, 2019 relating to conditions that did not exist as of June 30, 2019.

On July 31, 2019, MSC secured a $400,000 line of credit with Columbia State Bank. The line of credit bears interest at the Columbia Bank Base Rate, as published on Columbia Bank's website plus 1.25% with a minimum rate of 4.75%. The line of credit is collateralized by substantially all of the Center's current and future assets and matures on July 1, 2020.

# UNIFORM GUIDANCE SUPPLEMENTARY INFORMATION

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

| **Federal Grantor**<br>*Pass-through Grantor*<br>"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" | 1712-15787 | | $ - | $ 3,996 |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | 1812-39168 | | - | 30,108 |
| | | | - | 34,104 |
| *WithinReach* | | | | |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | 1712-15506-10 | | - | 12,330 |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | 1613-75655-10 | | - | 16,531 |
| | | | - | 28,861 |
| *Seattle Jobs Imitative* | | | | |
| "State Administrative Matching Grants for the Supplemental Nutrition Assistance Program" | 1030-19 | | - | 464 |
| SNAP Cluster | | 10.561 | - | 63,429 |
| *Washington State Department of Social and Health Services* | | | | |
| "Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP" | 1712-16249 | | - | 124,431 |
| | | 10.596 | - | 124,431 |
| *Office of the Superintendent of Public Instruction* | | | | |
| "Summer Food Service Program for Children" | 18-OSPI-SM | | - | 40,356 |
| "Summer Food Service Program for Children" | 19-OSPI-SM | | - | 961 |
| Child Nutrition Cluster | | 10.559 | - | 41,317 |
| *Food Lifeline* | | | | |
| "Emergency Food Assistance Program (Administrative Costs)" | 1719-TEFAP | 10.568 | - | 1,485 |
| "Emergency Food Assistance Program (Food Commodities)" | 1719-TEFAP | 10.569 | - | 447,887 |
| Food Distribution Cluster | | | - | 449,372 |
| **Total US Department of Agriculture** | | | - | 678,549 |

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

| **Federal Grantor**<br>*Pass-through Grantor*<br>"Program Title" | Contract Number | CFDA Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **US Department of Housing and Urban Development** | | | | |
| "Continuum of Care Program" | WA0025L0T001710 | | - | 15,589 |
| "Continuum of Care Program" | WA0025L0T001811 | | - | 14,052 |
| | | | - | 29,641 |
| *King County Community Services* | | | | |
| "Continuum of Care Program" | 5859193 | | - | 210,311 |
| | | 14.267 | - | 239,952 |
| *King County* | | | | |
| "Section 8 Housing Choice Vouchers" | WA19K002002 | | - | 50,066 |
| "Section 8 Housing Choice Vouchers" | WA19K002002 | | - | 31,471 |
| Housing Voucher Cluster | | 14.871 | - | 81,537 |
| *King County* | | | | |
| "Community Development Block Grants/Entitlement Grants" | 5899263-II | | - | 25,119 |
| "Community Development Block Grants/Entitlement Grants" | 6067076 | | - | 37,500 |
| "Community Development Block Grants/Entitlement Grants" | 5859193 | | - | 5,860 |
| *Solid Ground Washington* | | | | |
| "Community Development Block Grants/Entitlement Grants" | SG-2018 | | - | 1,171 |
| "Community Development Block Grants/Entitlement Grants" | SG-2019 | | - | 805 |
| *City of Federal Way* | | | | |
| "Community Development Block Grants/Entitlement Grants" | FW BG 2018 | | - | 22,882 |
| "Community Development Block Grants/Entitlement Grants" | FW BG 2019 | | - | 11,655 |
| "Community Development Block Grants/Entitlement Grants" | AG17-170 AMD 1 | | - | 4,354 |
| "Community Development Block Grants/Entitlement Grants" | 2019/7 | | - | 4,278 |
| *City of Kent* | | | | |
| "Community Development Block Grants/Entitlement Grants" | BG1705-1805 | | - | 51,895 |
| "Community Development Block Grants/Entitlement Grants" | B19-MC-53-0017 | | - | 20,672 |
| *City of Auburn* | | | | |
| "Community Development Block Grants/Entitlement Grants" | BG-1802 | | - | 10,000 |
| "Community Development Block Grants/Entitlement Grants" | BG-1902 | | - | 2,693 |
| CDBG - Entitlement Grants Cluster | | 14.218 | - | 198,884 |
| **Total US Department of Housing and Urban Development** | | | - | 520,373 |

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

| **Federal Grantor**<br>*Pass-through Grantor*<br>"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" | 18-32606-077 | | - | 867,677 |
| "Low-Income Home Energy Assistance" | 19-32606-077 | | - | 2,700,149 |
| | | 93.568* | - | 3,567,826 |
| *City of Seattle* | | | | |
| "Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation" | DA-18-1071 | | - | 4,201 |
| "Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation" | DA-19-1071 | | - | 1,467 |
| *Northwest Regional Council* | | | | |
| "Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation" | 202015-LTCO | | - | 1,980 |
| | | 93.041 | - | 7,648 |
| *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 | | - | 52,245 |
| *Northwest Regional Council* | | | | |
| "Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals" | 203015-LTCO | | - | 1,979 |
| | | 93.042 | - | 54,224 |
| *Washington State Department of Commerce* | | | | |
| "Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers" | 18-32303-001 | | - | 403,518 |
| *City of Seattle - King County* | | | | |
| "Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers" | DA-18-1071 | | - | 9,783 |
| "Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers" | DA-19-1071 | | - | 5,735 |
| Aging Cluster | | 93.044 | - | 419,036 |

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

| **Federal Grantor**<br>*Pass-through Grantor*<br>"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" | F18-32101-217 | | - | 187,985 |
| "Community Services Block Grant" | F19-32101-217 | | - | 392,043 |
| | | 93.569 | - | 580,028 |
| **Total US Department of Health and Human Services** | | | - | 4,628,762 |
| **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 | | - | 3,173 |
| "Education, Training, and Enhanced Services to End Violence Against and Abuse of Women with Disabilities" | 2016-FW-AX-K008 | | - | 6,843 |
| | | 16.529 | - | 10,016 |
| *Washington State Department of Commerce* | | | | |
| Crime Victim Assistance | F17-31219-521 | 16.575 | - | 339,023 |
| **Total US Department of Justice** | | | - | 349,039 |
| **US Department of Homeland Security** | | | | |
| "Emergency Food and Shelter National Board Program" | 889000-004 | 97.024 | - | 144,264 |
| **US Department of Labor** | | | | |
| *King County Department of Community and Human Services* | | | | |
| "WIA Youth Activities" | 5855757-VII | | - | 5,267 |
| "WIA Youth Activities" | 6038289 | | - | 17,883 |
| WIA Cluster | | | - | 23,150 |
| **Total US Department of Labor** | | 17.259 | - | 23,150 |
| **Total Expenditures of Federal Awards** | | | $ - | $ 6,344,137 |

* Denotes major program

See notes to schedule.

MULTI-SERVICE CENTER

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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*

December 12, 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, 2019 and 2018, 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 December 12, 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 2019-001, 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

JACOBSON JARVIS &CO PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

December 12, 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, 2019. 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, 2019.

**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, 2019

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

**2019-001 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 had turnover in its Director of Finance position near year-end which resulted in difficulty in implementing 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, 2019

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.

Cause: Multi-Service Center lacks 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.

Current Status: In preparation of the current year audit, the Finance Director identified areas of risk as determined by assessment for prior years' financials and communication with current auditors.

Multi-Service Center’s Treasurer performed a review of the fiscal year end consolidation process, reviewing work performed by the Finance Director and assessing the resulting financials in comparison to budgeted amounts and prior years’ performance. Currently, Multi-Service Center’s treasurer is a licensed CPA with consolidation experience. If, in future years, Multi-Service Center has a treasurer who is not qualified to perform a consolidation review, Multi-Service Center will pursue other options to ensure adequate review takes place.

In the coming year, the consolidation process will be fully documented and a system of controls will be developed to address specific risks identified with the consolidation process.

Internal controls over regular accounting processes have continued to improve during fiscal year 2019. A formal monitoring process of these controls will be implemented in the coming year.

MULTI-SERVICE CENTER

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**Corrective Action Plan**
December 10, 2019

Multi-Service Center submits the following corrective action plan for the year ended June 30, 2019.

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

**Audit period:** July 1, 2018 to June 30, 2019

**Contact person responsible for corrective action:** Beth Lancaster, Finance Director

**2019-001: 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 had turnover in its Director of Finance position near year-end which resulted in difficulty in implementing 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 December 10, 2019, MSC plans to take the following corrective action:

The consolidation process will be fully documented and a system of controls will be developed to address specific risks identified with the consolidation. The consolidation process will incorporate several members of the accounting team, ensuring that all consolidation work is thoroughly reviewed within the accounting department. If particularly complex transactions occur during the year, additional assistance from external resources will be considered.

Consolidated financial statements will be reviewed by MSC's treasurer prior to submission to the auditors. 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.

To better monitor MSC's internal control processes, a year-end risk assessment report will be provided to the Finance Committee which will analyze and grade the current internal control structure over major and select accounting functions as well as providing suggestions for system improvements.

Robin Corak
Robin Corak
Executive Director

Beth Lancaster
Beth Lancaster
Finance Director