

MULTI-SERVICE CENTER

Consolidated Financial Statements

For the Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Multi-Service Center
Federal Way, Washington

Opinion

We have audited the consolidated financial statements of Multi-Service Center (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 23 to 25 is presented for purposes of additional analysis and is not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023 on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Other Matter

The financial statements of Multi-Service Center for the year ended June 30, 2021, before the restatement described in Note 14, were audited by another auditor whose report dated October 28, 2021, expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2022 financial statements, we also audited the adjustment described in Note 14 that was applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
January 26, 2023

MULTI-SERVICE CENTER

Consolidated Statement of Financial Position June 30, 2022 (With Comparative Totals for 2021)

	2022	2021 (As restated, Note 14)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,313,167	\$ 2,198,967
Deposits held in trust	307,180	292,443
Accounts receivable, net	318,228	253,467
Grants receivable	1,639,070	2,255,431
Inventory	135,863	314,386
Prepaid expenses and other current assets	284,751	250,682
Total Current Assets	5,998,259	5,565,376
Restricted deposits and funded reserves	3,080,565	2,972,129
Investments	742,915	886,477
Other long-term assets	234,257	177,538
Property and equipment, net	52,576,401	55,383,583
Total Assets	\$ 62,632,397	\$ 64,985,103
Liabilities, Net Assets and Equity		
Current Liabilities:		
Accounts payable	\$ 1,031,834	\$ 1,477,792
Accrued liabilities	1,286,839	1,630,063
Deferred revenue	202,707	178,897
Deposits held in trust	302,937	294,489
Current portion of long-term debt	535,613	513,099
Total Current Liabilities	3,359,930	4,094,340
Accrued interest	1,330,488	1,193,527
Long-term debt, less current portion	49,297,158	49,000,922
Total Liabilities	53,987,576	54,288,789
Net Assets and Equity:		
Without donor restrictions-		
Undesignated	7,077,961	7,651,834
Board designated	1,483,990	597,201
Total without donor restrictions	8,561,951	8,249,035
With donor restrictions	645,914	477,235
Total net assets	9,207,865	8,726,270
Members' equity	(563,044)	1,970,044
Total Net Assets and Equity	8,644,821	10,696,314
Total Liabilities, Net Assets and Equity	\$ 62,632,397	\$ 64,985,103
See accompanying notes.		

MULTI-SERVICE CENTER

Consolidated Statement of Activities For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022			2021 Total (As restated, Note 14)
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Public Support:				
Federal	\$ 14,569,784	\$ 7,800	\$ 14,577,584	\$ 11,789,811
State	88,799	23,000	111,799	105,701
City and county	2,803,047	10,983	2,814,030	5,703,595
Total public support	17,461,630	41,783	17,503,413	17,599,107
Private Support:				
Individuals	685,725	84,173	769,898	645,532
Corporate	109,312	128,827	238,139	208,333
United Way	168,526	60,000	228,526	204,000
Foundations	137,121	160,000	297,121	70,689
Organizations	1,286,455	6,550	1,293,005	1,015,027
In-kind	2,539,828		2,539,828	4,243,060
Total private support	4,926,967	439,550	5,366,517	6,386,641
Earned Income:				
Fees for service	109,861		109,861	326,720
Rental income	7,038,149		7,038,149	6,591,921
Other Income	1,060,820		1,060,820	1,146,344
Total earned income	8,208,830		8,208,830	8,064,985
Total Revenue and Support	30,597,427	481,333	31,078,760	32,050,733
Net assets released from restriction	312,651	(312,651)		
Expenses:				
Program services	31,137,527		31,137,527	31,433,318
Management and general	1,565,616		1,565,616	1,837,078
Development	439,196		439,196	283,965
Total Expenses	33,142,339		33,142,339	33,554,361
Total Change in Net Assets and Members' Equity	(2,232,261)	168,682	(2,063,579)	(1,503,628)
Net Assets and Member's Equity Beginning of Year As Restated (Note 14)	10,219,082	477,232	10,696,314	12,228,906
Member equity contributions	39,961		39,961	15,353
Distributions and syndication	(27,875)		(27,875)	(44,317)
Net Assets and Members' Equity End of Year	\$ 7,998,907	\$ 645,914	\$ 8,644,821	\$ 10,696,314

See accompanying notes.

MULTI-SERVICE CENTER

Consolidated Statement of Functional Expenses For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Energy Assistance	Long-Term Care Ombudsman	Education and Employment	Food and Clothing	Housing Support	Permanent Housing	Housing Entities	Other Program Services	Total Program Services	Development	General and Administration	Total Supporting Services	2022 Total	2021 Total
Salaries	\$ 1,290,327	\$ 791,310	\$ 184,847	\$ 302,444	\$ 792,578	\$ 264,262	\$ 1,527,626	\$ 276,616	\$ 5,430,010	\$ 181,805	\$ 720,230	\$ 902,035	\$ 6,332,045	\$ 5,847,118
Payroll Taxes	112,223	68,252	15,451	26,025	72,091	28,481	127,650	23,606	473,779	15,389	68,779	84,168	557,947	928,433
Payroll Benefits	278,337	136,867	54,266	66,264	122,765	17,760	37,931	64,903	779,093	36,553	171,607	208,160	987,253	518,833
Total Personnel Expenses	1,680,887	996,429	254,564	394,733	987,434	310,503	1,693,207	365,125	6,682,882	233,747	960,616	1,194,363	7,877,245	7,294,384
Direct client support	7,854,771	18,591	26,230	3,731,766	720,138			989	12,352,485	2,917	376	3,293	12,355,778	14,921,644
Consultants and professional services	26,925	213,070	4,888	3,143	43,026	1,735	95,053	2,742	390,582	23,183	97,554	120,737	511,319	400,559
Subcontractors		953,752		36,825					990,577				990,577	938,095
Occupancy	229,164	42,208	41,369	94,778	279,195	156,558	1,611,932	17,135	2,472,339	17,861	138,610	156,471	2,628,810	2,097,431
Small equipment	9,427			15,800	4,041			44	29,312				29,312	30,091
Repairs and maintenance	8,085		405	13,092	49,846	197,485	1,027,033	2,587	1,298,533		20,078	20,078	1,318,611	1,201,049
Depreciation and amortization	154		543	45,681	36,510	123,251	2,847,063		3,053,202		33,974	33,974	3,087,176	3,238,041
Insurance				17,227	42,137	112,762	132,063		304,189		40,399	40,399	344,588	302,151
Interest	247				944	29,833	1,275,771		1,306,795				1,306,795	1,345,853
Operating	223,339	75,485		43,380	99,297	160,915	707,679	9,277	1,319,372	33,143	91,114	124,257	1,443,629	1,288,645
Printing, postage and advertising	67,051	3,870	1,418	2,661	2,190	1,486	3,455	277	82,408	18,843	14,206	33,049	115,457	145,523
Technology	415,572	99,247	13,052	24,592	73,801	15,793	50,799	17,307	710,163	18,023	80,026	98,049	808,212	390,601
Professional development	1,668	1,375	1,149	81	599	4,470	13,147		22,489	68	65,487	65,555	88,044	48,523
Conferences, meetings and trainings	2,144	8,971	12,593	367	816	384		5,343	30,618	90,642	9,522	100,164	130,782	14,588
Travel	6,217	22,851	305	23,340	12,090	277	13,725	360	79,165	116	879	995	80,160	85,770
Miscellaneous	52	6,034	50	2,710	214	17,308	141,285	779	168,432	653	12,775	13,428	181,860	26,460
Total Expenses	10,525,703	2,441,883	356,566	4,450,176	2,352,278	1,132,760	9,612,212	421,965	31,293,543	439,196	1,565,616	2,004,812	33,298,355	33,769,408
Eliminations							(156,016)		(156,016)				(156,016)	(215,047)
Total Consolidated Expenses	\$ 10,525,703	\$ 2,441,883	\$ 356,566	\$ 4,450,176	\$ 2,352,278	\$ 1,132,760	\$ 9,456,196	\$ 421,965	\$ 31,137,527	\$ 439,196	\$ 1,565,616	\$ 2,004,812	\$ 33,142,339	\$ 33,554,361

See accompanying notes.

MULTI-SERVICE CENTER

Consolidated Statement of Cash Flows For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets, as restated (Note 14)	\$ (2,063,579)	\$ (1,495,080)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	3,087,176	3,238,041
Debt issuance costs amortization	122,405	67,877
Realized and unrealized investment losses (gains)	149,420	(161,470)
Amortization of long-term assets	287	113,668
Loss on disposal of fixed assets	23,809	
Changes in assets and liabilities:		
Accounts and grants receivable, net	551,600	(741,541)
Inventory	178,523	(14,386)
Prepaid expenses and other assets	(34,069)	30,080
Accounts payable and accrued liabilities	(789,182)	17,019
Deposits held in trust	8,448	5,908
Accrued interest	136,961	114,750
Deferred revenue	23,810	39,833
Net Cash Provided by Operating Activities	1,395,609	1,214,699
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(360,809)	(626,184)
Purchases of investments	(14,587)	
Proceeds from sale of investments	8,729	
Net Cash Used by Investing Activities	(366,667)	(626,184)
Cash Flows From Financing Activities:		
Member equity contributions	39,961	15,353
Member equity distributions	(27,875)	(44,314)
Borrowings on long-term debt		1,075,000
Principal payments on long-term debt	196,345	(2,236,287)
Net Cash Used by Financing Activities	208,431	(1,190,248)
Change in Cash, Cash Equivalents and Restricted Cash	1,237,373	(601,733)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	5,463,539	6,065,272
End of Year	\$ 6,700,912	\$ 5,463,539
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 3,313,167	\$ 2,198,967
Deposits held in trust	307,180	292,443
Restricted deposits and funded reserves	3,080,565	2,972,129
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 6,700,912	\$ 5,463,539
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 1,241,275	\$ 1,158,840

See accompanying notes.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - 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 and Kent, 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 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 employment program. MSC also has programs geared specifically towards youth and young adults to help them achieve their education and employment goals. Some education and employment services were temporarily suspended during the COVID-19 pandemic.

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 permanent affordable housing programs for veterans also provides case management and support for formerly homeless veterans and their families. MSC's permanent housing includes properties where MSC has a minority equity interest, as well as properties fully-owned directly or indirectly 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.

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 Puget Sound Energy (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.

Long-Term Care Ombudsmans 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, 2022, 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; and MSC Colvos Terrace, LLC.

Principles of Consolidation - The consolidated financial statements include the accounts of MSC and the Affiliates. The consolidated entities are collectively referred to as the Organization. All significant intercompany transactions have been eliminated in consolidation.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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 sub-recipients 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. During the year-ended June 30, 2022 the separate MSC Foundation was dissolved and the assets were transferred to MSC and subsequently were transferred to a board designated fund.

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. Board-designated net assets are a component of net assets without donor restrictions and include \$500,000 for operating reserves, \$240,774 for capital reserves, and \$743,216 for investments to help supplement income at June 30, 2022.

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, 2022 and 2021, 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.

Investment Return - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment return is reported net of related investment expenses in the statement of activities.

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.

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.

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.

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

Inventory - Inventory consists of food and clothing held for distribution and is valued at cost if purchased and at an annual rate published by the United States Department of Agriculture if donated.

Restricted Cash Deposits and Funded Reserves - In accordance with the terms of its partnership or LLC agreements and various loans, MSC is required to establish and maintain various operating and replacement reserves with required minimum balances and/or minimum annual deposits.

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, 2022 and 2021 totaled \$55,218 and \$67,877, respectively.

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 and totaled \$3,144,182 and \$3,164,706, respectively, for the years ended June 30, 2022 and 2021, respectively. MSC's policy is to capitalize property and equipment over \$10,000.

Buildings and improvements	3 - 40 years
Furniture and equipment	3 years
Vehicles	5 years
Leasehold improvements	Lesser of useful life or lease

Property and equipment consists of the following at June 30:

	2022	2021
Land	\$ 7,212,494	\$ 7,212,494
Leasehold improvements	6,117,775	6,117,775
Buildings and improvements	73,723,606	73,691,738
Furniture and equipment	4,055,154	4,082,905
Vehicles	349,225	265,479
	91,458,254	91,370,391
Less accumulated depreciation	(38,881,853)	(35,986,808)
Total Property and Equipment, Net	\$ 52,576,401	\$ 55,383,583

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Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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, 2022 and 2021.

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 \$1.82 and \$1.75 has been established by the State of Washington, Emergency Food Assistance Program (EFAP) for the years ended June 30, 2022 and 2021, respectively. 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 24,400 and 21,800 hours (unaudited), 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, 2022 and 2021. The estimated value of these services, if recorded, would be \$438,730 and \$387,300, 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.

During the year ended June 30, 2021, Shelter Resources Inc. donated their right to receive deferred developer fees from MSC GP Two Apartments, LLC (GP Two) to MSC. GP Two subsequently paid the full amount of the deferred developer fee note to MSC.

In-kind contributions for the years ended June 30 as reported in the consolidated statement of activities:

	2022	2021
Food donations (general)	\$ 2,283,053	\$ 2,069,178
Food through USDA Farmers to Families		1,871,820
Deferred developer fee receivable		95,038
Goods and services	89,224	99,881
Clothing and hygiene donations	167,551	107,143
In-Kind Contributions not Included in Public Support	2,539,828	4,243,060
Food through Federal "The Emergency Food Assistance Program"	833,093	1,293,696
Total In-Kind Contributions	\$ 3,372,921	\$ 5,536,756

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

Support and Revenue Recognition - MSC recognizes program service fees for program administration and for providing services to housing tenants when the services are provided. These revenues are recognized when they are earned.

For each of the properties, rental income is recognized when the rent is due, not when it is received. If there are any adjustments to the expected amount of income received, those adjustments are recognized at the time the rent is received.

Other revenue includes interest income, property late fees, insurance proceeds, developer fees, partnership management fees and gains on the sales of assets. These revenues are recognized in the period in which they are earned.

MSC recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

MSC's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As June 30, 2022, conditional contributions totaling \$7,843,842, for which no amounts have been received in advance and have not been recognized in the accompanying financial statements.

A substantial portion of support is derived from grants and contracts administered by various federal and state government agencies. Support from grants and contracts is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2022 and 2021, no significant amounts were disallowed as a result of such examinations.

Concentrations - MSC receives a significant amount of its funding from governmental and private sources. Approximately 56% and 58% of total revenue during the years ended June 30, 2022 and 2021, respectively was received from government grants. As of the years ended June 30, 2022 and 2021, two government programs made up 36% and 61% of accounts receivable, respectively. Should some of these grantors not renew grants, contracts or awards, or if there were significant reductions in the federal budget related to MSC'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.

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

Reclassifications - Certain accounts in the 2021 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, 2021.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 1 - Continued

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, 2022 or 2021.

Affiliates with only one member, MSC Fern Hill Terrace LLC and MSC Pierce Preservation LLC, 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, 2022 and 2021, no taxes were due or payable by MSC for their share of the Affiliates' earnings.

Subsequent Events - Management of MSC has evaluated subsequent events through January 26, 2023, the date these financial statements were available to be issued.

Note 2 - Liquidity and Availability

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 2022 or 2021. In the event the need arises to utilize the board-designated funds for liquidity purposes, the funds could be drawn upon through board resolution.

	2022	2021
Cash and cash equivalents	\$ 3,313,167	\$ 2,198,967
Deposits held in trust	307,180	292,443
Accounts receivable, net	318,228	253,467
Grants receivable	1,639,070	2,255,431
Restricted deposits and funded reserves	3,080,565	2,972,129
Investments	742,915	886,477
Total financial assets	9,401,125	8,858,914
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted cash deposits and funded reserves	(3,146,971)	(3,167,371)
Capital reserve - board designated	(240,774)	(97,201)
Purpose restricted net assets	(645,914)	(477,232)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 5,367,466	\$ 5,117,110

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 3 - Restricted Reserves and Deposits

Certain loan covenants require MSC to maintain reserves for building replacement and operations. Such reserves are held in the form of cash. Restricted reserves consisted of the following at June 30:

	2022	2021
Capital reserves	\$ 127,546	\$ 113,234
Operating reserves	333,792	333,840
Tenant security deposits	307,180	292,443
Replacement reserves	1,556,393	1,388,727
Other reserves	1,062,834	1,136,328
	<u>\$ 3,387,745</u>	<u>\$ 3,264,572</u>

Note 4 - 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.

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 a 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; A96 is the Class B member with a .0025% interest; and Synergy Construction Inc. is the additional Class B member with a .0025% interest.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - 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 100% of the units as both rent-restricted and occupied by low-income tenants for a minimum period of 30 years beginning in 2007.

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

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

MSC GP Two Apartments, LLC - The entity was formed as a limited liability company under the laws of the State of Washington in January 2005 to acquire, rehabilitate and operate an 86-unit, low-income residential housing project known as Villa Capri Apartments in Federal Way, WA.

MSC is the managing member with .005% interest; AMTAX holdings 308, LLC is the investor member with 99.98% interest; Transamerica Affordable Housing, Inc. is the special member with a .01% interest; and Shelter Resources is the Class B member with a .005% interest.

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

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.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - 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 5 - Noncontrolling Interest

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

	Managing Member (Controlling)	Investor Members (Noncontrolling)	Total
Members' Equity - July 1, 2020	\$ 3,091,875	\$ 4,273,010	\$ 7,364,885
Change in members' equity	(841)	(2,274,002)	(2,274,843)
Members' equity distributions	(27,878)	(44,317)	(72,195)
Members' equity contributions	559,274	15,353	574,627
Members' Equity - June 30, 2021	3,622,430	1,970,044	5,592,474
Change in members' equity	17,715	(2,570,549)	(2,552,834)
Members' equity distributions		(2,500)	(2,500)
Members' equity contributions	227,495	39,961	267,456
Members' Equity - June 30, 2022	\$ 3,867,640	\$ (563,044)	\$ 3,304,596

Note 6 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 6 - Continued

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

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

Fair Value Measurements as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Equities	\$ 462,326	\$ -	\$ -	\$ 462,326
Fixed income	109,249	159,955		269,204
Total Investments at Fair Value	\$ 571,575	\$ 159,955	\$ -	
Money market				11,385
Total Investments				\$ 742,915

Fair Value Measurements as of June 30, 2021				
	Level 1	Level 2	Level 3	Total
Equities	\$ 494,548	\$ -	\$ -	\$ 494,548
Fixed income	377,272			377,272
Total Investments at Fair Value	\$ 871,820	\$ -	\$ -	
Money market				14,657
Total Investments				\$ 886,477

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. MSC also uses fair value concepts to test various long-lived assets for impairment.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 7 - Long-Term Debt

Long-term debts are generally direct borrowings or direct placement debt and secured by the respective properties and bear simple interest rates unless otherwise noted. Long-term debt consisted of the following at June 30:

	2022	2021 (As restated, Note 14)
Conventional loans, bearing compound interest from 3.00% to 7.00% generally with principal and interest due monthly, to be repaid in full at various dates through 2066.	\$ 8,116,233	\$ 8,317,861
Deferred developer fees payable to Shelter Resources, Inc. based on net cash flow from operations.	771,869	824,706
Unsecured operating deficit guaranty bearing no interest, payable from cash flows and proceeds of capital transactions.	934,679	534,679
Washington State Department of Commerce loans, with interest rates from 0% to 3.05% generally compounded annually. All payment types (monthly, quarterly, annually) have been deferred through December 31, 2022 and will be due on maturity between 2045 and 2056.	7,174,369	7,174,369
Department of Housing and Urban Development, 3.5 simple interest, due October 2039. Payments due from available cash flow. Payments are currently deferred through December 31, 2022.	597,202	597,202
King County loans, with interest rates from 0.00% to 1.00% with a simple annual accrual. Payments on these loans are deferred between January 2032 and January 2038 and will require annual payments subsequent to the deferral date. These notes mature between 2052 and 2066.	7,868,981	7,868,981
King County Housing Authority Bond, 5.65% interest, payable in monthly installments of \$56,563, matures 2038.	8,112,207	8,310,074
Pierce County loans held at 0% interest with principal due upon maturity between 2038 and 2048.	1,897,965	1,892,429
Forgivable loans, maturing between 2026 and 2052, if use restrictions are met with interest between 0.00% to 1.00%.	2,925,389	2,584,493
Pierce County Community Development Corp loans held at 0.00% - 12.00% with payments due based on available cash flow that is variable or fixed payments 10,000. Maturity for these loans is between 2043 and 2050.	4,289,319	4,289,319
State of Washington loans, bearing interest from 0.00% to 1.00% generally with principal and interest due monthly, to be repaid in full at various dates through 2053. Payments on these loans have been deferred through December 31, 2022.	2,585,531	2,585,531
Tacoma Community Development Authority loans, bearing interest at 1.00%, with fixed interest-only payments monthly or from available cash flows. The notes mature at various dates through 2048.	872,000	868,000
Washington Community Reinvestment Association loans, bearing interest either variable interest or between 1.00% and 7.00%, with principal and interest due monthly to be repaid in full at various dates through 2046.	4,536,172	4,683,558
Total Debt	50,681,916	50,531,202
Less current portion of debt	(535,613)	(513,099)
Long-Term Debt, Less Current Portion	50,146,303	50,018,103
Less unamortized portion of loan fees	(849,145)	(1,017,181)
Long-Term Debt, Net of Unamortized Portion of Loan Fees	\$ 49,297,158	\$ 49,000,922

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 7 - Continued

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

For the Year Ending June 30,

2023	\$ 535,613
2024	622,842
2025	705,706
2026	742,479
2027	781,491
Thereafter	<u>47,293,785</u>
	<u><u>\$ 50,681,916</u></u>

Payments on deferred loans come due at the end of the loan term.

MSC received cumulative forgivable loan proceeds of \$2,925,389 through the year ended June 30, 2022. Under terms of the agreements, the facilities funded by these proceeds must be used to continue the mission of MSC and provide housing for low to very-low income individuals for periods of time expiring through 2052. MSC's policy is to not recognize the loans as revenue until forgiveness is received and the balance is presented as part of long-term debt on the consolidated statement of financial position. All forgivable loans have been included in the principal reductions table above but is not subject to payment so long as MSC maintains compliance with the loan provisions.

Note 8 - Net Assets Without Donor Restrictions

Net assets without donor restrictions are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 7,077,961	\$ 7,651,834
Board-designated operating reserve	500,000	500,000
Board-designated capital reserve	240,774	97,201
Board-designated investment account	<u>743,216</u>	
Net Assets Without Donor Restrictions	<u><u>\$ 8,561,951</u></u>	<u><u>\$ 8,249,035</u></u>

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows as of June 30:

	2022	2021
Time restrictions and future operations	\$ 70,000	\$ -
Special events	27,547	29,272
COVID-19	29,852	29,853
Equipment	8,582	1,351
Employee appreciation	250	250
Economic stability	242,232	236,121
Energy	4,177	1,288
Food bank	72,104	152,905
Long-term care ombudsman program	191,170	26,195
Net Assets With Donor Restrictions	\$ 645,914	\$ 477,235

Note 10 - Lease Commitments

MSC leases certain facilities and equipment under non-cancelable lease commitments that expire at various times through March 2027. Rental expense incurred for these leases for the years ended June 30, 2022 and 2021 was \$126,931 and \$138,380, respectively. Related minimum future rental commitments on these leases are:

For the Year Ending June 30,

2023	\$ 172,708
2024	154,552
2025	137,475
2026	135,318
2027	91,640
Total Minimum Future Rental Payments	\$ 691,693

Note 11 - Contingencies and Commitments

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

A significant amount of 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 MSC. MSC does not intend to change the use of the properties acquired with such funds.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 11 - Continued

Subsequent to the year ended June 30, 2022, MSC closed on a tax credit project, Redondo Heights, that will include 202 new units and 132 rehabilitated unit at a projected total cost of \$159 million. Redondo Heights will be developed and owned by two tax credit entities, Silver Shadows Housing Partners, LLLP, a Washington limited liability limited partnership who owns the rehabilitation portion, and Redondo Heights TOD New Construction LLLP, a Washington limited liability limited partnership who owns the new construction portion. MSC will be the managing general partner in both tax credit entities with an 0.003% ownership interest. The project began construction in December 2022 and is anticipated to be completed in 2024. The project will be financed using governmental and private grants of \$38.6 million, \$65.4 million of 4% bond tax credit equity, \$4.4 million of deferred developer fees, and \$50 million of housing loans. The remainder of the construction costs will be financed by construction loans that will convert to permanent financing.

Note 12 - 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 \$105,358 and \$93,967 were made for the years ended June 30, 2022 and 2021, respectively.

Note 13 - Line of Credit

MSC has 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 4.50%. The line of credit is collateralized by substantially all of MSC's current and future assets and matures on September 10, 2023. MSC had no balance on the line of credit at June 30, 2022 and 2021.

MULTI-SERVICE CENTER

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 14 - Prior Period Adjustment

During the audit of the year ended June 30, 2022, management identified errors in the 2021 financial statement presentation resulting in a prior period adjustment of the consolidated statements of activities and statements of financial position. The error related to the recognition of several forgivable and nonrecourse loans that were previously recognized as revenue in the period they were awarded as well as the related improvements which were expensed in the same period as the revenue. The 2021 financial statements presented herein have been restated to properly present the loans as outstanding on the statement of financial position and the related improvements as capitalized and accumulated depreciation for the periods not previously recognized.

	June 30, 2021		
	As Previously Reported	Restatements	As Restated
Impacted Lines - Consolidated Statement of Activities:			
Expenses-			
Program services	\$ 31,424,767	\$ 8,551	\$ 31,433,318
Total expenses	33,545,810	8,551	33,554,361
Net assets and members' equity- beginning of the year	13,856,530	(1,627,624)	12,228,906
Net assets and members' equity- End of year	12,332,489	(1,636,175)	10,696,314
Impacted Lines - Consolidated Statement of Financial Position			
Property and equipment, net	55,251,090	132,493	55,383,583
Total assets	64,852,610	132,493	64,985,103
Long-term debt, less current portion	47,257,257	1,743,665	49,000,922
Total liabilities	52,545,124	1,743,665	54,288,789
Net Assets and Equity:			
Without donor restrictions-			
Undesignated	9,288,009	(1,636,175)	7,651,834
Total Without Donor Restrictions	\$ 9,885,210	\$ (1,636,175)	\$ 8,249,035

SUPPLEMENTARY INFORMATION

MULTI-SERVICE CENTER

Consolidating Statement of Financial Position - Assets June 30, 2022 (With Comparative Totals for 2021)

	Multi-Service Center	MSC Pierce Preservation	Fern Hill Terrace	SKCMSC Federal Way Associates LP	MSC Radcliffe Place Associates	Ranier View Senior	MSC GP Two Apartments	Hawthorne Lane Graham Associates	MSC Federal Way Veterans	MSC Colvos Terrace	Subtotal	Eliminations	Consolidated Total 2022	Consolidated Total 2021
Assets														
Current Assets:														
Cash and cash equivalents	\$ 2,878,344	\$ 27,763	\$ 4,218	\$ 8,936	\$ 115,551	\$ 4,167	\$ 35,166	\$ 12,740	\$ 138,214	\$ 88,068	\$ 3,313,167	\$ -	\$ 3,313,167	\$ 2,198,967
Deposits held in trust	60,924	4,635	9,077	22,258	77,719	19,382	39,529	31,067	13,792	28,797	307,180		307,180	292,443
Accounts receivable, net	150,135	19,172	21,721	178	22,288		7,799	7,607	35,450	90,663	355,013	(36,785)	318,228	253,467
Grants receivable	1,639,070										1,639,070		1,639,070	2,255,431
Inventory	135,863										135,863		135,863	314,386
Prepaid expenses and other current assets	133,789		1,795	4,968	22,573	6,227	26,884	66,108	15,882	6,525	284,751		284,751	250,682
Total Current Assets	4,998,125	51,570	36,811	36,340	238,131	29,776	109,378	117,522	203,338	214,053	6,035,044	(36,785)	5,998,259	5,565,376
Restricted deposits and funded reserves	462,239	59,240	248,696	187,800	206,933	248,963	349,186	118,871	677,289	521,348	3,080,565		3,080,565	2,972,129
Intercompany fees receivable	1,758,932										1,758,932	(1,758,932)		
Investments	742,915										742,915		742,915	886,477
Investments in affiliates	3,879,660										3,879,660	(3,879,660)		
Other long-term assets					3,881			2,070	118,615	109,691	234,257		234,257	177,538
Property and equipment, net	6,135,382	1,986,570	2,131,438	1,964,104	9,132,334	3,420,754	4,910,709	3,927,438	9,329,012	9,638,660	52,576,401		52,576,401	55,383,583
Total Assets	\$ 17,977,253	\$ 2,097,380	\$ 2,416,945	\$ 2,188,244	\$ 9,581,279	\$ 3,699,493	\$ 5,369,273	\$ 4,165,901	\$ 10,328,254	\$ 10,483,752	\$ 68,307,774	\$ (5,675,377)	\$ 62,632,397	\$ 64,985,103

See independent auditor's report.

MULTI-SERVICE CENTER

Consolidating Statement of Financial Position - Liabilities and Net Assets June 30, 2022 (With Comparative Totals for 2021)

	Multi-Service Center	MSC Pierce Preservation	Fern Hill Terrace	SKCMSC Federal Way Associates LP	MSC Radcliffe Place Associates	Ranier View Senior	MSC GP Two Apartments	Hawthorne Lane Graham Associates	MSC Federal Way Veterans	MSC Colvos Terrace	Subtotal	Eliminations	Consolidated Total 2022	Consolidated Total 2021
Liabilities, Net Assets and Equity														
Current Liabilities:														
Accounts payable	\$ 673,917	\$ 1,007	\$ 35,458	\$ -	\$ 38,141	\$ 9,056	\$ 2,974	\$ 5,086	\$ 42,866	\$ 260,114	\$ 1,068,619	\$ (36,785)	\$ 1,031,834	\$ 1,477,792
Accrued liabilities	964,946	585	585	232,313	350,242	995	180,816	1,680	20,622	46,450	1,799,234	(512,395)	1,286,839	1,630,063
Deferred revenue	102,356	1,499	1,548	151	55,916	553	23,074	4,971	6,592	6,047	202,707		202,707	178,897
Deposits held in trust	55,572	4,635	9,077	22,550	77,719	19,380	39,529	31,067	14,611	28,797	302,937		302,937	294,489
Current portion of long-term debt	89,562	13,057	6,915	61,411	203,720	10,011	45,234	38,323		67,380	535,613		535,613	513,099
Total Current Liabilities	1,886,353	20,783	53,583	316,425	725,738	39,995	291,627	81,127	84,691	408,788	3,909,110	(549,180)	3,359,930	4,094,340
Accrued interest	94,407	3,338	304,899	209,590	298,428		18,387	13,166	368,516	19,757	1,330,488		1,330,488	1,193,527
Long-term debt, less current portion	5,264,878	2,302,320	3,353,152	2,360,429	10,860,597	4,391,588	4,708,579	4,230,333	5,128,751	7,943,068	50,543,695	(1,246,537)	49,297,158	49,000,922
Total Liabilities	7,245,638	2,326,441	3,711,634	2,886,444	11,884,763	4,431,583	5,018,593	4,324,626	5,581,958	8,371,613	55,783,293	(1,795,717)	53,987,576	54,288,789
Net Assets and Equity:														
Without donor restrictions-														
Undesignated	8,601,711	(229,061)	(1,294,689)								7,077,961		7,077,961	7,651,834
Board designated	1,483,990										1,483,990		1,483,990	597,201
Total without donor restrictions	10,085,701	(229,061)	(1,294,689)								8,561,951		8,561,951	8,249,035
With donor restrictions	645,914										645,914		645,914	477,235
Total net assets	10,731,615	(229,061)	(1,294,689)								9,207,865		9,207,865	8,726,270
Members' equity				(698,200)	(2,303,484)	(732,090)	350,680	(158,725)	4,746,296	2,112,139	3,316,616	(3,879,660)	(563,044)	1,970,044
Total Net Assets and Equity	10,731,615	(229,061)	(1,294,689)	(698,200)	(2,303,484)	(732,090)	350,680	(158,725)	4,746,296	2,112,139	12,524,481	(3,879,660)	8,644,821	10,696,314
Total Liabilities, Net Assets and Equity	\$ 17,977,253	\$ 2,097,380	\$ 2,416,945	\$ 2,188,244	\$ 9,581,279	\$ 3,699,493	\$ 5,369,273	\$ 4,165,901	\$ 10,328,254	\$ 10,483,752	\$ 68,307,774	\$ (5,675,377)	\$ 62,632,397	\$ 64,985,103

See independent auditor's report.

MULTI-SERVICE CENTER

Consolidating Statement of Activities For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

	Multi-Service Center	MSC Pierce Preservation	Fern Hill Terrace	SKCMSC Federal Way Associates LP	MSC Radcliffe Place Associates	Ranier View Senior	MSC GP Two Apartments	Hawthorne Lane Graham Associates	MSC Federal Way Veterans	MSC Colvos Terrace	Subtotal	Eliminations	Consolidated Total 2022	Consolidated Total 2021
Change in Net Assets Without Donor Restrictions and Members' Equity														
Public Support:														
Federal	\$ 14,569,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,569,784	\$ -	\$ 14,569,784	\$ 11,789,811
State	88,799										88,799		88,799	105,701
City and county	2,803,047										2,803,047		2,803,047	5,703,595
Total public support	17,461,630										17,461,630		17,461,630	17,599,107
Private Support:														
Individuals	685,725										685,725		685,725	645,532
Corporate	109,312										109,312		109,312	208,333
United Way	168,526										168,526		168,526	204,000
Foundations	137,121										137,121		137,121	70,689
Organizations	1,286,455										1,286,455		1,286,455	763,253
In-kind contributions	2,539,828										2,539,828		2,539,828	4,243,060
Total private support	4,926,967										4,926,967		4,926,967	6,134,867
Earned Income:														
Fees for service	264,020										264,020	(154,159)	109,861	326,720
Rental income	1,163,103	309,289	259,079	505,794	1,588,751	395,041	866,072	375,368	616,099	959,553	7,038,149		7,038,149	6,591,921
Other income	90,383	4,946	7,559	8,344	630,689	4,652	27,086	201,382	13,028	74,608	1,062,677	(1,857)	1,060,820	1,146,344
Total earned income	1,517,506	314,235	266,638	514,138	2,219,440	399,693	893,158	576,750	629,127	1,034,161	8,364,846	(156,016)	8,208,830	8,064,985
Total Revenue and Support Without Donor Restrictions	23,906,103	314,235	266,638	514,138	2,219,440	399,693	893,158	576,750	629,127	1,034,161	30,753,443	(156,016)	30,597,427	31,798,959
Net assets released from restriction	312,651										312,651		312,651	118,604
Expenses:														
Program services-														
Energy assistance	10,525,703										10,525,703		10,525,703	6,920,045
Long-term care ombudsman	2,441,883										2,441,883		2,441,883	2,389,056
Education and employment	356,566										356,566		356,566	326,474
Food and clothing	4,450,176										4,450,176		4,450,176	6,032,709
Housing support	2,352,278										2,352,278		2,352,278	5,829,075
Permanent housing	1,132,760										1,132,760		1,132,760	1,672,359
Housing entities		382,816	392,380	662,385	3,214,797	662,874	1,148,800	557,441	1,383,212	1,207,507	9,612,212	(156,016)	9,456,196	8,061,575
Other program services	421,965										421,965		421,965	202,025
Total program services	21,681,331	382,816	392,380	662,385	3,214,797	662,874	1,148,800	557,441	1,383,212	1,207,507	31,293,543	(156,016)	31,137,527	31,433,318
Supporting services-														
Management and general	1,565,616										1,565,616		1,565,616	1,837,078
Development	439,196										439,196		439,196	283,965
Total supporting services	2,004,812										2,004,812		2,004,812	2,121,043
Total Expenses	23,686,143	382,816	392,380	662,385	3,214,797	662,874	1,148,800	557,441	1,383,212	1,207,507	33,298,355	(156,016)	33,142,339	33,554,361
Total Change in Net Assets Without Donor Restrictions and Members' Equity	532,611	(68,581)	(125,742)	(148,247)	(995,357)	(263,181)	(255,642)	19,309	(754,085)	(173,346)	(2,232,261)		(2,232,261)	(1,636,798)
Changes in Net Asset With Donor Restrictions														
Contributions	481,333										481,333		481,333	251,774
Release of restricted net assets	(312,651)										(312,651)		(312,651)	(118,604)
Change in Net Assets With Donor Restriction	168,682										168,682		168,682	133,170
Total Change in Net Assets and Members' Equity	701,293	(68,581)	(125,742)	(148,247)	(995,357)	(263,181)	(255,642)	19,309	(754,085)	(173,346)	(2,063,579)		(2,063,579)	(1,503,628)
Net Assets and Member's Equity - beginning of year	10,030,322	(160,480)	(1,143,572)	(547,453)	(1,308,127)	(468,909)	606,322	(178,034)	5,272,886	2,215,789	14,318,744	(3,622,430)	10,696,314	12,228,906
Member equity contributions									227,495	69,696	297,191	(257,230)	39,961	15,353
Distributions and syndication			(25,375)	(2,500)							(27,875)		(27,875)	(44,317)
Net Assets and Members' Equity - End of Year	\$ 10,731,615	\$ (229,061)	\$ (1,294,689)	\$ (698,200)	\$ (2,303,484)	\$ (732,090)	\$ 350,680	\$ (158,725)	\$ 4,746,296	\$ 2,112,139	\$ 12,524,481	\$ (3,879,660)	\$ 8,644,821	\$ 10,696,314

See independent auditor's report.

MULTI-SERVICE CENTER

Single Audit Reports

For the Year Ended June 30, 2022

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

**To the Board of Directors
Multi-Service Center
Redmond, 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 financial statements of Multi-Service Center, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Multi-Service Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Multi-Service Center's 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 financial statements. 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*.

MSC's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on MSC's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. MSC's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
January 26, 2023

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

**To the Board of Directors
Multi-Service Center
Redmond, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Multi-Service Center's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Multi-Service Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Multi-Service Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Multi-Service Center's compliance with the compliance requirements referred to above.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Multi-Service Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Multi-Service Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Multi-Service Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Multi-Service Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Multi-Service Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Multi-Service Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

We have audited the financial statements of Multi-Service Center as of and for the year ended June 30, 2022, and have issued our report thereon dated January 26, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.C.

Certified Public Accountants
January 26, 2023

MULTI-SERVICE CENTER

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Contract Number	Passed Through to Subrecipients *	Total Federal Expenditures
US Department of Agriculture:				
Pacific Coast Fruit Company:				
COVID-19 Coronavirus Food Assistance Program 1	10.130	3J14-21-F-0122	\$ -	\$ 7,862
Total 10.130				7,862
SNAP Cluster-				
Washington State Department of Social and Health Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	2012-94095		12,824
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	2112-31094		30,468
WithinReach:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1912-64581-10		292
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1912-64581-10		2,037
Total SNAP Cluster				45,621
Food Distribution Cluster-				
Food Lifeline:				
Emergency Food Assistance Program (Administrative Costs)	10.568	Unknown		2,968
Emergency Food Assistance Program (Administrative Costs)	10.568	Unknown		576
Total 10.568				3,544
Emergency Food Assistance Program (Food Commodities)	10.569	Unknown		808,525
Total 10.569				808,525
Total Food Distribution Cluster				812,069
Total US Department of Agriculture				865,552
US Department of Housing and Urban Development:				
CDBG Entitlement Grants Cluster-				
Tacoma Community Development Authority:				
Community Development Block Grants/Entitlement Grants	14.218	** Unknown		468,000
King County Department of Community and Human Services:				
Community Development Block Grants/Entitlement Grants	14.218	6206679		25,980
Community Development Block Grants/Entitlement Grants	14.218	6067076		29,900
Community Development Block Grants/Entitlement Grants	14.218	Unknown		34,381
Community Development Block Grants/Entitlement Grants	14.218	** Unknown		132,037
Community Development Block Grants/Entitlement Grants	14.218	** D28057/D/E/F		130,000
Community Development Block Grants/Entitlement Grants	14.218	** Unknown		40,000
Community Development Block Grants/Entitlement Grants	14.218	** D28051D		10,000
City of Federal Way:				
Community Development Block Grants/Entitlement Grants	14.218	Unknown		44,927
Community Development Block Grant - COVID-19 Emergency Acts	14.218	Unknown		255,916
Community Development Block Grants/Entitlement Grants	14.218	Unknown		8,485
Community Development Block Grants/Entitlement Grants	14.218	Unknown		4,484
City of Kent:				
Community Development Block Grant - COVID-19 Emergency Acts	14.218	FAIN B-20-MW-53-001		55,218
Total CDBG Entitlement Grants Cluster				1,239,328
King County Department of Community and Human Services:				
Continuum of Care Program	14.267	6206679		98,354
Continuum of Care Program	14.267	6206679		81,877
Total 14.267				180,231
Housing Voucher Cluster-				
King County Housing Authority:				
Section 8 Housing Choice Vouchers	14.871	WA19K002002		82,086
Total Housing Voucher Cluster				82,086
Total US Department of Housing and Urban Development				1,501,645

* No federal assistance reported on the Schedule of Expenditures of Federal Awards was passed through to subrecipients during the year.

** Denotes an outstanding loan.

See independent auditor's reports and notes to schedule of expenditures of federal awards.

MULTI-SERVICE CENTER

Schedule of Expenditures of Federal Awards (Continued) For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Contract Number	Passed Through to Subrecipients *	Total Federal Expenditures
US Department of Health and Human Services:				
WA State Dept. of Commerce-				
Low-Income Home Energy Assistance	93.568	21-32606-077		452,112
Low-Income Home Energy Assistance	93.568	22-32606-077		3,022,423
Low-Income Home Energy Assistance	93.568	21-32607-077		297,824
COVID-19 Low-Income Home Energy Assistance	93.568	21-3260A-077		5,937,930
Total 93.568				9,710,289
City of Seattle-				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	DA21-1071		18,533
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	DA20-1071		12,184
Northwest Regional Council-				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	204015-LTCO		1,980
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	241015-LTCO		1,980
Total 93.041				34,677
WA State Dept. of Commerce-				
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	S22-32303-001		403,107
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	S22-32303-001		214,916
Total 93.042				618,023
Aging Cluster-				
City of Seattle:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA21-1071		1,652
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	DA20-1071		1,131
WA State Dept. of Commerce:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	S22-32303-001		15,933
Total Aging Cluster				18,716
WA State Dept. of Commerce:				
Elder Abuse Prevention Interventions Program	93.747	S22-32303-001		21,748
Total 93.747				21,748
477 Cluster-				
WA State Dept. of Commerce:				
Community Services Block Grant	93.569	F21-32101-017		471,113
Community Services Block Grant	93.569	F20-3210C-017		372,125
Total 93.569 / 477 Cluster				843,238
Total US Department of Health and Human Services				11,246,691
US Department of the Treasury:				
Pass-Through Program from-				
WA State Dept. of Agriculture:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	K3758		50,000
Food Lifeline:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown		267,704
WA Food for Good:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown		199,618
Northwest Harvest:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown		75,182
Total 21.027 / US Department of the Treasury				592,504
Total Expenditure of Federal Awards			\$ -	\$ 14,206,392

* No federal assistance reported on the Schedule of Expenditures of Federal Awards was passed through to subrecipients during the year.

** Denotes an outstanding loan.

See independent auditor's reports and notes to schedule of expenditures of federal awards.

MULTI-SERVICE CENTER

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Multi-Service Center (MSC) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of MSC, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of MSC.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. MSC has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Loans Outstanding

MSC had the following loan balances outstanding at June 30, 2022 included in the federal expenditures presented in the Schedule.

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Outstanding</u>
US Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 468,000
Community Development Block Grants/Entitlement Grants	14.218	132,037
Community Development Block Grants/Entitlement Grants	14.218	130,000
Community Development Block Grants/Entitlement Grants	14.218	40,000
Community Development Block Grants/Entitlement Grants	14.218	<u>10,000</u>
Total US Department of Housing and Urban Development		<u>\$ 780,037</u>

MULTI-SERVICE CENTER

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

☐ Yes

☒ No

- Significant deficiencies identified?

☒ Yes

☐ None reported.

Noncompliance material to financial statements noted?

☐ Yes

☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?

☐ Yes

☒ No

- Significant deficiencies identified?

☐ Yes

☒ None reported.

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 516(a)?

☐ Yes

☒ No

Identification of Major Federal Programs

Assistance Listing Numbers

10.569, 10.568
14.218
21.027
93.569

Name of Federal Program or Cluster

Food Distribution Cluster
CDBG - Entitlement Grants Cluster
Coronavirus State and Local Fiscal Recovery Funds
477 Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes

☐ No

MULTI-SERVICE CENTER

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2022

Section II - Financial Statement Findings

Finding 2022-001

Significant deficiency in internal controls over financial reporting related to the improper exclusion of applicable Federally funded loans from the Schedule of Expenditures of Federal Awards (SEFA).

Criteria

2 U.S. Code of Federal Regulations (CFR) 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require that the value of Federal awards expended under Federally funded loan programs with continuing compliance requirements must be included on the SEFA.

Condition/Context for Evaluation

Multi-Service Center's (MSC's) internal controls over the preparation of the SEFA did not include a review for the proper inclusion of applicable loans.

Questioned Costs

None noted.

Cause

Internal controls were not sufficient to ensure applicable loans were included on the SEFA.

Effect or Potential Effect

The SEFA was not properly prepared resulting in applicable Federal loans totaling \$780,037 being improperly excluded from the SEFA for the year ended June 30, 2022.

Repeat Finding

Not applicable.

Recommendation

We recommend that MSC implement a procedure ensuring applicable loans be included on the SEFA.

Views of Responsible Officials of Auditee

Management concurs with the finding and has provided the accompanying corrective action plan.

MULTI-SERVICE CENTER

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2022

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



1200 S. 336th St., P.O. Box 23699, Federal Way, WA 98093-0699
253/838-6810 • FAX: 253/874-7831 • www.mschehps.org

**Corrective Action Plan
For the Year Ended June 30, 2022**

Multi-Service Center submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent accounting firm: Clark Nuber PS, 10900 NE 4th Street Unit 1400, Bellevue, WA 98004

Audit period: July 1, 2021 to June 30, 2022

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

2022-01: Financial Reporting

Condition/Context for Evaluation: Multi-Service Center's internal controls over the preparation of the SEFA did not include a review for the proper inclusion of applicable loans.

Cause: Internal controls were not sufficient to ensure applicable loans were included on the SEFA.

Effect: The SEFA was not properly prepared resulting in applicable Federal loans totaling \$780,037 being improperly excluded from the SEFA for the year ended June 30, 2022

Response: Effective January 18, 2023, MSC plans to take the following corrective action:

The Finance Director and accounting staff have taken time to review existing loans and performed a completeness search for all forgivable loans to ensure ongoing compliance with 2 U.S. Code of Federal Regulations (CFR) 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

A system of controls will be developed and fully documented to address the specific risks recognized in the SEFA reporting process, including identification of funding sources at the time of receipt for all loans and forgivable loans. If the source of funding is not immediately identifiable, the Finance Director will reach out directly to the entity providing the funding to verify the source. All loan documents will be reviewed by the accounting team and logged onto a debt summary schedule, which will be reviewed by the Finance Director. Federally funded loans will be properly added to the SEFA on an annual basis to ensure proper financial reporting.

Robin Corak
Executive Director

Beth Lancaster
Finance Director