

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Parkview Services

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Parkview Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Parkview Services as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the consolidated financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2019 on our consideration of Parkview Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Parkview Services' internal control over financial reporting and compliance.

Finney, Hill & Company, P.S.

September 26, 2019
Seattle, Washington

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 68,925	255,529
Investments	1,350,106	1,551,146
Accounts receivable	72,730	118,510
Grants receivable	136,330	46,718
Due from Washington Homeownership Resource Center	24,683	26,017
Prepaid expenses and other	58,897	50,550
Cash restricted for revolving loan fund	<u>121,453</u>	<u>107,904</u>
Total current assets	<u>1,833,124</u>	<u>2,156,374</u>
Property and equipment, net	13,461,404	13,284,705
Loans receivable, net	3,913,664	3,979,540
Certificates of deposit restricted for reserves	351,555	-
Cash restricted for reserves	<u>39,799</u>	<u>389,770</u>
Total assets	<u>\$ 19,599,546</u>	<u>19,810,389</u>
 Liabilities and Net Assets 		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 37,785	51,510
Accrued payroll liabilities	73,180	82,877
Deferred revenue	-	24,941
Current portion of forgivable loans	<u>-</u>	<u>296,019</u>
Total current liabilities	110,965	455,347
Accrued interest	322,562	296,836
Notes payable	1,921,266	1,576,766
Forgivable loans	<u>13,347,573</u>	<u>13,270,527</u>
Total liabilities	<u>15,702,366</u>	<u>15,599,476</u>
Net assets:		
Without donor restrictions	(949,953)	(680,183)
Board designated Group Home reserve	<u>553,166</u>	<u>656,548</u>
Total net assets without donor restrictions	(396,787)	(23,635)
With donor restrictions	<u>4,293,967</u>	<u>4,234,548</u>
Total net assets	<u>3,897,180</u>	<u>4,210,913</u>
Total liabilities and net assets	<u>\$ 19,599,546</u>	<u>19,810,389</u>

The accompanying notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Home Ownership grants	\$ 730,942	98,802	829,744	\$ 1,167,961	158,655	1,326,616
Affordable Housing	822,703	-	822,703	752,942	-	752,942
Group Home	458,961	-	458,961	446,760	-	446,760
Shared services fees	265,531	-	265,531	253,450	-	253,450
Camper fees	34,256	-	34,256	30,984	-	30,984
Special events, net of direct benefits to donors of \$26,252 and \$22,712, respectively	45,465	-	45,465	25,053	-	25,053
Investment income, net	132,480	-	132,480	369,653	-	369,653
Contributions	92,238	1,750	93,988	94,377	2,000	96,377
Other income	25,609	37,831	63,440	81,190	19,201	100,391
	<u>2,608,185</u>	<u>138,383</u>	<u>2,746,568</u>	<u>3,222,370</u>	<u>179,856</u>	<u>3,402,226</u>
Debt forgiveness	218,973	-	218,973	19,100	-	19,100
Net assets released from restrictions:						
Satisfaction of purpose restrictions	78,964	(78,964)	-	2,210	(2,210)	-
Total support, revenue, and other revenue	<u>2,906,122</u>	<u>59,419</u>	<u>2,965,541</u>	<u>3,243,680</u>	<u>177,646</u>	<u>3,421,326</u>
Expenses:						
Program	2,883,039	-	2,883,039	2,803,918	-	2,803,918
Management and general	302,093	-	302,093	343,443	-	343,443
Fundraising	94,142	-	94,142	84,641	-	84,641
Total expenses	<u>3,279,274</u>	<u>-</u>	<u>3,279,274</u>	<u>3,232,002</u>	<u>-</u>	<u>3,232,002</u>
Increase (decrease) in net assets	(373,152)	59,419	(313,733)	11,678	177,646	189,324
Net assets at beginning of year	<u>(23,635)</u>	<u>4,234,548</u>	<u>4,210,913</u>	<u>(35,313)</u>	<u>4,056,902</u>	<u>4,021,589</u>
Net assets at end of year	<u>\$ (396,787)</u>	<u>4,293,967</u>	<u>3,897,180</u>	<u>\$ (23,635)</u>	<u>4,234,548</u>	<u>4,210,913</u>

The accompanying notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program					Support		Total Expenses	
	Affordable Housing	Group Home	Home Ownership	Camp	Washington Homeownership Resource Center Grant Management	Total Program	Management and General		Fundraising
Compensation and related expenses:									
Salary and wages	\$ 192,453	366,373	527,821	15,368	166,344	1,268,359	155,442	61,776	1,485,577
Payroll taxes and benefits	<u>55,827</u>	<u>105,760</u>	<u>147,872</u>	<u>2,090</u>	<u>49,610</u>	<u>361,159</u>	<u>19,178</u>	<u>17,997</u>	<u>398,334</u>
	248,280	472,133	675,693	17,458	215,954	1,629,518	174,620	79,773	1,883,911
General and administrative	58,617	44,665	17,097	1,131	699	122,209	8,983	3,192	134,384
Insurance	31,334	5,983	2,665	87	936	41,005	2,875	341	44,221
Office and facilities rental	17,468	-	40,172	42,056	14,100	113,796	14,363	5,143	133,302
Office expenses	463	867	1,201	88	345	2,964	331	126	3,421
Professional services	3,449	3,882	12,128	1,967	1,792	23,218	77,339	652	101,209
Other operating expenses	63,594	44,416	27,613	4,540	1,674	141,837	13,396	31,151	186,384
Repairs and maintenance	80,484	8,662	170	-	5	89,321	550	2	89,873
Property tax	18,689	368	113	-	40	19,210	37	14	19,261
Depreciation	358,139	1,134	-	-	-	359,273	9,599	-	368,872
Contribution expense	-	-	186,551	-	-	186,551	-	-	186,551
Bad debt expense	-	-	124,890	-	-	124,890	-	-	124,890
Interest expense	<u>29,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,247</u>	<u>-</u>	<u>-</u>	<u>29,247</u>
Total expenses	909,764	582,110	1,088,293	67,327	235,545	2,883,039	302,093	120,394	3,305,526
Less special event expenses included with support and revenue on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,252)</u>	<u>(26,252)</u>
Total expenses included in expenses on the statement of activities	<u>\$ 909,764</u>	<u>582,110</u>	<u>1,088,293</u>	<u>67,327</u>	<u>235,545</u>	<u>2,883,039</u>	<u>302,093</u>	<u>94,142</u>	<u>3,279,274</u>

The accompanying notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program					Total Program	Support		Total Expenses
	Affordable Housing	Group Home	Home Ownership	Camp	Washington Homeownership Resource Center Grant Management		Management and General	Fundraising	
Compensation and related expenses:									
Salary and wages	\$ 142,803	343,690	653,366	15,839	163,938	1,319,636	148,303	57,845	1,525,784
Payroll taxes and benefits	41,368	85,847	218,676	9,914	44,621	400,426	70,826	15,414	486,666
	<u>184,171</u>	<u>429,537</u>	<u>872,042</u>	<u>25,753</u>	<u>208,559</u>	<u>1,720,062</u>	<u>219,129</u>	<u>73,259</u>	<u>2,012,450</u>
General and administrative	55,172	27,307	19,090	832	853	103,254	9,895	2,881	116,030
Insurance	30,460	4,057	5,113	259	976	40,865	1,422	345	42,632
Office and facilities rental	17,589	-	65,880	34,682	12,578	130,729	11,798	4,227	146,754
Office expenses	603	145	3,323	34	-	4,105	528	407	5,040
Professional services	707	1,346	6,177	2,146	739	11,115	74,815	248	86,178
Other operating expenses	69,836	29,739	43,301	5,077	1,754	149,707	13,497	25,671	188,875
Repairs and maintenance	65,059	1,142	24	-	-	66,225	24	-	66,249
Property tax	17,670	192	239	-	-	18,101	40	15	18,156
Depreciation	321,545	7,285	-	-	-	328,830	12,295	-	341,125
Contribution expense	-	-	184,551	-	-	184,551	-	-	184,551
Bad debt expense	-	-	20,097	-	-	20,097	-	-	20,097
In-kind expense	550	-	-	-	-	550	-	300	850
Interest expense	25,727	-	-	-	-	25,727	-	-	25,727
Total functional expenses	<u>789,089</u>	<u>500,750</u>	<u>1,219,837</u>	<u>68,783</u>	<u>225,459</u>	<u>2,803,918</u>	<u>343,443</u>	<u>107,353</u>	<u>3,254,714</u>
Less special event expenses included with support and revenue on the statement of activities	-	-	-	-	-	-	-	(22,712)	(22,712)
Total expenses included in expenses on the statement of activities	<u>\$ 789,089</u>	<u>500,750</u>	<u>1,219,837</u>	<u>68,783</u>	<u>225,459</u>	<u>2,803,918</u>	<u>343,443</u>	<u>84,641</u>	<u>3,232,002</u>

The accompanying notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Years ended December 31, 2018 and 2017

	2018	2017
Cash flows provided by (used in) operating activities:		
Increase (decrease) in net assets	\$ (313,733)	189,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	368,872	341,125
Debt forgiveness	(218,973)	(19,100)
Provision for bad debts	124,890	9,402
Loss (gain) on investments	80,492	(160,635)
Interest, dividends and shared appreciation received	(28,369)	(20,837)
Contributions of property and equipment	-	(37,561)
(Increase) decrease in assets:		
Accounts receivable	45,780	(29,548)
Grants receivable	(89,612)	57,628
Due from Washington Homeownership Resource Center	1,334	6,727
Prepaid expenses and other	(8,347)	45,415
Cash restricted for revolving loan fund	(13,449)	38,588
Increase (decrease) in liabilities:		
Accounts and grants payable	(13,725)	24,106
Accrued liabilities	(9,697)	(25,092)
Deferred revenue	(24,941)	18,584
Accrued interest	25,726	25,727
Total adjustments	239,981	274,529
Net cash provided by (used in) operating activities	(73,752)	463,853
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(545,571)	(436,630)
Disposal of property and equipment	-	5,401
Sale of investments	155,647	38,010
Loans made to clients	(190,280)	(307,765)
Payments received on loans receivable	131,266	110,500
Withdrawals from restricted reserve accounts	58,339	46,779
Deposits to restricted reserve accounts	(59,923)	(51,568)
Net cash provided by (used in) investing activities	(450,522)	(595,273)
Cash flows provided by (used in) financing activities:		
Proceeds from notes payable	344,500	23,812
Proceeds from forgivable loans	-	252,221
Net cash provided by (used in) financing activities	344,500	276,033
Net increase (decrease) in cash and cash equivalents	(179,774)	144,613
Cash and cash equivalents at beginning of year	248,699	110,916
Cash and cash equivalents at end of year	\$ 68,925	255,529
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 3,521	-

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

The Organization offers deferred payment down payment assistance loans to eligible homebuyers at below-market interest rates. The Organization recognized interest income and related contribution expense of \$186,551 and \$184,551 on these loans in the years ended December 31, 2018 and 2017. The Organization paid \$3,521 and \$0 in interest on notes payable in the years ended December 31, 2018 and 2017

The accompanying notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2018 and 2017

NOTE 1 – NATURE OF ORGANIZATION

Parkview Services (the Organization) is a King County based non-profit organization established in 1967. Parkview Services creates inclusive housing solutions that promote stability, opportunity and community through four programs that focus on the development and preservation of safe, stable affordable homes.

Parkview Group Home: Originally established to provide residential support services for children with Intellectual and Developmental Disabilities (IDDs), the Organization shifted its service population to adults in order to continue serving the children who reached adult age at Parkview Group Home. Currently, six adults live at the Group Home as clients. Through this program, residents receive 24/7 supportive care and live chosen lives as part of their local community. In 2018 and 2017, this program provided over 17,800 and 17,400 hours of direct support services to residents.

Affordable Housing Program: Parkview's Affordable Housing Program began in 1997 in response to an increasing need for quality affordable housing options for extremely low-income adults with IDD. Tenants of this program are referred to Parkview by the Washington State Developmental Disabilities Administration (DDA), and pay no more than 30% of their income in rent, no matter how low, with subsidy for utilities. Tenants at each home receive supportive living services from one of 13 licensed service providers. Affordable Housing added two homes in 2018, and one home in 2017. In 2018 and 2017, the program served 177 and 173 tenants, respectively.

Camp Parkview: Originally established in the 1980's as Camp New Horizons, Camp Parkview has served adults with IDD for the past 25+ years. In the early 1990's, Parkview Services took over administration of the program, which provides an annual residential summer camp experience for over 60 people with IDD every year. Camp Parkview takes place on Vashon Island at the Camp Burton facility and it is staffed by 40 volunteer counselors. Camp provides mutually beneficial relationships and friendship building between people with and without disabilities, and allows for accessible recreation and socialization in the beautiful Pacific Northwest. Sixty-seven and sixty-four campers attended the weeklong camp in 2018 and 2017, respectively.

Homeownership Program: Since 1996, Parkview Homeownership Program has provided no-cost pre-purchase homebuyer education and first-time homebuyer counseling for residents of King and Snohomish County. Qualified first-time homebuyers with disabilities or who live with a family member with a disability are eligible for up to \$90,000 in down payment assistance through this program. The Homeownership Program also provides no-cost mortgage default housing counseling and advocacy to prevent unnecessary foreclosure and help struggling homeowners get back on track to financial stability. Since 2011, our mortgage default housing counselors have served over 16,000 Washington residents in all counties. Parkview Services is currently the largest provider of HUD approved housing counseling in the state. Recent outreach efforts have centered on financial fraud prevention for senior citizens and veterans, as well as foreclosure prevention workshops for all demographics. Parkview mortgage default clients avoid foreclosure 86% of the time and retain their equity 83% of the time. Homeowners who retained their equity remained in their homes an average of five years after counseling intake. In 2018 and 2017, this program served over 5,500 and 7,000 clients.

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Presentation of Financial Statements for Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset classes according to donor imposed restrictions: net assets without donor restrictions and net assets with donor restrictions. The net assets of Parkview Services are classified as follows:

- Net assets with donor restrictions are available without restriction for support of Parkview Services' operations.
- Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future periods. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of Parkview Services or by the passage of time. Net assets with donor restrictions of a temporary nature were \$9,949 and \$8,949 at December 31, 2018 and 2017, respectively. Other donor restrictions are permanent in nature whereby the donor has stipulated the funds be maintained intact in perpetuity. Net assets with donor restrictions of a permanent nature were \$4,284,018 and \$4,225,599 at December 31, 2018 and 2017 that represent a revolving loan fund. The fund was established by grant funding designated to enable qualified first time homeowners with household members who are persons with IDD to obtain deferred payment down payment assistance loans. When loans are repaid by homeowners, the funds, as well as any shared appreciation on the value of the home, are returned to the revolving loan fund to be used again for the fund's restricted purpose.

Basis of accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of consolidation

Parkview Services is the sole member of Parkview Property Services, LLC (PPS LLC), which was formed in 2018 to provide maintenance services to affordable housing organizations and pre-purchase home repairs to qualified homeownership clients. The accompanying consolidated financial statements for the year ended December 31, 2018 include the accounts of Parkview Services and PPS LLC. The accompanying financial statements for the year ended December 31, 2017 are presented on a non-consolidated business. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as Parkview or Parkview Services in the notes to the consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents consist of general checking and savings accounts. Parkview Services maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. Parkview Services has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments consist of investments in exchange traded stock funds and money market funds which are classified as available-for-sale securities carried at fair value. Net unrealized investment gains (losses) related to available-for-sale securities are recorded in net investment income on the consolidated statement of activities. Interest and dividends earned are also reported in net investment income. Parkview Services uses quoted market prices or public market information to determine the fair value of its investments.

Accounts and grants receivables

Accounts and grants receivable are recognized as revenues in the period earned. Receivables are expected to be collected within three months and are recorded at their collectible value.

Property and equipment

Land, building and improvements are recorded at cost. Improvements and fixed assets costing over \$5,000 individually are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred unless a certain expense below the \$5,000 threshold is allowed to be capitalized by the funder. Assets are depreciated on the straight-line method over the estimated economic lives ranging from three to 40 years. Depreciation expense for the years ended December 31, 2018 and 2017 was \$368,872 and \$341,125.

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

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Notes Payable

The Organization has funded some of its affordable housing units through the use of notes payable provided by government organizations. The loans require compliance in meeting the underlying obligations of restricted use of the property and principal and interest are due in full at the end of the loan period.

In 2018, the Organization purchased a home for use as affordable housing units through the use of notes payable provided by financial institutions. The \$344,500 in loans outstanding at December 31, 2018, require certificates of deposit be maintained at the banks. As of December 31, 2018, \$351,555 was held in certificates of deposit at the financial institutions.

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Forgivable Loans

The Organization has funded its affordable housing units through the use of forgivable loans provided by government organizations. The loans have various ongoing compliance requirements including restricted use of the properties. The Organization carries the full value of each forgivable loan as a liability until the conditions of the loan have been met at the end of the loan and/or compliance period, at which point in time, loan forgiveness is recognized as unrestricted revenue.

Cost Reimbursement Contracts

Revenues under cost-reimbursement type contracts are recognized as earned and are based on billings submitted for reimbursement that are subject to audit. These revenues are reflected as grants in the consolidated statement of activities. Retroactive adjustments may be made by the funding agencies. No such adjustments were made for the years ended December 31, 2018 and 2017.

Affordable Housing and Group Home revenues

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants are operating leases.

Restricted and unrestricted support

Contributed support is recorded when a promise to give is made or when ownership of donated assets is transferred. Contributions received are recorded as an increase in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions and are reflected as contributions or grants on the statement of activities.

Contributions received with donor restrictions that limit the use of the donated assets are reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Restricted resources whose restrictions are met in the reporting period received are recorded as unrestricted.

Donated goods and services

Donated goods are recorded as contributions at their estimated fair values at the date of donation. In accordance with financial accounting standards, the consolidated financial statements reflect only those donated services requiring specific expertise that Parkview Services would otherwise need to purchase. There were donated goods and services of \$0 and \$38,410 for the affordable housing program for the years ended December 31, 2018 and 2017, which is included in other income on the consolidated statements of activities.

Advertising expenses

Advertising is expensed as incurred. For the years ended December 31, 2018 and 2017, advertising expense was \$2,312 and \$3,876, respectively.

Federal income taxes

The Internal Revenue Service has recognized Parkview Services as exempt from federal income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and is classified as an organization other than a private foundation under Section 509(a)(1).

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Federal income taxes, continued

Parkview Services accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification. With few exceptions, Parkview Services is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed Parkview Services' tax positions and determined there were no uncertain tax positions as of December 31, 2018 and 2017.

Parkview Services recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2018 and 2017, Parkview Services recognized no income tax related interest or penalties.

Parkview Services provides qualified transportation benefits which are subject to corporate income tax as of January 1, 2018. Parkview Services paid estimated income taxes of \$478 for the year ended December 31, 2018.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and of functional expenses. Certain shared costs have been allocated based on a time an effort method to those programs and supporting services that share the cost. Expenses that are allocated include the following:

- Salary, wages, and related payroll taxes and benefits
- General and administrative
- Insurance
- Office and facilities rental
- Office expenses
- Professional services
- Other operating expenses

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2018 and 2017.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of estimates

The preparation of consolidated 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management’s Review

Subsequent events have been evaluated through September 26, 2019, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain balances in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications had no effect on the change in net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets at year end:	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 68,925	255,529
Investments	1,350,106	1,551,146
Accounts, grants and related party receivables	<u>233,743</u>	<u>191,245</u>
Total unrestricted financial assets	1,652,774	1,997,920
Less amounts not available to be used within one year:		
Board restricted funds	<u>553,166</u>	<u>656,548</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,099,608</u>	<u>1,341,372</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 3 – AVAILABILITY AND LIQUIDITY, continued

Parkview Services’ primary sources of income include governmental grants and contracts, tenant rents, and other contractual sources. The contractual nature of these sources of income enables the Organization to budget for programs which are ongoing, major, and central to its annual operations and to meet cash needs for general expenditures. In addition, the Organization strives to maximize the investment of its available funds in order that it may appropriate the earnings on investments to general expenditures on an as needed basis. Parkview Services seeks to retain the principal of investments for future capital needs.

NOTE 4 – INVESTMENTS

The following schedule summarizes investments stated at fair value as of December 31:

	<u>2018</u>	<u>2017</u>
Exchange traded funds	\$ 1,010,555	1,453,577
Stocks	316,448	-
Money market funds	<u>23,103</u>	<u>97,569</u>
	<u>\$ 1,350,106</u>	<u>1,551,146</u>

Net investment income consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Dividends	\$ 26,530	23,245
Interest	188,390	185,783
Investment expense	(1,948)	(10)
Unrealized gain (loss) on investments	<u>(80,492)</u>	<u>160,635</u>
	<u>\$ 132,480</u>	<u>369,653</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Parkview Services has the ability to access.

Level 2: Inputs to the valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets,
- b. Quoted prices for identical or similar assets or liabilities in inactive markets,

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 5 - FAIR VALUE MEASUREMENTS, continued

- c. Inputs other than quoted prices that are observable for the asset or liability,
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- e. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Investments in exchange traded funds and money market funds: Valued at the daily closing price as reported by the fund. These investment are registered with the SEC and are required to publish their daily net asset value (NAV) and to transact at that price.

Investments in stocks: Valued at fair market value of securities held at year end as provided by broker, which is considered a Level 1 measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Parkview Services believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 – RELATED PARTY TRANSACTIONS

Parkview Services provides services to Washington Homeownership Resource Center (WHRC) under the terms of a shared services agreement that is effective through December 31, 2019. Under the terms of this agreement, Parkview Services subcontracted the use of office space, phones, internet, copier/scanners, postage, and certain employees to WHRC. Parkview Services earned \$265,531 and \$253,450 in fees from this agreement in the years ended December 31, 2018 and 2017. These fees are reflected in the consolidated statement of activities. Additionally, Parkview Services recorded receivable balances from WHRC for services provided of \$24,683 and \$26,017 at December 31, 2018 and 2017, respectively.

Parkview Services has a banking relationship with the employer of a member of the Board of Directors. As of December 31, 2018 and 2017, Parkview had \$218,533 and \$638,369 on deposit with the financial institution in the form of cash, cash equivalents, and certificates of deposit. Additionally, Parkview owed \$104,500 and \$0 for notes payable to the institution as of December 31, 2018 and 2017.

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 7 – RESTRICTED RESERVES

In accordance with City of Seattle loan agreements, the Organization is required to make annual replacement and operating reserve deposits for fifteen affordable housing properties. Replacement contributions range from \$1,000 to \$2,250 per property annually, and operating reserve contributions range from \$625 to \$750 per property annually. Use of the replacement and operating reserves requires approval from the City of Seattle and reserves funds must be maintained in a separate bank account. The restricted reserve balances were \$391,354 and \$389,770 at December 31, 2018 and 2017.

NOTE 8 – PROPERTY AND EQUIPMENT

The Organization began acquiring residential properties which are rented to low income individuals with IDD's in 1998. Parkview had acquired 57 affordable housing properties in King and Snohomish counties as of December 31, 2018 and 2017. The majority of the funding for these projects was received from governmental agencies in the form of restricted grants and forgivable loans. Additionally, a house in northeast Seattle was donated in 2004. This house is also a rental property for low income individuals with IDD's.

Capitalized property and equipment associated with these projects are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Affordable housing units		
Parkview 1 - 5 houses	\$ 1,340,420	1,340,460
Parkview 2 - 5 houses	1,172,498	1,170,033
Parkview 3 - 9 houses	1,213,324	1,213,324
Parkview 4 - 3 houses	929,107	929,107
Parkview 5 - 5 houses	1,414,424	1,373,266
Parkview 6 - 9 houses	3,100,061	3,098,534
Parkview 7 - 11 houses	4,183,616	4,170,044
Parkview 8 - 1 house	315,440	309,643
Parkview 9 - 2 houses	975,004	975,004
Parkview 10 - 1 house	279,123	277,913
Parkview 11 - 2 houses	982,763	982,763
Parkview 12 - 2 houses	864,214	864,214
Parkview 13 - 1 house	406,046	-
Donated house	<u>361,765</u>	<u>361,765</u>
	17,537,805	17,066,070
Accumulated depreciation	<u>(4,306,309)</u>	<u>(3,955,133)</u>
Net book value	<u>\$ 13,231,496</u>	<u>13,110,937</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 8 – PROPERTY AND EQUIPMENT, continued

Property and equipment associated with all locations are as follows as of December 31, 2018:

	<u>Affordable Housing</u>	<u>Group Home</u>	<u>Administration</u>	<u>Total</u>
Non-depreciable property:				
Land	\$ 5,472,946	18,086	-	5,491,032
Depreciable property and equipment:				
Building	12,064,859	222,999	-	12,287,858
Furniture and equipment	-	92,936	186,538	279,474
Vehicles	<u>21,927</u>	<u>6,354</u>	<u>25,409</u>	<u>53,690</u>
Total depreciable property and equipment	<u>12,086,786</u>	<u>322,289</u>	<u>211,947</u>	<u>12,621,022</u>
Property and equipment	17,559,732	340,375	211,947	18,112,054
Accumulated depreciation	<u>(4,328,236)</u>	<u>(179,284)</u>	<u>(143,130)</u>	<u>(4,650,650)</u>
Property and equipment, net	<u>\$ 13,231,496</u>	<u>161,091</u>	<u>68,817</u>	<u>13,461,404</u>

Property and equipment associated with all locations are as follows as of December 31, 2017:

	<u>Affordable Housing</u>	<u>Group Home</u>	<u>Administration</u>	<u>Total</u>
Non-depreciable property:				
Land	\$ 5,472,946	18,086	-	5,491,032
Depreciable property and equipment:				
Building	11,593,124	150,346	-	11,743,470
Furniture and equipment	-	92,936	185,355	278,291
Vehicles	<u>21,927</u>	<u>6,354</u>	<u>25,409</u>	<u>53,690</u>
Total depreciable property and equipment	<u>11,615,051</u>	<u>249,636</u>	<u>210,764</u>	<u>12,075,451</u>
Property and equipment	17,087,997	267,722	210,764	17,566,483
Accumulated depreciation	<u>(3,977,060)</u>	<u>(172,198)</u>	<u>(132,520)</u>	<u>(4,281,778)</u>
Property and equipment, net	<u>\$ 13,110,937</u>	<u>95,524</u>	<u>78,244</u>	<u>13,284,705</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 9 - LOANS RECEIVABLE

Loans are provided for the purchase of first homes for eligible low-income homebuyers with household members who are persons with IDD. Loans receivable are recorded at the principal amounts outstanding. The deferred loans are secured by deeds of trust and bear no interest. The loans are due upon the earlier of the sale of the home, refinance in certain cases, or when the home secured by the mortgage ceases to be used as a primary residence by the mortgagee. At December 31, 2018 and 2017 there was one amortizing loan that was delinquent over 90 days totaling \$23,034 and \$23,034. All other loans are deferred in nature. No principal payments are due until sale, refinance, or the cessation of use of the home as a primary residence. The average deferred outstanding loan balance was \$40,502 and \$38,032 at December 31, 2018 and 2017.

Loans receivable consisted of the following at December 31, 2018:

	<u>Number of Loans</u>	
Deferred loans	100	\$ 4,050,208
Amortizing loan	1	23,034
Total loans receivable	<u>101</u>	<u>4,073,242</u>
Less: allowance for loan losses		<u>(159,578)</u>
Loans receivable, net		<u>\$ 3,913,664</u>

Loans receivable consisted of the following at December 31, 2017:

	<u>Number of Loans</u>	
Deferred loans	102	\$ 4,069,408
Amortizing loan	1	23,034
Total loans receivable	<u>103</u>	<u>4,092,442</u>
Less: allowance for loan losses		<u>(112,902)</u>
Loans receivable, net		<u>\$ 3,979,540</u>

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for potential uncollected amounts through a provision for loan loss expense and an adjustment to a loan loss reserve account based on historical experience. Impairment losses of \$78,214 and \$0 were recognized in the years ended December 31, 2018 and 2017, respectively and are included in bad debt expense on the consolidated statement of functional expenses.

Cash available to be loaned is held in a separate bank account and is reported as cash restricted for revolving loan fund on the statement of financial position. Interest income on loans receivable is recorded based on the historic average market rate for a 30-year fixed term loan based on the month the loan originated. The difference between market rate and the actual interest rate of 0% is recorded as interest income. A corresponding amount of contribution expense is recorded to reflect the contribution of interest to homebuyers who would otherwise be unable to afford the loan.

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>		<u>2018</u>	<u>2017</u>	
2	1	King County note payable D26119D/E/F of \$112,166, interest at 0% and expires in 2033.	\$ 112,166	112,166
2	2	King County note payable D26119D/E/F of \$112,166, interest at 0% due and expires in 2033.	112,166	112,166
2	3	King County note payable D26119D/E/F of \$112,166, interest at 0% due and expires in 2033.	112,166	112,166
2	4	King County note payable D26119D/E/F of \$112,166, interest at 0% and expires in 2033.	112,166	112,166
2	5	King County note payable D26119D/E/F of \$112,166, interest at 0% and expires in 2033.	112,166	112,166
2	G	Department of Community, Trade and Economic Development House Finance Unit contract 98-49300-317 amended 1/17/2002 in the amount of \$375,000 and due 1/1/2050 with 0% interest, for all five (5) locations of "Parkview 2".	375,000	375,000
			\$ 935,830	935,830

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDAIRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>	<u>2018</u>	<u>2017</u>
3 1	King County note payable D26703E of \$49,659 effective 11/28/2001, payable with all principal and interest at 0% due and payable in 2035	\$ 49,659 49,659
3 2	King County note payable D26703E of \$5,553 effective 11/28/2001, payable with all principal and interest at 0% due and payable in 2035.	5,553 5,553
3 3	King County note payable D26703E of \$61,733 which was reduced to \$45,899 effective 1/12/2001, payable with all principal and interest at 0% due and payable 3/15/2035.	45,899 45,899
3 4	King County note payable D26703E of \$10,513 effective 1/12/2001, interest at 0% due and expires in 2035.	10,513 10,513
3 5	King County note payable D26703E of \$40,166 effective 1/12/2001, interest at 0% due and expires in 2035.	40,166 40,166
3 6	King County note payable D26703D/E/F/G of \$75,955 effective 11/28/2001, interest at 0% due and expires in 2035.	75,955 75,955
3 7	King County note payable D26703D/E/F/G of \$24,193 effective 11/28/2001, interest at 0% due and expires in 2035.	24,193 24,193
3 8	King County note payable D26703D/E/F/G of \$59,328 effective 11/28/2001, interest at 0% due and expires in 2035.	59,328 59,328
3 9	King County note payable D26703D/E/F/G of \$17,488 effective 11/28/2001, interest at 0% due and expires in 2035.	17,488 17,488
3 G	City of Bellevue funding agreement totaling \$75,000 with \$35,000 available from Housing Trust Fund and \$40,000 available from Operating Grants and Donation Fund due on 12/12/2050 with 0% interest.	75,000 75,000
3 G	WDC Note 00-49300-326 totaling \$485,901 due on 6/30/2050 with 0% interest.	485,901 485,901
3 G	King County Housing and Community Development Community Services Division Housing Opportunity Fund agreement number D26703E for the amended amount of \$235,264. The agreement encompasses all nine (9) "Parkview 3" locations and does not stipulate the duration or interest terms in the amended contract.	235,264 235,264
	<u>\$ 1,124,919</u>	<u>1,124,919</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>	<u>2018</u>	<u>2017</u>
4 1	King County note payable D30462D of \$62,142 effective 7/26/2001, interest at 0% due and expires in 2031. WDC note payable 01-49300-344 for \$105,670, interest free for 41 years, restrictions expire in 2042.	\$ 167,812 167,812
4 2	King County note payable D30462D of \$51,144 effective 7/26/2001, interest at 0% due and expires in 2031.	51,144 51,144
4 2	King County note payable \$75,000 effective 7/26/2001, interest at 0% due and expires in 2031. WDC note payable 01-49300-343 for \$106,521, interest free for 45 years, restrictions expire in 2045.	181,521 181,521
4 2	King County note payable of \$51,144 effective 7/26/2001, interest at 0% due and expires in 2031.	51,144 51,144
4 2	King County note payable of \$75,000 effective 7/26/2001, interest at 0% due and expires in 2031.	75,000 75,000
4 3	King County note payable D30462D of \$68,956 and \$75,000 effective 7/26/2001, and interest at 0% due and expires in 2035 and 2031, respectively.	143,956 143,956
4 3	Washington State Department of Commerce note payable of \$77,867 contract #01-49300-343, interest at 0% and expiring 2045	77,867 77,867
4 3	King County note payable D22470D of \$175,000 and interest at 0% due and expires in 2031.	175,000 175,000
4 G	Reduction of King County note balance by grantor.	(68,105) (68,105)
	\$ 855,339	855,339

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>	<u>2018</u>	<u>2017</u>
5 1	Department of Community, Trade and Economic Development (CTED) House Finance Unit contract 01- 49300-333 totaling \$597,473 effective 10/01/2000 and terminating on 9/30/2050 with 0% interest.	\$ 597,473 597,473
5 1	City of Seattle note payable totaling \$129,052 effective 9/20/2000, interest at 1% due and expires in 2040.	129,052 129,052
5 2	City of Seattle note payable totaling \$126,754 effective 9/28/2001, interest at 1% due and expires in 2041.	126,754 126,754
5 3	The City of Seattle notes and deeds totaling \$132,746 effective 7/17/2001, with all principal and interest at 1% due and payable in 2041.	132,746 132,746
5 4	The City of Seattle notes and deeds totaling \$134,100 effective 11/20/2001 respectively, with all principal and interest at 1% due and payable in 2041.	134,100 134,100
5 5	City of Seattle notes and deeds totaling \$67,123 effective 9/23/2001, interest at 1% due but expires if conditions are met in 2041.	67,123 67,123
	<u>67,123</u>	<u>67,123</u>
	\$ 1,187,248	1,187,248

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>	<u>2018</u>	<u>2017</u>
6 1	WDC note 02-49300-105 and City of Seattle note payable totaling \$233,103 and \$137,500, respectively, effective 4/9/2003 and 6/1/2003, respectively, interest at 0% and 1% expires 2043 and 2053, respectively.	\$ 370,603 370,603
6 2	King County notes payable D31432D,E,F,G,H totaling \$220,706 and \$148,618 effective 4/30/03 interest at 0% , expiring in 2052. WDC contract 02-49300-105 totaling \$167,209, interest of 0%, expires 2043.	536,533 536,533
6 3	WDC and King County notes payable 02-49300-105 and D31432D,E,F,G respectively totaling \$89,153 and \$155,000, respectively, effective 4/9/2003 and 3/6/2003 respectively, interest at 0% due and expires in 2043.	244,153 244,153
6 4	City of Seattle note payable totaling \$129,868, effective 6/1/2004, interest at 1%, expires in 2053.	129,868 129,868
6 5	WDC and two King County notes payable from contract 02-49300-105 and D31432D,E,F,G,H totaling \$107,632, \$210,000 and \$137,912, effective 1/27/2003 and 4/30/2003 respectively, interest at 0% due and expiring 2043 and 2052, respectively.	455,544 455,544
6 6	WDC and King County notes payable from contract 02-49300-105 and D31432D,E,F,G totaling \$132,429 and \$110,000, respectively, effective 1/27/2003 and 4/7/2002 respectively, interest at 0% due and expires in 2043 and 2052, respectively.	242,429 242,429
6 7	WDC and King County notes payable 02-49300-105 and D31432D,E,F,G totaling \$127,942 and \$78,890, respectively, effective 4/9/2003 and 4/30/2003 respectively, interest at 0% and expires in 2043.	206,832 206,832
6 8	WDC Contract # 02-49300-105 and City of Seattle notes payable totaling \$224,578 and \$137,632, respectively, effective 1/27/2003 and 2/26/2003, respectively, interest at 0% and 1%, expiring in 2043 and 2053, respectively.	362,210 362,210
6 9	WDC and King County notes payable from contracts 02-49300-105 and D31432D,E,F,G,H and totaling \$158,646 and \$137,492, respectively, effective 1/27/2003 and 2/26/2003 respectively, interest at 0%, expiring in 2043 and 2052, respectively.	296,138 296,138
6 G	City of Bellevue funding agreement totaling \$75,000 due on 6/2/2053 with 0% interest.	75,000 75,000
6 G	WDC Contract # 02-49300-105 notes payable of \$163,613, interest at 0% expiring in 2043.	163,613 163,613
6 G	Federal Home Loan Bank of Seattle project number 2002A1211 forgivable on 8/1/2018, divided into separate subsidies for each of the Parkview 6 locations.	- 188,974
6 G	Reduction of King County note balance by grantor.	(358,617) (358,617)
	<u>\$ 2,724,306</u>	<u>2,913,280</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>			<u>2018</u>	<u>2017</u>
7	1, 10	King County note payable for \$450,374, 0% interest.	\$ 450,374	450,374
		WDC amended contract 04-49300-074 \$140,713 effective		
7	2	12/30/2003, interest at 0%, expiring in 2043.	140,713	140,713
		King County D33073D note payable for \$209,000, 0%		
7	3	interest and expiring 2053.	209,000	209,000
		WDC contract 04-49300-074 and King County		
		D33074D,E notes payable for \$280,953 and \$87,238,		
7	4	respectively, 0% interest and expiring 2043 and 2033.	368,191	368,191
		WDC contract 04-49300-074 and King County		
		D33074D,E notes payable for \$135,751 and \$89,090,		
7	5	respectively, 0% interest and expiring 2043 and 2053.	224,841	224,841
		WDC contract 04-49300-074 note for \$180,667, 0%		
7	6	interest, expiring 2043.	180,667	180,667
		WDC contract 04-49300-074 for \$162,324, 0% interest		
7	7	and expiring in 2043.	162,324	162,324
		WDC contract 04-49300-074 and King County		
		D33074D,E notes payable for \$274,026 and \$87,238,		
7	8	respectively, 0% interest and expiring 2043 and 2033.	361,264	361,264
		WDC contract 04-49300-074 and King County		
		D33074D,E notes payable for \$143,459 and \$112,659,		
7	11	respectively, 0% interest and expiring 2043 and 2026.	255,918	255,918
		WDC contract 04-49300-074 note payable for \$587,594,		
7	G	0% interest and expiring in 2043.	587,594	587,594
			<u>\$ 2,940,886</u>	<u>2,940,886</u>
<u>Project Home</u>				
		WDC contract 05-49300-116 and King County D35274D		
		notes payable for \$327,632 and \$20,000, respectively, 0%		
8	1	interest and expiring in 2045 and 2026, respectively.	\$ 347,632	347,632
			<u>\$ 347,632</u>	<u>347,632</u>
<u>Project Home</u>				
		WDC Contract 09-94100-036 note payable for \$488,660,		
9	1	0% interest expiring 2051.	\$ 469,650	469,650
		Snohomish County Contract HCD-09-25-0803-280 note		
9	2	payable for \$502,092, 0% interest expiring 2051.	502,092	502,092
			<u>\$ 971,742</u>	<u>971,742</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDAIRY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

<u>Project Home</u>		<u>2018</u>	<u>2017</u>	
11	1	Department of Commerce Contract 13-94110-018 note payable for \$320,000, 0% interest expiring 2054.	\$ 320,000	320,000
11	1	Snohomish County Contract HCS-14-23-1405-280 note payable for \$83,250, 0% interest expiring 2035.	83,250	83,250
11	2	City of Bellevue funding agreement totaling \$73,416 due on 6/2/2053 with 0% interest.	73,416	73,416
11	2	Department of Commerce Contract 15-94110-012 note payable for \$180,000, 0% interest expiring 2055	180,000	180,000
			\$ 656,666	656,666
<u>Project Home</u>				
12	1	Department of Commerce Contract 15-94110-017 note payable for \$185,500, 0% interest expiring 2057	\$ 185,500	185,500
12	2	Department of Commerce Contract 15-94110-017 note payable for \$215,500, 0% interest expiring 2057.	215,909	215,909
12	1	City of Federal Way Agmt. AG 16-099 note payable \$50,000, 1% interest and expiring 6/30/2036.	50,000	50,000
12	1	City of Federal Way Agmt. AG 16-099 note payable \$10,000, 1% interest and expiring 6/30/2036.	10,000	10,000
			\$ 461,409	461,409
 Total forgivable loans			 \$ 13,347,573	 13,566,546

Abbreviation Key

WDC	Washington Department of Commerce, formerly Washington Department of Community Trade and Economic Development
DHHS	Federal Department of Health and Human Services
KC	King County Department of Community and Health Services
G	General funding for the entire Parkview Services project

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

Parkview Services had the following notes payable associated with the affordable housing units recorded as of December 31:

<u>Project Home</u>	<u>2018</u>	<u>2017</u>
7 2 City of Seattle for \$129,448, respectively, 1% interest and expiring in 2043.	\$ 129,448	129,448
7 6 City of Seattle for \$128,877, respectively, 1% interest and expiring in 2043.	128,877	128,877
7 7 City of Seattle for \$130,013, respectively, 1% interest and expiring in 2043.	130,013	130,013
7 9 City of Seattle for \$125,708, respectively, 1% interest and expiring in 2043.	125,708	125,708
10 1 King County Contract D40146D note payable for \$306,528, 0% interest unless breach then 12%, due 2060.	306,528	306,528
11 1 CHIP City of Everett Loan #54238 for \$40,000, 3% simple interest, due May 2055.	40,000	40,000
11 2 King County 5806177 note payable for \$291,789, 0% interest and expiring 2066	291,789	291,789
12 1 King County 5834096 note payable for \$200,500, 0% interest and expiring 2066.	200,500	200,500
12 2 King County 5834096 note payable for \$200,500, 0% interest and expiring 2066.	200,500	200,500
13 1 Umpqua Bank note payable for \$104,500, 2.950% interest, principal due on 3/10/2020. Collateralized by certificate of deposit.	104,500	-
13 1 HomeStreet Bank note payable for \$240,000, 4.227% interest, principal due on 7/21/2020. Collateralized by certificate of deposit.	240,000	-
Everett Housing Authority note payable, 0% interest, collateralized by loan receivable from qualified homeowner. Principal and shared appreciation due upon repayment from homeowner.	<u>23,403</u>	<u>23,403</u>
Total notes payable	<u>\$ 1,921,266</u>	<u>1,576,766</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 10 – LOANS AND NOTES PAYABLE, continued

Scheduled maturities for forgivable loans and notes payable are as follows for the years ending December 31:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>	<u>Total</u>
Forgivable loans	\$ -	-	-	-	-	13,347,573	13,347,573
Notes payable	-	<u>344,500</u>	-	-	-	<u>1,576,766</u>	<u>1,921,266</u>
	<u>\$ -</u>	<u>344,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,924,339</u>	<u>15,268,839</u>

NOTE 11 – GROUP HOME BOARD-DESIGNATED RESERVE

The Board has designated net assets without donor restrictions to be used as a reserve fund for the Group Home. The reserve funds are invested in Level I investments. The following is the reserves total and the activity in this account for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Beginning balance at January 1	\$ 656,598	615,071
Investment income	20,931	10,477
Net appreciation (depreciation)	(51,034)	68,770
Expenditures	<u>(73,329)</u>	<u>(37,720)</u>
Ending balance at December 31	<u>\$ 553,166</u>	<u>656,598</u>

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are composed of the following at December 31:

	<u>2018</u>	<u>2017</u>
Restrictions of a temporary nature:		
Camp scholarships	\$ 8,912	7,912
Other	<u>1,037</u>	<u>1,037</u>
	9,949	8,949
Restrictions of a permanent nature:		
Revolving loan fund	<u>4,284,018</u>	<u>4,225,599</u>
	<u>\$ 4,293,967</u>	<u>4,234,548</u>

These notes are an integral part of these consolidated financial statements.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 13 – LEASES

Parkview Services leases its main office and branch locations pursuant to terms of various operating lease agreements. Rent expense under these leases was \$73,989 and \$71,886 for the years ended December 31, 2018 and 2017. Scheduled lease payments for office space for the years ending December 31, are as follows:

2019	\$	56,700
Thereafter		-
	\$	<u>56,700</u>

Additionally, the Organization rents a camp facility for one week of the year. Rent expense associated with the use of this facility was \$39,666 and \$34,292 for the years ended December 31, 2018 and 2017.

In 2014 and 2015, the Organization entered into leases of office equipment. Rent expense under these leases was \$19,100 and \$19,100 for the years ended December 31, 2018 and 2017. Scheduled payments for office equipment for the years ending December 31 are as follows:

2019	\$	18,114
2020		6,592
Thereafter		-
	\$	<u>24,706</u>

NOTE 14 – PROFIT SHARING PLAN

The Organization established a defined contribution profit sharing plan in 1996. The annual contribution to the plan in 2018 and 2017 was \$14,766 and \$42,305, respectively. The contribution each year is determined at the discretion of the Board of Directors within Internal Revenue Service guidelines.

NOTE 15– CONCENTRATIONS

Economic

The Organization operates properties located in the Puget Sound region of Washington. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in city, county, state, and federal low-income housing subsidies or the demand for such housing.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2018 and 2017

NOTE 15 – CONCENTRATIONS, continued

Revenues

The Organization is dependent on the government for its funding. The operation of the Organization is subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the Department of Housing and Urban Development, the Washington State Housing Finance Commission, King and Snohomish counties and cities within their jurisdiction. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by any of these agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. For the years ended December 31, 2018 and 2017, \$606,357 or 83% and \$1,020,613 or 87% of grant revenues were received from the Washington State Housing Finance Commission.

Grants receivable

At December 31, 2018 and 2017, \$136,330 or 100% and \$46,718 or 100% of total grants receivable was due from the Washington State Housing Finance Commission.

NOTE 16 – CONTINGENCIES AND COMMITMENTS

The Organization's affordable housing loans are contingent on its ability to maintain compliance with applicable sections of loan documents. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in noncompliance and require repayment of the associated loans.

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed costs, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2018 and 2017, no such adjustments were made.

**Reports and Schedules in Accordance
with the Uniform Guidance and
*Government Auditing Standards***

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor Program Title	CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Expenditures		
				Pass- Through Awards	Loan Balance Outstanding	Total
Department of Housing and Urban Development						
Housing Counseling Assistance Program	14.169	Washington State Housing & Finance Commission	15 SuperNOFA	\$ 57,774	-	57,774
Housing Counseling Assistance Program	14.169	Washington State Housing & Finance Commission	17/18 SuperNOFA	22,302	-	22,302
Housing Counseling Assistance Program	14.169	Washington State Housing & Finance Commission	18/19 SuperNOFA	98,790	-	98,790
Subtotal CFDA# 14.169				<u>178,866</u>	<u>-</u>	<u>178,866</u>
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCD-09-25-0803-280	-	502,092	502,092
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-14-23-1405-280	-	83,250	83,250
		King County Housing & Community Development Program	Parkview King County Loans	-	831,006	831,006
Community Development Block Grants/Entitlement Grants	14.218*	King County Housing & Community Development Program	Contract# 5806177	-	127,384	127,384
Community Development Block Grants/Entitlement Grants	14.218*	City of Seattle		-	10	10
Community Development Block Grants/Entitlement Grants	14.218*	City of Bellevue		-	73,416	73,416
Community Development Block Grants/Entitlement Grants	14.218*	City of Bellevue		-	150,000	150,000
Community Development Block Grants/Entitlement Grants	14.218*	City of Everett	City of Everett CDBG	35,000	-	35,000
Community Development Block Grants/Entitlement Grants	14.218*	City of Federal Way		-	50,000	50,000
Community Development Block Grants/Entitlement Grants	14.218*	City of Federal Way	Loan Made in 2017	-	10,000	10,000
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-16-23-1601-280	70,000	-	70,000
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-12-23-1202-280	245,000	-	245,000
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	Parkview Revolving Loan Fund	7,538	-	7,538
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-16-23-1601-280	35,000	-	35,000
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-16-23-1601-280	27,463	-	27,463
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-16-23-1601-280	35,000	-	35,000
Community Development Block Grants/Entitlement Grants	14.218*	Snohomish County	HCS-16-23-1601-280	35,000	-	35,000
Community Development Block Grants/Entitlement Grants	14.218*	Everett Housing Authority	EHA 60410	-	23,403	23,403
Subtotal CFDA# 14.218/Entitlement Grants Cluster				<u>490,001</u>	<u>1,850,561</u>	<u>2,340,562</u>
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	King County Housing & Community Development Program	D40146E	-	306,528	306,528
Rental Housing Rehabilitation	14.230	City of Seattle	Rental Rehab Program Community Housing Improvement Program	-	57,217	57,217
Rental Housing Rehabilitation	14.230	City of Everett		-	40,000	40,000
Subtotal CFDA# 14.230				<u>-</u>	<u>97,217</u>	<u>97,217</u>
Home Investment Partnerships Program	14.239	Snohomish County	HCD-09-42-0905-280	125,500	-	125,500
Home Investment Partnerships Program	14.239	Snohomish County	HCD-11-42-1105-280	106,686	-	106,686
Home Investment Partnerships Program	14.239	Snohomish County	HCD-10-42-1007-280	35,000	-	35,000
Home Investment Partnerships Program	14.239	City of Seattle	Home Rental Production & LTD PI	-	707,165	707,165
Home Investment Partnerships Program	14.239	City of Everett	HCD-09-42-1789-198	86,380	-	86,380
Home Investment Partnerships Program	14.239	City of Everett	HCD-10-42-1001-198	105,000	-	105,000
Home Investment Partnerships Program	14.239	City of Everett	HCD-15-42-1303-198	70,000	-	70,000
Home Investment Partnerships Program	14.239	Parkview Revolving Loan Fund		38,872	-	38,872
Home Investment Partnerships Program	14.239	Parkview Revolving Loan Fund		44,925	-	44,925
Home Investment Partnerships Program	14.239	Parkview Revolving Loan Fund		49,458	-	49,458
Home Investment Partnerships Program	14.239	King County Housing & Community Development Program	Parkview King County Loans	-	766,224	766,224
Subtotal CFDA #14.239				<u>661,821</u>	<u>1,473,389</u>	<u>2,135,210</u>
Section 8 Housing Choice Vouchers	14.871	King County Housing Authority	2001-830-0001, 7, 9 & 10	67,591	-	67,591
Section 8 Housing Choice Vouchers	14.871	Seattle Housing Authority	VPB 06	54,254	-	54,254
Subtotal CFDA #14.871/Housing Voucher Cluster				<u>121,845</u>	<u>-</u>	<u>121,845</u>
Total Department of Housing and Urban Development				<u>1,452,533</u>	<u>3,727,695</u>	<u>5,180,228</u>
Total Expenditures of Federal Awards				<u>\$ 1,452,533</u>	<u>3,727,695</u>	<u>5,180,228</u>

* Denotes Major Program

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Parkview Services under programs of the federal government for the year ended December 31, 2018. 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*. Because the schedule presents only a selected portion of the operations of Parkview Services, it is not intended to and does not present the financial position, changes in net assets or cash flows of Parkview Services.

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 OMB Super Circular, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – LOANS OUTSTANDING

Parkview Services had the following forgivable loans outstanding at December 31, 2018:

Federal CFDA Number	Pass-through entity	Outstanding Loan Balance
14.218	Snohomish County	\$ 502,092
14.218	Snohomish County	83,250
14.218	King County Housing & Community Development Program	831,006
14.218	City of Seattle	10
14.218	City of Bellevue	150,000
14.218	City of Bellevue	73,416
14.230	City of Seattle	57,217
14.239	City of Seattle	707,165
14.239	King County Housing & Community Development Program	766,224
		<u>\$ 3,170,380</u>

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2018

NOTE 3 – LOANS OUTSTANDING, continued

Parkview Services had the following non-forgivable loans outstanding at December 31, 2018:

Federal CFDA Number	Pass-through entity	Outstanding Loan Balance
14.218	King County Housing & Community Development Program	\$ 127,384
14.218	City of Federal Way	50,000
14.218	City of Federal Way	10,000
14.218	Everett Housing Authority	23,403
14.228	King County Housing & Community Development Program	306,528
14.230	City of Everett	40,000
		<u>\$ 557,315</u>

NOTE 4 – INDIRECT COSTS

Parkview Services has not elected to use the 10% de minimis indirect cost rate.

Independent Auditors' 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*

Board of Directors
Parkview Services and Subsidiary

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Parkview Services (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Parkview Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Parkview Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Parkview Services' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent Auditors' 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*, continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Parkview Services' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Neill & Company, P.S.

September 26, 2019
Seattle, Washington

**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control
Over Compliance Required By the Uniform Guidance**

To the Board of Directors
Parkview Services

Report on Compliance for Each Major Federal Program

We have audited Parkview Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Parkview Services' major federal programs for the year ended December 31, 2018. Parkview Services' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Parkview Services' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Parkview Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Parkview Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Parkview Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance, continued

Report on Internal Control Over Compliance

Management of Parkview Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Parkview Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Parkview Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Finney, Hill & Company, P.S.

September 26, 2019
Seattle, Washington

PARKVIEW SERVICES
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X no

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
---------------------	--------------------------------

14.218	Community Development Block Grants
--------	------------------------------------

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualifies as low-risk auditee? _____ X yes _____ no

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

Section II – Financial Statement Findings

NONE

Section III – Federal Award Findings and Questioned Costs

NONE

Section IV – Summary Schedule of Prior Audit Findings

NONE

PARKVIEW SERVICES
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year ended December 31, 2018

State Program Sponsor <i>Pass-Through Grantor</i> Program Title	State Identifying Number	Grant Period	State Expenditures
Washington State Department of Commerce			
O&M Subsidy	17-42200-014, 086, & 195	07/01/2017 - 06/30/2019	\$ 34,957
<i>Washington State Housing Finance Commission:</i>			
Foreclosure Fairness Act 2017/19		7/1/2017 - 6/30/2018	377,593
AGO Foreclosure Remedies Fund		7/1/2017 - 6/30/2018	72,200
			<u>449,793</u>
			484,750
DSHS Developmental Disabilities Administration			
DSHS Developmental Disabilities Administration Respite Care	1712-10204	07/01/2017-06/30/2019	383,688
			<u>383,688</u>
Department of Financial Institutions			
	102-19-004	07/01/2017-06/30/2018	39,800
Total Expenditures of State Awards			<u><u>\$ 908,238</u></u>

PARKVIEW SERVICES
SCHEDULE OF EXPENDITURES OF STATE AWARDS, continued
Year ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the Schedule) includes the activity of Parkview Services under programs of the State of Washington for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of the Government Accountability Office 2011 Revised Yellow Book. Because the schedule presents only a selected portion of the operations of Parkview Services, it is not intended to and does not present the financial position, changes in net assets or cash flows of Parkview Services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures reported on the Schedule reflect total billings for expenditures incurred related to state programs during the year ended December 31, 2018.