

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 March 17, 2022 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.

March 17, 2022
Seattle, Washington

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

| Assets | <u>2020</u> | <u>2019</u> |
|---|----------------------|-------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 122,741 | 60,822 |
| Investments | 1,650,957 | 1,433,559 |
| Accounts receivable, net | 262,310 | 140,160 |
| Grants receivable | 316,858 | 50,304 |
| Prepaid expenses and other | 142,921 | 97,059 |
| Cash restricted for revolving loan fund | <u>308,641</u> | <u>272,684</u> |
| Total current assets | <u>2,804,428</u> | <u>2,054,588</u> |
| Property and equipment, net | 16,956,495 | 14,929,317 |
| Loans receivable, net | 3,938,527 | 3,957,496 |
| Certificates of deposit restricted for reserves | 356,738 | 356,592 |
| Cash restricted for reserves | <u>110,955</u> | <u>21,473</u> |
| Total assets | <u>\$ 24,167,143</u> | <u>21,319,466</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 79,071 | 65,805 |
| Accrued payroll liabilities | 140,304 | 85,687 |
| Deferred revenue | 14,210 | 9,210 |
| Line of credit | 102,745 | 120,000 |
| Current portion of notes payable | <u>355,878</u> | <u>349,847</u> |
| Total current liabilities | 692,208 | 630,549 |
| Accrued interest | 375,429 | 343,068 |
| Notes payable, net | 4,121,057 | 2,054,047 |
| Forgivable loans | <u>15,395,053</u> | <u>14,544,451</u> |
| Total liabilities | <u>20,583,747</u> | <u>17,572,115</u> |
| Net assets: | | |
| Without donor restrictions | (1,701,082) | (1,257,865) |
| Board designated Group Home reserve | <u>656,669</u> | <u>566,865</u> |
| Total net assets (deficit) without donor restrictions | (1,044,413) | (691,000) |
| With donor restrictions | <u>4,627,809</u> | <u>4,438,351</u> |
| Total net assets | <u>3,583,396</u> | <u>3,747,351</u> |
| Total liabilities and net assets | <u>\$ 24,167,143</u> | <u>21,319,466</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, 2020 and 2019

| | 2020 | | | 2019 | | |
|--|-------------------------------|----------------------------|-----------|-------------------------------|----------------------------|-----------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and other revenue: | | | | | | |
| Home ownership grant contracts | \$ 670,827 | 147,102 | 817,929 | 661,828 | 111,128 | 772,956 |
| Affordable housing | 1,107,919 | - | 1,107,919 | 899,222 | - | 899,222 |
| Group home | 548,170 | - | 548,170 | 465,714 | - | 465,714 |
| Shared services fees | 283,142 | - | 283,142 | 260,411 | - | 260,411 |
| Camper fees | - | - | - | 45,024 | - | 45,024 |
| Special events, net of direct benefits to donors of \$3,778 and \$19,695 respectively | 18,213 | - | 18,213 | 38,247 | - | 38,247 |
| Investment income, net | 400,790 | - | 400,790 | 471,653 | - | 471,653 |
| Contributions | 227,653 | 29,475 | 257,128 | 167,232 | - | 167,232 |
| Other income | 103,985 | 47,881 | 151,866 | 103,100 | 33,256 | 136,356 |
| Total public support and other revenue | 3,360,699 | 224,458 | 3,585,157 | 3,112,431 | 144,384 | 3,256,815 |
| Debt forgiveness | 10,000 | - | 10,000 | 7,010 | - | 7,010 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of purpose restrictions | 35,000 | (35,000) | - | - | - | - |
| Total public support and revenue | 3,405,699 | 189,458 | 3,595,157 | 3,119,441 | 144,384 | 3,263,825 |
| Expenses: | | | | | | |
| Program | 3,395,284 | - | 3,395,284 | 2,997,363 | - | 2,997,363 |
| Management and general | 248,286 | - | 248,286 | 327,178 | - | 327,178 |
| Fundraising | 115,542 | - | 115,542 | 89,113 | - | 89,113 |
| Total expenses | 3,759,112 | - | 3,759,112 | 3,413,654 | - | 3,413,654 |
| Increase (decrease) in net assets | (353,413) | 189,458 | (163,955) | (294,213) | 144,384 | (149,829) |
| Net assets at beginning of year | (691,000) | 4,438,351 | 3,747,351 | (396,787) | 4,293,967 | 3,897,180 |
| Net assets at end of year | \$ (1,044,413) | 4,627,809 | 3,583,396 | (691,000) | 4,438,351 | 3,747,351 |

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, 2020

| | 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 | \$ 620,519 | 552,044 | 562,204 | 27,077 | 264,257 | 2,026,101 | 87,322 | 97,208 | 2,210,631 |
| Insurance | 37,164 | 5,884 | 2,690 | 61 | 398 | 46,197 | 9,133 | 372 | 55,702 |
| Office and facilities rental | 35,086 | 17,223 | 44,103 | 683 | 4,452 | 101,547 | 10,462 | 4,164 | 116,173 |
| Professional services | 32,066 | 6,426 | 26,661 | 235 | 1,537 | 66,925 | 84,081 | 1,433 | 152,439 |
| Property tax | 27,122 | 439 | 13 | - | 2 | 27,576 | 4 | 2 | 27,582 |
| Repairs and maintenance | 132,838 | 20,386 | 985 | 24 | 155 | 154,388 | 7,196 | 145 | 161,729 |
| Other operating expenses | 112,510 | 82,725 | 37,567 | 2,645 | 3,031 | 238,478 | 26,629 | 12,218 | 277,325 |
| Bad debt expense | 14,461 | - | 35,000 | - | - | 49,461 | - | - | 49,461 |
| Contribution expense | - | - | 187,383 | - | - | 187,383 | - | - | 187,383 |
| Depreciation | 420,296 | 5,673 | - | - | - | 425,969 | 8,200 | - | 434,169 |
| Interest expense | 71,259 | - | - | - | - | 71,259 | 15,259 | - | 86,518 |
| Total expenses as shown on the Statement of Activities | 1,503,321 | 690,800 | 896,606 | 30,725 | 273,832 | 3,395,284 | 248,286 | 115,542 | 3,759,112 |
| Special event expenses included with support and revenue on the statement of activities | - | - | - | - | - | - | - | 3,778 | 3,778 |
| Total expenses | <u>\$ 1,503,321</u> | <u>690,800</u> | <u>896,606</u> | <u>30,725</u> | <u>273,832</u> | <u>3,395,284</u> | <u>248,286</u> | <u>119,320</u> | <u>3,762,890</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, 2019

| | 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: | \$ 390,648 | 456,921 | 634,600 | 20,577 | 221,355 | 1,724,101 | 187,490 | 74,435 | 1,986,026 |
| Insurance | 33,901 | 7,390 | 2,642 | 87 | 1,034 | 45,054 | 1,467 | 365 | 46,886 |
| Office and facilities rental | 23,762 | - | 37,065 | 37,726 | 14,546 | 113,099 | 13,833 | 5,214 | 132,146 |
| Professional services | 21,474 | 6,277 | 12,907 | 7,479 | 2,911 | 51,048 | 73,967 | 1,027 | 126,042 |
| Property tax | 21,204 | 393 | 81 | - | 32 | 21,710 | 28 | 11 | 21,749 |
| Repairs and maintenance | 128,237 | 15,194 | 332 | - | 130 | 143,893 | 123 | 47 | 144,063 |
| Other operating expenses | 156,637 | 70,907 | 57,072 | 15,680 | 3,155 | 303,451 | 35,531 | 8,014 | 346,996 |
| Bad debt expense | - | - | - | - | - | - | - | - | - |
| Contribution expense | - | - | 187,000 | - | - | 187,000 | - | - | 187,000 |
| Depreciation | 368,415 | 3,587 | - | - | - | 372,002 | 13,747 | - | 385,749 |
| Interest expense | 36,005 | - | - | - | - | 36,005 | 992 | - | 36,997 |
| Total expenses as shown on the Statement of Activities | 1,180,283 | 560,669 | 931,699 | 81,549 | 243,163 | 2,997,363 | 327,178 | 89,113 | 3,413,654 |
| Special event expenses included with support and revenue on the statement of activities | - | - | - | - | - | - | - | 19,695 | 19,695 |
| Total expenses | <u>\$ 1,180,283</u> | <u>560,669</u> | <u>931,699</u> | <u>81,549</u> | <u>243,163</u> | <u>2,997,363</u> | <u>327,178</u> | <u>108,808</u> | <u>3,433,349</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, 2020 and 2019

| | 2020 | 2019 |
|--|--------------|-------------|
| Cash flows provided by (used in) operating activities: | | |
| Increase (decrease) in net assets | \$ (163,955) | (149,829) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 434,169 | 385,749 |
| Debt forgiveness | (10,000) | (7,010) |
| Provision for bad debts | 36,851 | - |
| Loss (gain) on investments | (199,573) | (254,743) |
| Interest, dividends and shared appreciation received | (27,163) | (37,389) |
| (Increase) decrease in assets: | | |
| Accounts receivable | (122,150) | (42,747) |
| Grants receivable | (266,554) | 86,026 |
| Prepaid expenses and other | (45,862) | (38,162) |
| Increase (decrease) in liabilities: | | |
| Accounts and grants payable | 13,266 | 28,020 |
| Accrued liabilities | 54,617 | 12,507 |
| Deferred revenue | 5,000 | 9,210 |
| Accrued interest | 42,361 | 27,516 |
| Total adjustments | (85,038) | 168,977 |
| Net cash provided by (used in) operating activities | (248,993) | 19,148 |
| Cash flows provided by (used in) investing activities: | | |
| Purchase of property and equipment | (2,461,347) | (1,853,662) |
| Purchase of investments | (459,730) | - |
| Sale of investments | 469,068 | 208,679 |
| Loans made to clients | (182,982) | (208,757) |
| Payments received on loans receivable | 165,100 | 164,925 |
| Net cash provided by (used in) investing activities | (2,469,891) | (1,688,815) |
| Cash flows provided by (used in) financing activities: | | |
| Proceeds from forgivable loans | 452,868 | 1,256,880 |
| Proceeds from line of credit | (17,255) | 120,000 |
| Principal repayment | (6,225) | - |
| Proceeds from notes payable | 2,477,000 | 422,626 |
| Net cash provided by (used in) financing activities | 2,906,388 | 1,799,506 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 187,504 | 129,839 |
| Cash, cash equivalents and restricted cash at beginning of year | 711,571 | 581,732 |
| Cash, cash equivalents and restricted cash at end of year | \$ 899,075 | 711,571 |

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

PARKVIEW SERVICES AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
Increase (Decrease) in Cash and Cash Equivalents
Years ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|------------|---------|
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | \$ 122,741 | 60,822 |
| Cash restricted for revolving loan fund | 308,641 | 272,684 |
| Certificates of deposit restricted for reserves | 356,738 | 356,592 |
| Cash restricted for reserves | 110,955 | 21,473 |
| | \$ 899,075 | 711,571 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid for interest | \$ 54,157 | 16,491 |

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 \$182,421 and \$187,000 on these loans in the years ended December 31, 2020 and 2019.

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, 2020 and 2019

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 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 2020 and 2019, this program provided over 15,110 and 17,414 hours of direct support services to residents, respectively.

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 16 licensed service providers. Affordable Housing added four homes in 2020, and one home in 2019. In 2020 and 2019, the program served 186 and 187 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. Fifty-three campers attended three virtual camp events in 2020 and sixty campers attended the weeklong camp in 2019.

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 2020 and 2019, this program served over 1,172 and 1,150 clients, respectively.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

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 \$39,424 and \$9,949 at December 31, 2020 and 2019, 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 \$4,588,385 and \$4,428,402 at December 31, 2020 and 2019 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 include the accounts of Parkview Services and PPS LLC. 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.

Restricted Cash

The Organization's restricted cash accounts consist of reserve accounts and cash restricted for revolving loan fund.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments

Investments consist of investments in stocks, exchange traded 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, 2020 and 2019 was \$434,169 and \$385,749.

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 net assets with donor restrictions to net assets without donor restrictions 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 2020 and 2019, the Organization purchased homes for use as affordable housing units through the use of notes payable provided by financial institutions. \$344,500 in loans outstanding at December 31, 2020 and 2019, require certificates of deposit be maintained at the banks. As of December 31, 2020 and 2019, \$356,738 and \$356,592 was held in certificates of deposit at the financial institutions.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

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 when the related services are performed or expenditures incurred and are based on billings submitted for reimbursement that are subject to audit. These revenues are reflected as homeownership grant contracts 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, 2020 and 2019. Receivables associated with these contracts totaled \$126,702 and \$50,304 as of December 31, 2020 and 2019, respectively.

Fee based revenue

Parkview Property Services provides home repairs and maintenance services to eligible homeowners and non-profits under contracts for services. Revenue under these contracts is recognized when the related services are performed. These revenues are included in other income on the consolidated statement of activities. Parkview Property Services recognized \$73,536 and \$83,361 for the years ended December 31, 2020 and 2019. Receivables associated with these contracts totaled \$34,341 and \$59,592 as of December 31, 2020 and 2019, respectively.

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.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 no donated goods or services for any program for the years ended December 31, 2020 and 2019.

Advertising expenses

Advertising is expensed as incurred. For the years ended December 31, 2020 and 2019, advertising expense was \$5,046 and \$835, 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).

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, 2020 and 2019.

Parkview Services recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2020 and 2019, Parkview Services recognized no income tax related interest or penalties.

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 and 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

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2020 and 2019.

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.

New Accounting Pronouncement

On January 1, 2020, Parkview adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, “ASC 606”), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as repossessed assets. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, Parkview performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) Parkview satisfies a performance obligation. Parkview’s revenues that come from loan interest income and other sources, including loans and investments fall outside the scope of ASC 606. Parkview’s services that fall within the scope of ASC 606 are presented within homeownership grant contracts and other income and are recognized as revenue as Parkview satisfies its obligation to the customer. Other services within the scope of ASC 606 were immaterial to the financial statements.

Parkview adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of January 1, 2020. Results for reporting periods beginning after January 1, 2020 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded.

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.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 3 – AVAILABILITY AND LIQUIDITY

| | | |
|---|---------------------|------------------|
| Financial assets at year end: | <u>2020</u> | <u>2019</u> |
| Cash and cash equivalents | \$ 122,741 | 60,822 |
| Investments | 1,650,957 | 1,433,559 |
| Accounts, grants and related party receivables | <u>606,668</u> | <u>190,464</u> |
| Total unrestricted financial assets | 2,380,366 | 1,684,845 |
| Less amounts not available to be used within one year: | | |
| Board restricted funds | <u>(656,669)</u> | <u>(566,865)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 1,723,697</u> | <u>1,117,980</u> |

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. In the event of an unanticipated liquidity need, Parkview Services could draw upon an unsecured line of credit in the amount of \$175,000 as discussed in Note 10.

NOTE 4 – INVESTMENTS

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

| | | |
|-----------------------|---------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Exchange traded funds | \$ 1,097,673 | 967,663 |
| Stocks | 514,574 | 441,536 |
| Money market funds | <u>38,710</u> | <u>24,360</u> |
| | <u>\$ 1,650,957</u> | <u>1,433,559</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 4 – INVESTMENTS

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

| | 2020 | 2019 |
|---------------------------------------|------------|---------|
| Dividends | \$ 26,891 | 31,275 |
| Interest | 183,950 | 193,122 |
| Investment expense | (9,624) | (7,487) |
| Realized gain (loss) on investments | 35,990 | 37,724 |
| Unrealized gain (loss) on investments | 163,583 | 217,019 |
| | \$ 400,790 | 471,653 |

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.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 5 - FAIR VALUE MEASUREMENTS, continued

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,
- 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 investments 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 has a banking relationship with the employer of a member of the Board of Directors. As of December 31, 2020 and 2019, Parkview had \$302,445 and \$442,520 on deposit with the financial institution in the form of cash, cash equivalents, and certificates of deposit. Additionally, Parkview owed \$104,500 and \$104,500 for notes payable to the institution as of December 31, 2020 and 2019.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

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 \$467,693 and \$378,065 at December 31, 2020 and 2019. During 2019, a transfer of the underlying cash and cash equivalents in these accounts was made to fund operations, resulting in non-compliance with donor imposed restrictions.

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 62 and 59 affordable housing properties in King and Snohomish counties as of December 31, 2020 and 2019. 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:

| Affordable housing units | <u>2020</u> | <u>2019</u> |
|--------------------------|----------------------|--------------------|
| Parkview 1 - 5 houses | \$ 1,386,253 | 1,340,420 |
| Parkview 2 - 5 houses | 1,293,360 | 1,282,029 |
| Parkview 3 - 9 houses | 1,265,033 | 1,230,913 |
| Parkview 4 - 3 houses | 965,481 | 935,573 |
| Parkview 5 - 5 houses | 1,507,821 | 1,414,424 |
| Parkview 6 - 9 houses | 3,364,213 | 3,304,223 |
| Parkview 7 - 11 houses | 4,450,316 | 4,372,565 |
| Parkview 8 - 1 house | 330,842 | 330,842 |
| Parkview 9 - 2 houses | 975,004 | 975,004 |
| Parkview 10 - 1 house | 279,123 | 279,123 |
| Parkview 11 - 2 houses | 1,005,815 | 982,900 |
| Parkview 12 - 2 houses | 864,215 | 864,214 |
| Parkview 13 - 3 houses | 1,197,421 | 976,740 |
| Parkview 15 - 1 house | 408,401 | 408,401 |
| Parkview 17 - 2 houses | 681,744 | 1,473 |
| Parkview 20 - 1 house | 702,900 | - |
| Rental housing portfolio | 799,272 | 316,974 |
| Donated house | <u>361,765</u> | <u>361,765</u> |
| | 21,838,979 | 19,377,583 |
| Accumulated depreciation | <u>(5,085,957)</u> | <u>(4,672,756)</u> |
| Net book value | <u>\$ 16,753,022</u> | <u>14,704,827</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 8 – PROPERTY AND EQUIPMENT, continued

Property and equipment associated with all locations are as follows as of December 31, 2020:

| | <u>Affordable Housing</u> | <u>Group Home</u> | <u>Administration</u> | <u>Total</u> |
|--|-------------------------------|-----------------------|-----------------------|--------------------|
| Non-depreciable property: | | | | |
| Land | \$ 6,882,877 | 18,086 | - | 6,900,963 |
| Depreciable property and equipment: | | | | |
| Building | 14,956,102 | 223,839 | - | 15,179,941 |
| Furniture and equipment | - | 92,936 | 186,538 | 279,474 |
| Vehicles | <u>21,927</u> | <u>6,354</u> | <u>38,453</u> | <u>66,734</u> |
| Total depreciable property and equipment | <u>14,978,029</u> | <u>323,129</u> | <u>224,991</u> | <u>15,526,149</u> |
| Property, equipment and land | 21,860,906 | 341,215 | 224,991 | 22,427,112 |
| Accumulated depreciation | <u>(5,107,884)</u> | <u>(204,673)</u> | <u>(158,060)</u> | <u>(5,470,617)</u> |
| Property and equipment, net | <u>\$ 16,753,022</u> | <u>136,542</u> | <u>66,931</u> | <u>16,956,495</u> |

Property and equipment associated with all locations are as follows as of December 31, 2019:

| | <u>Affordable Housing</u> | <u>Group Home</u> | <u>Administration</u> | <u>Total</u> |
|--|-------------------------------|-----------------------|-----------------------|--------------------|
| Non-depreciable property: | | | | |
| Land | \$ 6,261,287 | 18,086 | - | 6,279,373 |
| Depreciable property and equipment: | | | | |
| Building | 13,116,296 | 223,839 | - | 13,340,135 |
| Furniture and equipment | - | 92,936 | 186,538 | 279,474 |
| Vehicles | <u>21,927</u> | <u>6,354</u> | <u>38,453</u> | <u>66,734</u> |
| Total depreciable property and equipment | <u>13,138,223</u> | <u>323,129</u> | <u>224,991</u> | <u>13,686,343</u> |
| Property, equipment and land | 19,399,510 | 341,215 | 224,991 | 19,965,716 |
| Accumulated depreciation | <u>(4,694,683)</u> | <u>(184,839)</u> | <u>(156,877)</u> | <u>(5,036,399)</u> |
| Property and equipment, net | <u>\$ 14,704,827</u> | <u>156,376</u> | <u>68,114</u> | <u>14,929,317</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

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, 2020 and 2019 there was one amortizing loan that was delinquent over 90 days totaling \$33,370 and \$33,370. 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 \$42,679 and \$41,185 at December 31, 2020 and 2019.

Loans receivable consisted of the following at December 31, 2020:

| | <u>Number of Loans</u> | | |
|---------------------------------|------------------------|----|-----------|
| Deferred loans | 96 | \$ | 4,062,183 |
| Amortizing loans | 2 | | 37,773 |
| Total loans receivable | 98 | | 4,099,956 |
| Less: allowance for loan losses | | | (161,429) |
| Loans receivable, net | | \$ | 3,938,527 |

Loans receivable consisted of the following at December 31, 2019:

| | <u>Number of Loans</u> | | |
|---------------------------------|------------------------|----|-----------|
| Deferred loans | 99 | \$ | 4,077,283 |
| Amortizing loan | 2 | | 39,791 |
| Total loans receivable | 101 | | 4,117,074 |
| Less: allowance for loan losses | | | (159,578) |
| Loans receivable, net | | \$ | 3,957,496 |

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. Loan loss expense of \$35,000 and \$0 was recognized in the years ended December 31, 2020 and 2019, respectively and are included in bad debt expense on the consolidated statement of functional expenses.

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.

Cash available to be loaned is held in a separate bank accounts and is reported as cash restricted for revolving loan fund on the statement of financial position.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 9 - LOANS RECEIVABLE, continued

During 2019, temporary transfers of the underlying cash and cash equivalents in the account were made to fund operations, resulting in non-compliance with donor imposed restrictions.

The Organization recognized interest income and related contribution expense of \$182,421 and \$187,000 on these loans in the years ended December 31, 2020 and 2019, which is included in investment income, net on the consolidated statement of activities and interest income reported in Note 4.

NOTE 10 – LINE OF CREDIT

The Organization has a \$175,000 unsecured line of credit expiring on July 9, 2021. Advances on the line of credit are payable on demand and carry interest at 10.1% and 10.1% at December 31, 2020 and 2019. There were advances of \$102,745 and \$120,000 outstanding as of December 31, 2020 and 2019.

NOTE 11 – LOANS AND NOTES PAYABLE

Parkview Services had the following forgivable loans associated with and collateralized by the affordable housing units recorded as of December 31:

| Project | Home | | <u>2020</u> | <u>2019</u> |
|---------|------|---|---------------------|------------------|
| 1 | 1 | Note payable to City of Seattle and WDC contract 96-493-307 of \$99,428 and \$127,568, respectively, payable with all principal and interest at 1% due in 2038. | \$ 226,996 | 226,996 |
| 1 | 2 | Amended Contract WDC 96-493-307 note payable of \$25,000, 0% interest, payable in 2038. | 25,000 | 25,000 |
| 1 | 2 | Note payable, DHHS of \$100,740 payable with all principal and interest of 1% due and payable in 2043 | 100,740 | 100,740 |
| 1 | 3 | Grant from the City of Seattle of \$90,323, simple interest accrues at 1% due and payable in 2038. | 90,323 | 90,323 |
| 1 | 4 | King County Housing Opportunity Fund (HOF) provides a total of \$150,000 for two properties (Parkview 1-4 and 1-5) for a period of 35 years from 3/1/1998 to 3/1/2033. 0% interest. | 75,000 | 75,000 |
| 1 | 5 | King County Housing Opportunity Fund (HOF) provides a total of \$150,000 for two properties (Parkview 1-4 and 1-5) for a period of 35 years from 3/1/1998 to 3/1/2033. 0% interest. | 75,000 | 75,000 |
| 1 | G | WDC Contract 96-493-307 note payable of \$458,991, 0% interest payable in 2038 | 458,991 | 458,991 |
| 1 | G | KC Community Development Block Grant in the amount of \$77,046 with 0% interest is due on 1/1/2033. | 77,046 | 77,046 |
| 1 | G | KC Housing Opportunity Fund contract #D39491F executed in 2009. | 12,500 | 12,500 |
| 1 | G | Washington State Department of Commerce contract 20P-94110-021 preservation grant for up to \$617,360 expiring in 2045. | 54,102 | - |
| | | | <u>\$ 1,195,698</u> | <u>1,141,596</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</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 |
| 2 | G | Washington State Department of Commerce contract 18P-94115-14 preservation grant for \$116,740 expiring in 2034. | <u>116,740</u> | <u>103,971</u> |
| | | | \$ 1,052,570 | \$ 1,039,801 |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</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 expires on 12/12/2050 with 0% interest. | 75,000 | 75,000 |
| 3 | G | WDC Note 00-49300-326 totaling \$485,901 expires 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> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</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) |
| | | Washington State Department of Commerce contract 20P-94115-035 preservation grant for up to \$152,944 expiring in 2055. | 18,552 | - |
| | | Washington State Department of Commerce contract 120P-94115-34 preservation grant for up to \$107,868 expiring in 2055. | 15,237 | - |
| | | | <u>\$ 889,128</u> | <u>855,339</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</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 |
| | | Washington State Department of Commerce contract 20P-94115-023 preservation grant for up to \$214,539 expiring in 2060. | 7,176 | - |
| | | | <u>\$ 1,194,424</u> | <u>1,187,248</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</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 | Reduction of King County note balance by grantor. | (358,617) | (358,617) |
| 6 | G | Washington State Department of Commerce contract 18P-94115-16 preservation grant for up to \$268,500,000 expiring in 2034. | 234,000 | 178,482 |
| | | | <u>\$ 2,958,306</u> | <u>2,902,788</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| Project | Home | | <u>2020</u> | <u>2019</u> |
|---------|-------|---|----------------|----------------|
| 7 | 1, 10 | King County note payable for \$450,374, 0% interest. WDC amended contract 04-49300-074 \$140,713 effective | \$ 450,374 | 450,374 |
| 7 | 2 | 12/30/2003, interest at 0%, expiring in 2043. King County D33073D note payable for \$209,000, 0% | 140,713 | 140,713 |
| 7 | 3 | interest and expiring 2053. WDC contract 04-49300-074 and King County D33074D,E | 209,000 | 209,000 |
| 7 | 4 | notes payable for \$280,953 and \$87,238, respectively, 0% interest and expiring 2043 and 2033. WDC contract 04-49300-074 and King County D33074D,E | 368,191 | 368,191 |
| 7 | 5 | notes payable for \$135,751 and \$89,090, respectively, 0% interest and expiring 2043 and 2053. WDC contract 04-49300-074 note for \$180,667, 0% | 224,841 | 224,841 |
| 7 | 6 | interest, expiring 2043. WDC contract 04-49300-074 for \$162,324, 0% interest and | 180,667 | 180,667 |
| 7 | 7 | expiring in 2043. WDC contract 04-49300-074 and King County D33074D,E | 162,324 | 162,324 |
| 7 | 8 | notes payable for \$274,026 and \$87,238, respectively, 0% interest and expiring 2043 and 2033. WDC contract 04-49300-074 and King County D33074D,E | 361,264 | 361,264 |
| 7 | 11 | notes payable for \$143,459 and \$112,659, respectively, 0% interest and expiring 2043 and 2026. WDC contract 04-49300-074 note payable for \$587,594, 0% | 255,918 | 255,918 |
| 7 | G | interest and expiring in 2043. Washington State Department of Commerce contract 18P- | 587,594 | 587,594 |
| 7 | G | 94115-15 preservation grant for up to \$383,320 expiring in 2034. | <u>243,754</u> | <u>185,058</u> |
| | | | \$ 3,184,640 | 3,125,944 |

| Project | Home | | | |
|---------|------|--|-------------------|----------------|
| 8 | 1 | WDC contract 05-49300-116 and King County D35274D notes payable for \$327,632 and \$20,000, respectively, 0% interest and expiring in 2045 and 2026, respectively. | <u>\$ 347,632</u> | <u>347,632</u> |
| | | | \$ 347,632 | 347,632 |

| Project | Home | | | |
|---------|------|--|----------------|----------------|
| 9 | 1 | WDC Contract 09-94100-036 note payable for \$488,660, 0% interest expiring 2051. | \$ 469,650 | 469,650 |
| 9 | 2 | Snohomish County Contract HCD-09-25-0803-280 note payable for \$502,092, 0% interest expiring 2051. | <u>502,092</u> | <u>502,092</u> |
| | | | \$ 971,742 | 971,742 |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

| <u>Project</u> | <u>Home</u> | | <u>2020</u> | <u>2019</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 |
| | | Washington State Department of Commerce contract 20P-94110-033 preservation grant for up to \$70,846 expiring in 2059. | 15,377 | - |
| | | | <u>\$ 672,043</u> | <u>656,666</u> |
| | | | | |
| <u>Project</u> | <u>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 |
| | | | <u>\$ 401,409</u> | <u>401,409</u> |
| | | | | |
| <u>Project</u> | <u>Home</u> | | | |
| 13 | 1,2,3 | Department of Commerce Contract 18-94115-016 note payable up to \$1,060,000, 0% interest expiring 2059. | \$ 1,008,512 | 810,567 |
| | | | <u>\$ 1,008,512</u> | <u>810,567</u> |
| | General | Small Business Administration Payroll Protection Program Loan of \$414,700, 1% interest. Forgivable if used for eligible costs. | 414,700 | - |
| | | | <u>15,415,723</u> | <u>14,565,651</u> |
| | | Total forgivable loans | | |
| | | Debt issuance costs, net of accumulated amortization | <u>(20,670)</u> | <u>(21,200)</u> |
| | | Total forgivable loans, net | <u>\$ 15,395,053</u> | <u>14,544,451</u> |

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 |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 11 – LOANS AND NOTES PAYABLE, continued

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

| Project | Home | | <u>2020</u> | <u>2019</u> |
|---------|------|--|------------------|------------------|
| 7 | 2 | City of Seattle for \$129,448, respectively, 1% interest and due in 2043. | \$ 129,448 | 129,448 |
| 7 | 6 | City of Seattle for \$128,877, respectively, 1% interest and due in 2043. | 128,877 | 128,877 |
| 7 | 7 | City of Seattle for \$130,013, respectively, 1% interest and due in 2043. | 130,013 | 130,013 |
| 7 | 9 | City of Seattle for \$125,708, respectively, 1% interest and due 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 due in 2066. | 291,789 | 291,789 |
| 12 | 1 | King County 5834096 note payable for \$200,500, 0% interest and due in 2066. | 200,500 | 200,500 |
| 12 | 2 | King County 5834096 note payable for \$200,500, 0% interest and due in 2066. | 200,500 | 200,500 |
| 12 | 1 | City of Federal Way Agmt. AG 16-099 note payable \$50,000, 1% interest and due in 6/30/2036. | 50,000 | 50,000 |
| 12 | 1 | City of Federal Way Agmt. AG 16-099 note payable \$10,000, 1% interest and due in 6/30/2036. | 10,000 | 10,000 |
| 13 | 1 | City of Everett Community Housing Improvement Program (CHIP) , 3% simple interest, due May 2059. | 121,500 | 121,500 |
| 13 | 3 | Snohomish County Contract HCS-18-42-105-280 note payable for \$126,000, 0% interest expiring 6/30/2060. | 126,000 | - |
| 15 | 1 | Umpqua Bank secured line of credit for \$110,000, 2.6% interest, principal due on 9/10/21. Collateralized by certificate of deposit. | 104,500 | 104,500 |
| 15 | 1 | HomeStreet Bank note payable for \$240,000, 4.227% interest, principal due on 7/21/2020. Collateralized by certificate of deposit. | 240,000 | 240,000 |
| | | | <u>2,205,363</u> | <u>2,079,363</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 12 – 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>2020</u> | <u>2019</u> |
|---------------------------------|-------------------|------------------|
| Beginning balance at January 1 | \$ 566,865 | 553,166 |
| Investment income | 10,096 | 23,788 |
| Net appreciation (depreciation) | 184,048 | 275,679 |
| Expenditures | <u>(104,340)</u> | <u>(285,768)</u> |
| Ending balance at December 31 | <u>\$ 656,669</u> | <u>566,865</u> |

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|---------------------|------------------|
| Restrictions of a temporary nature: | | |
| Camp scholarships | \$ 8,912 | 8,912 |
| Other | <u>30,512</u> | <u>1,037</u> |
| | 39,424 | 9,949 |
| Restrictions of a permanent nature: | | |
| Revolving loan fund | <u>4,588,385</u> | <u>4,428,402</u> |
| | <u>\$ 4,627,809</u> | <u>4,438,351</u> |

NOTE 14 – LEASES

Parkview Services leases its main office and branch locations pursuant to terms of various operating lease agreements. Rent expense under these leases was \$110,613 and \$89,545 for the years ended December 31, 2020 and 2019. Scheduled lease payments for office space for the years ending December 31, are as follows:

| | |
|------------|-------------------|
| 2021 | \$ 121,410 |
| 2022 | 90,193 |
| 2023 | 23,452 |
| 2024 | 24,155 |
| 2025 | 8,131 |
| Thereafter | - |
| | <u>\$ 267,341</u> |

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 14 – LEASES

Additionally, the Organization rents a camp facility for one week of the year. Rent expense associated with the use of this facility was \$0 and \$36,415 for the years ended December 31, 2020 and 2019.

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, 2020 and 2019. Scheduled payments for office equipment for the years ending December 31 are as follows:

| | | |
|------------|----|------------------|
| 2021 | \$ | 7,458 |
| 2022 | | 7,458 |
| 2023 | | 7,458 |
| 2024 | | 7,458 |
| 2025 | | 3,729 |
| Thereafter | | - |
| | | <u>\$ 33,561</u> |

NOTE 15 – PROFIT SHARING PLAN

The Organization established a defined contribution profit sharing plan in 1996. The annual contribution to the plan in 2020 and 2019 was \$0 and \$0, respectively. The contribution each year is determined at the discretion of the Board of Directors within Internal Revenue Service guidelines.

NOTE 16 – 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.

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, 2020 and 2019, \$598,038 or 89% and \$603,784 or 91% of home ownership grant revenues were received from the Washington State Housing Finance Commission.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 16 – CONCENTRATIONS, continued

Grants receivable

At December 31, 2020 and 2019, \$316,858 or 96% and \$50,304 or 100% of total grants receivable was due from two and one grantors, respectively.

NOTE 17 – 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, 2020 and 2019, no such adjustments were made.

NOTE 18 – RETIREMENT PLAN

The Organization has 403(a) and 403(b) retirement plans covering all eligible employees. Employees are able to make elective deferrals to the plan. Parkview matches three percent of the employee's contributions, not to exceed three percent of their annual compensation, once the vesting period has been met. Employer contributed for 2020 and 2019 were \$0 and \$0, respectively.

NOTE 19 – PAYROLL PROTECTION PROGRAM

In 2021, the Organization applied for and was approved a \$414,700 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

NOTE 20 – ECONOMIC INJURY DISASTER LOAN

The Organization applied for and was approved a \$150,000 Economic Injury Disaster Loan as part of the relief efforts related to COVID-19 administered by the Small Business Administration. The loan accrues interest at 2.75% and matures in 2050.

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

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 21 – IMPACT OF COVID-19

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. It is anticipated that these impacts will continue for some time. Changes to the operating environment and surrounding economy may increase operating cost and impact future grant and contribution revenue. Additional impacts include employees working remotely and programs being offered virtually. The future effects of these issues are unknown.

NOTE 22 – SUBSEQUENT EVENTS

On June 22, 2021, the Organization renewed the \$175,000 unsecured line of credit to expire on July 9, 2022. Advances on the line of credit are payable on demand and carry interest at 3.1% over WSJ Prime.

In 2021, the PPP loan referred to in Note 19 was forgiven by the Small Business Administration.

Additionally, subsequent to year end, the Organization purchased three properties and re-financed two properties, incurring debt of approximately \$2.3 million, which includes two lines of credit totaling \$700k that are secured by the Group Home property.

The Organization defaulted on a \$239,126 loan from a commercial bank, which was paid in full on December 23, 2021.

Subsequent events have been evaluated through March 17, 2022, which is the date the consolidated financial statements were available to be issued.

PARKVIEW SERVICES AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
Years Ended December 31, 2020 and 2019

NOTE 23 – SUMMARIZED CONSOLIDATING SCHEDULES FOR 2020

The consolidated financial statements include the accounts of Parkview Services and its wholly owned subsidiary, Parkview Property Service, LLC. Therefore the consolidated financial statements reflect the ongoing operating activities of Parkview Services as well as the operations of PPS LLC.

| | Parkview Services | Parkview Property Services, LLC | Eliminating Entries | Consolidated Balances |
|----------------------------------|----------------------|------------------------------------|------------------------|--------------------------|
| Assets | <u>\$ 24,315,352</u> | <u>64,178</u> | <u>(199,804)</u> | <u>24,179,726</u> |
| Liabilities | 20,601,948 | 186,535 | (177,766) | 20,610,717 |
| Net Assets | <u>3,713,404</u> | <u>(122,357)</u> | <u>(22,038)</u> | <u>3,569,009</u> |
| Total Net Assets and Liabilities | <u>\$ 24,315,352</u> | <u>64,178</u> | <u>(199,804)</u> | <u>24,179,726</u> |

As reflected in the schedule below, the Organization recorded a decrease in consolidated net assets of \$163,955 reflecting expenses in excess of revenues at Parkview Services of \$51,794 and a net decrease of \$90,123 at PPS LLC.

| | Parkview Services | Parkview Property Services, LLC | Eliminating Entries | Consolidated Balances |
|---|----------------------|---------------------------------------|------------------------|--------------------------|
| Unrestricted Public Support and Other Revenue: | | | | |
| Grants, contracts and contributions | \$ 898,480 | - | - | 898,480 |
| Affordable Housing and Group Home | 1,656,089 | - | - | 1,656,089 |
| Shared services fees | 533,208 | - | (250,066) | 283,142 |
| Investment income, net | 400,790 | - | - | 400,790 |
| Special events, net of direct benefits to donors | 18,213 | - | - | 18,213 |
| Other income | <u>38,449</u> | <u>349,228</u> | <u>(273,692)</u> | <u>113,985</u> |
| Total Unrestricted Public Support and other revenue | <u>3,545,229</u> | <u>349,228</u> | <u>(523,758)</u> | <u>3,370,699</u> |
| Expenses: | | | | |
| Compensation and related expenses | 2,210,631 | 162,945 | (162,945) | 2,210,631 |
| Other expenses | 1,176,681 | 276,406 | (338,775) | 1,114,312 |
| Depreciation | <u>434,169</u> | <u>-</u> | <u>-</u> | <u>434,169</u> |
| Total Expenses | <u>3,821,481</u> | <u>439,351</u> | <u>(501,720)</u> | <u>3,759,112</u> |
| Restricted revenue | <u>224,458</u> | <u>-</u> | <u>-</u> | <u>224,458</u> |
| Total change in net assets | <u>\$ (51,794)</u> | <u>(90,123)</u> | <u>(22,038)</u> | <u>(163,955)</u> |

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

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

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2020

| Federal Grantor Program Title | CFDA Number | Pass-Through Entity | Pass-Through Entity Identifying Number | Expenditures | | | Total |
|---|----------------|--|---|------------------|-------------------------|-----------------------------|-----------|
| | | | | Direct Awards | Pass- Through Awards | Loan Balance Outstanding | |
| Department of Housing and Urban Development | | | | | | | |
| | | Washington State Housing & Finance Commission | | | | | |
| Housing Counseling Assistance Program | 14.169 | | 19/20+20/21 SuperNOFA | \$ - | 82,832 | - | 82,832 |
| Subtotal CFDA# 14.169 | | | | - | 82,832 | - | 82,832 |
| 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 | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218* | | Parkview King County Loans | - | - | 831,006 | 831,006 |
| | | King County Housing & Community Development Program | | | | | |
| Community Development Block Grants/Entitlement Grants | 14.218* | | 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 | - | 212,889 | - | 212,889 |
| Community Development Block Grants/Entitlement Grants | 14.218* | Snohomish County | HCS-12-23-1202-280 | - | 287,525 | - | 287,525 |
| Community Development Block Grants/Entitlement Grants | 14.218* | Snohomish County | HSC-18-23-1802-280 | - | 68,590 | - | 68,590 |
| Community Development Block Grants/Entitlement Grants | 14.218* | Everett Housing Authority | EHA 60410 | - | - | 23,403 | 23,403 |
| Community Development Block Grants/Entitlement Grants | 14.218* | City of Everett | HSC 18-42-1805-280 | - | - | 121,500 | 121,500 |
| Subtotal CFDA# 14.218/Entitlement Grants Cluster | | | | - | 604,004 | 1,972,061 | 2,576,065 |
| 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 | - | - | 57,217 | 57,217 |
| | | | Community Housing Improvement Program | | | | |
| Rental Housing Rehabilitation | 14.230 | City of Everett | | - | - | 40,000 | 40,000 |
| Subtotal CFDA# 14.230 | | | | \$ - | - | 97,217 | 97,217 |

* Denotes Major Program

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2020

| Federal Grantor Program Title | CFDA Number | Pass-Through Entity | Pass-Through Entity Identifying Number | Expenditures | | | Total |
|--|----------------|--|---|------------------|-------------------------|-----------------------------|------------------|
| | | | | Direct Awards | Pass- Through Awards | Loan Balance Outstanding | |
| Home Investment Partnerships Program | 14.239* | Snohomish County | HCD-09-42-0905-280 | \$ - | 140,780 | - | 140,780 |
| Home Investment Partnerships Program | 14.239* | Snohomish County | HCD-11-42-1105-280 | - | 145,547 | - | 145,547 |
| Home Investment Partnerships Program | 14.239* | Snohomish County | HCD-10-42-1007-280 | - | 58,734 | - | 58,734 |
| Home Investment Partnerships Program | 14.239* | Snohomish County | HSC 18-42-1806-280 | - | 38,872 | 126,000 | 164,872 |
| | | | Home Rental Production & LTD | | | | |
| Home Investment Partnerships Program | 14.239* | City of Seattle | PI | - | - | 707,165 | 707,165 |
| Home Investment Partnerships Program | 14.239* | City of Everett | HCD-09-42-1789-198 | - | 140,959 | - | 140,959 |
| Home Investment Partnerships Program | 14.239* | City of Everett | HCD-10-42-1001-198 | - | 70,000 | - | 70,000 |
| 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 | | - | 125,458 | - | 125,458 |
| Home Investment Partnerships Program | 14.239* | Parkview Revolving Loan Fund | | - | 46,251 | - | 46,251 |
| | | King County Housing & Community | | | | | |
| Home Investment Partnerships Program | 14.239* | Development Program | Parkview King County Loans | - | - | 766,224 | 766,224 |
| Subtotal CFDA #14.239 | | | | - | 836,601 | 1,599,389 | 2,435,990 |
| Section 8 Housing Choice Vouchers | 14.871 | King County Housing Authority | 19/20 & 20/21 | - | 205,448 | - | 205,448 |
| Section 8 Housing Choice Vouchers | 14.871 | | 04/20/2020-12/31/2020 | 97,200 | - | - | 97,200 |
| Section 8 Housing Choice Vouchers | 14.871 | Renton Housing Authority | 19/20 & 20/21 | - | 5,142 | - | 5,142 |
| Section 8 Housing Choice Vouchers | 14.871 | Everett Housing Authority | 19/20 & 20/21 | - | 13,848 | - | 13,848 |
| Section 8 Housing Choice Vouchers | 14.871 | Seattle Housing Authority | 19/20 & 20/21 | - | 79,306 | - | 79,306 |
| Subtotal CFDA #14.871/Housing Voucher Cluster | | | | 97,200 | 303,744 | - | 400,944 |
| Total Department of Housing and Urban Development | | | | 97,200 | 1,827,181 | 3,975,195 | 5,899,576 |
| Department of Treasury | | | | | | | |
| Coronavirus Relief Fund | 21.019 | Washington State Housing & Finance Commission | FY2020 State COVID-19 CARES | - | 348,471 | - | 348,471 |
| Coronavirus Relief Fund | 21.019 | Washington State Housing & Finance Commission | 2020 Pierce County CARES | - | 61,975 | - | 61,975 |
| Coronavirus Relief Fund | 21.019 | Small Business Administration | SBA EIDL Advance | - | 10,000 | - | 10,000 |
| Coronavirus Relief Fund | 21.019 | Small Business Administration | 300447611 | - | - | 152,063 | 152,063 |
| Subtotal CFDA# 21.019/Coronavirus Relief | | | | - | 420,446 | 152,063 | 572,509 |
| Total Department of Treasury | | | | - | 420,446 | 152,063 | 572,509 |
| Total Expenditures of Federal Awards | | | | \$ 97,200 | 2,247,627 | 4,127,258 | 6,472,085 |

* Denotes Major Program

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2020

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, 2020. 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, functional expenses 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, 2020:

| 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 | Snohomish County | 126,000 |
| 14.239 | King County Housing & Community Development Program | 766,224 |
| | | <u>\$ 3,296,380</u> |

PARKVIEW SERVICES
Schedule of Expenditures of Federal Awards, continued
Year Ended December 31, 2020

NOTE 3 – LOANS OUTSTANDING, continued

Parkview Services had the following non-forgivable loans outstanding at December 31, 2020:

| 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 |
| 14.218 | City of Everett | 121,500 |
| 14.228 | King County Housing & Community Development Program | 306,528 |
| 14.230 | City of Everett | 40,000 |
| 21.019 | Small Business Administration | 152,063 |
| | | <u>\$ 830,878</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, 2020, 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 March 17, 2022.

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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-002.

Parkview Services' Response to Findings

Parkview Services' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Parkview Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, Hill & Company, P.S.

March 17, 2022
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, 2020. 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.

Basis for Qualified Opinion on CFDA 14.218 – Community Development Block Grants

As described in the accompanying schedule of findings and questioned costs, Parkview Services did not comply with requirements regarding CFDA 14.218 – Community Development Block Grants as described in finding number 2020-002 for Reporting. Compliance with such requirements is necessary, in our opinion, for Parkview Services to comply with the requirements applicable to that program.

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

Qualified Opinion on CFDA 14.218 – Community Development Block Grants

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, Parkview Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect CFDA 14.218 – Community Development Block Grants for the year ended December 31, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2020.

Other Matters

Parkview Services’ response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Parkview Services’ response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-002 to be significant deficiencies.

Parkview Services' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Parkview Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

March 17, 2022
Seattle, Washington

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2020

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? _____ none reported
 X yes

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? _____ no
 X yes

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program</u> |
|---------------------|--------------------------------------|
| 14.218 | Community Development Block Grants |
| 14.239 | HOME Investment Partnerships Program |

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

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

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2020

Section II – Financial Statement Findings

2020-001 Accounting System, Processes and Reporting

Identification as a Repeat Finding: Not a repeat finding

Finding:

Internal control processes over financial accounting and reporting did not ensure that all transactions were properly recorded in accordance with U.S. GAAP on a timely basis.

Criteria:

Parkview Services is responsible for day-today transactional accounting as well as annual financial statement reporting. As such, the Organization is responsible for implementing adequate procedures to ensure that such information and reports are accurate and complete.

Sample Size and Population:

Sampling was not applicable to this finding.

Condition and Context:

At the outset of the audit, the Organization identified two material account balances that it had been unable to reconcile to internally maintained reports. It took five months for the Organization to investigate the differences and identify correcting entries to be recorded. Additionally, the audit revealed a high volume of adjusting journal entries required to bring the financial statements into compliance with U.S. GAAP. Most adjusting journal entries related to intercompany transactions that eliminated upon consolidation and non-cash, accrual transactions such as depreciation expense, bad debt write offs and in-kind transactions.

Effect:

Interim financial statements utilized by the Board of Directors for decision making in 2020 did not accurately reflect the financial condition of the Organization on a U.S. GAAP basis.

Cause:

The Organization relies on a contracted CPA to assist with the accounting and reconciliation of non-routine transactions. The contracted CPA was unavailable to assist the Organization during a portion of the audit and the Organization did not have the internal capacity to timely and accurately complete the reconciliations.

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2020

2020-001 Accounting System, Processes and Reporting, continued

Recommendations:

- Enhance procedures to ensure that all financial transactions, including non-cash and non-routine transactions, are properly and timely recorded and supported by appropriate documents, records and reconciliations.
- Cross-train staff on accounting reconciliations so that they can provide backup support to the Organization.
- Implement a process for reconciling intercompany transactions at least quarterly.

Questioned Costs:

None

Management Response:

Management response is reported in the “Corrective Action Plan” at the end of this report.

Contact Person:

Marc Cote, Executive Director 206-542-6644

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
 Year Ended December 31, 2020

Section III – Federal Award Findings and Questioned Costs

2020-002 Reporting – Report Submissions

| Federal Grantor Program Title | CFDA Number | Pass-Through Entity | Pass-Through Entity Identifying Number |
|--|----------------|---------------------|---|
| Department of Housing and Urban Development Community Development Block Grants | 14.218 | Snohomish County | HCS-18-23-1802-280 |

Identification as a Repeat Finding: Repeat of finding 2019-003

Finding:

The Organization was late in filing reports required by program contracts.

Criteria:

Federal contracts identify periodic reporting requirements for reports due to funders

Sample Size and Population:

2 of 4 reports required

Condition and Context:

2 of 2 reports selected for testing were submitted after contract deadlines that require submission one month after the end of the reporting period.

Effect:

As a result of late submissions, federal funders did not have timely access to relevant information regarding the Organization’s transactions involving federal funds.

Cause:

Delays in submission were incurred during periods of time in which COVID-19 cases were rising in the State of Washington and staff were transitioning to working from home.

Recommendations:

We recommend the Organization implement systems of tracking grant reporting deadlines in order to ensure that reporting deadlines are met timely.

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2020

Section III – Federal Award Findings and Questioned Costs, continued

2020-001 Reporting – Report Submissions, continued

Questioned Costs:

None

Management Response:

Management response is reported in the “Corrective Action Plan” at the end of this report.

Contact Person:

Marc Cote, Executive Director 206-542-6644

PARKVIEW SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2020

Section IV – Summary Schedule of Prior Audit Findings

2019-001 Activities Allowed – Improper Use of Restricted Funds

Finding:

Some funds associated with federal contracts were not maintained in separate bank accounts as required by related contracts.

Current Status:

Management transferred funds into the appropriate bank account for the Revolving Loan Fund in November 2019.

The City of Seattle reserve accounts were adequately funded as of December 31, 2020.

2019-002 Reporting – Schedule of Expenditures of Federal Awards

Finding:

The SEFA provided for audit did not reflect correct accounting and cutoff for 2019 transactions.

Current Status:

During the 2019 audit, the errors identified in the SEFA were corrected prior to issuance of the 2019 audit reporting package uploaded to the Federal Audit Clearinghouse.

2019-003 Reporting – Report Submissions

Finding:

The Organization was late in filing reports required by program contracts.

Current Status:

This finding was repeated as Finding 2020-002.



Parkview Services

EXECUTIVE DIRECTOR

17544 Midvale Ave N
Suite LL
Shoreline, WA 98133

 www.parkviewservices.org
 206.542.6644
 206.334.0731
 206.542.6608
 marc@parkviewservices.org

The following is management's response and corrective action plan for the audit findings identified in the audit reporting package for the year ended December 31, 2020.

2020-001 Accounting Systems, Processing, and Reporting

Management agrees with this finding.

Parkview Services implemented a change in operating procedures in November 2021 to improve the timeliness and accuracy of its financial statements. It brought all financial operations in-house and transitioned its dependency on an outside CPA firm from actively booking certain complex transaction to an as needed consultancy engagement.

Management will document the changes to its accounting procedures by 06/01/2022.

2020-002 Reporting – Report Submissions

Management agrees with this finding.

Parkview Services is in good standing with all its funders. All required reports were submitted to funders.

Management will continue to use the reporting schedule it established in 2021 and by 5/1/2022, add a step that Management will notify reporting staff that a report is due and confirm that it has been submitted prior to the due date.

Marc G. Coté, Executive Director

03/15/2022

Date

PARKVIEW SERVICES
SCHEDULE OF EXPENDITURES OF STATE AWARDS
Year ended December 31, 2020

| 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 | 07/01/2019 - 06/30/2021 | \$ 34,957 |
| O&M Subsidy | 21-42200-014, 086, & 195 | 07/01/2019 - 06/30/2021 | 22,940 |
| Parkview Homes XIII (Pine/Cedar/Cady) | 18-94115-016 | 2019 HTF Award | 197,945 |
| Parkview Preservation Grant(s) II, VI, VII | 18P-94115- 014, 015, 016 | 2018 HTF Award | 126,984 |
| Parkview Preservation Grant(s) II, VI, VII | 20P-94110- 021, 022, 023, 024, 033, 034, 035 | 2019 HTF Award | 110,445 |
| Down Payment Assistance Principal and Interest repaid in 2020 | Revolving Loan Fund | | <u>175,092</u> |
| | | | <u>668,363</u> |
| <i>Washington State Housing Finance Commission:</i> | | | |
| Foreclosure Fairness Act 2019/20 | | 7/1/2019 - 6/30/2022 | <u>104,760</u> |
| | | | <u>104,760</u> |
| | | | 773,123 |
| DSHS Developmental Disabilities Administration | | | |
| DSHS Developmental Disabilities Administration Respite Care | 1912-58055 | 07/01/2019-06/30/2021 | <u>496,834</u> |
| | | | 496,834 |
| Total Expenditures of State Awards | | | <u><u>\$ 1,269,957</u></u> |

PARKVIEW SERVICES
SCHEDULE OF EXPENDITURES OF STATE AWARDS, continued
Year ended December 31, 2020

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, 2020. The information in this schedule is presented in accordance with the requirements of the Government Accountability Office 2018 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, 2020.