

VINE MAPLE PLACE
FINANCIAL STATEMENTS
June 30, 2017 and 2016

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Marc G. Bateman, CPA

A Professional Service Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vine Maple Place
Maple Valley, Washington

I have audited the accompanying financial statements of Vine Maple Place (a Washington nonprofit corporation), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements to ensure that they are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board of Directors
Vine Maple Place
Maple Valley, Washington

INDEPENDENT AUDITOR'S REPORT

Basis for Qualified Opinion

As explained in Note 2 to the financial statements, pledges are recorded as revenue in the year cash is received regardless of when the pledge is made. Accounting principles generally accepted in the United States of America require that pledges be recognized as contribution revenue in the year the pledge is made regardless of when cash is subsequently received. The conclusion as to the proper amount of revenue to recognize also requires the determination of an estimated discount rate to apply to pledges expected to be received more than one year from the date of the statement of financial position, as well as an estimate of the amount of pledges that may not ultimately be collected. These estimates have not been made and, as a result, the effects on the accompanying financial statements of this departure from generally accepted accounting principles on financial position, results of operations and cash flows have not been determined.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Vine Maple Place as of June 30, 2017 and 2016, 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.

A handwritten signature in blue ink that reads "Marc G. Bateman, CPA". The signature is fluid and cursive, with the letters "M", "B", and "C" being particularly prominent.

Marc G. Bateman, CPA, P.S.
Lynnwood, Washington
October 3, 2017

VINE MAPLE PLACE

STATEMENT OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS

Current Assets

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 2,553,793	\$ 1,999,964
Investments in mutual funds and related assets	247,956	191,577
Pledges receivable, current portion	1,141,112	1,565,423
Grant and other receivables	42,879	-
Prepaid expenses	15,712	16,658
Total current assets	<u>4,001,452</u>	<u>3,773,622</u>

Property and Equipment:

Land	476,600	476,600
Buildings and improvements	1,234,416	1,221,294
Furniture, vehicle and equipment	138,304	141,853
	<u>1,849,320</u>	<u>1,839,747</u>
Accumulated depreciation	<u>(707,556)</u>	<u>(647,312)</u>
	<u>1,141,764</u>	<u>1,192,435</u>

Other Assets:

Pledges receivable, net of current portion	567,541	1,129,485
Construction in progress	559,177	503,582
Deposits	36,638	500
Total assets	<u>\$ 6,306,572</u>	<u>\$ 6,599,624</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 6,056	\$ 15,511
Accrued salaries and payroll taxes	60,514	68,444
Security deposits	700	400
Deferred pledge revenue, current portion	1,141,112	1,565,423
Total current liabilities	<u>1,208,382</u>	<u>1,649,778</u>

Long-Term Liabilities:

Deferred pledge revenue, net of current portion	567,541	1,129,485
Total liabilities	<u>1,775,923</u>	<u>2,779,263</u>

Net Assets

Unrestricted	2,267,467	2,101,382
Board designated for operations and facilities expansion	113,881	167,465
Total unrestricted net assets	<u>2,381,348</u>	<u>2,268,847</u>
Temporarily-restricted net assets	2,149,301	1,551,514
Total net assets	<u>4,530,649</u>	<u>3,820,361</u>
Total liabilities and net assets	<u>\$ 6,306,572</u>	<u>\$ 6,599,624</u>

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

VINE MAPLE PLACE

STATEMENT OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

Unrestricted Support and Revenue:	<u>2017</u>	<u>2016</u>
Contributions and fundraising revenues	\$ 1,365,542	\$1,231,679
Grants	302,700	311,711
In-kind donations	70,226	26,643
Program services income	5,430	3,300
Interest and other income	31,023	9,516
Net assets released from restrictions	199,270	69,430
Total support and revenues	<u>1,974,191</u>	<u>1,652,279</u>
Operating expenses:		
Program activities:		
Adults	971,024	1,109,738
Children and Youth	299,471	155,627
Program activities-total	<u>1,270,495</u>	<u>1,265,365</u>
Management and general	134,345	138,047
Fundraising	456,850	483,027
Total operating expenses	<u>1,861,690</u>	<u>1,886,439</u>
Excess revenues over expenses-unrestricted	112,501	(234,160)
Temporarily-restricted revenues		
Grants and donations	797,057	1,216,642
Assets released from restrictions	(199,270)	(69,430)
	<u>597,787</u>	<u>1,147,212</u>
Net income	710,288	913,052
Net assets:		
Beginning of year	<u>3,820,361</u>	<u>2,907,309</u>
End of year	<u>\$ 4,530,649</u>	<u>\$3,820,361</u>

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

VINE MAPLE PLACE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	<u>Program Activities</u>			<u>Management</u>		
	<u>Adults</u>	<u>Children and Youth</u>	<u>Total</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 398,153	\$ 173,100	\$ 571,253	\$ 68,755	\$ 257,813	\$ 897,821
Emergency housing and other financial assistance	338,409	66,502	404,911			404,911
Payroll taxes and benefits	78,600	31,234	109,834	14,216	49,752	173,802
Depreciation	49,602	10,796	60,398	4,851	12,988	78,237
Occupancy	58,746	2,796	61,542	527	3,310	65,379
Professional fees	9,818	4,774	14,592	17,036	28,007	59,635
Office expenses	7,149	1,725	8,874	14,187	29,467	52,528
Capital Campaign expenses				11,125	26,127	37,252
Conferences and meetings	1,197	2,686	3,883	142	28,675	32,700
Information technology	19,400	1,004	20,404	1,144	9,504	31,052
Insurance	8,026	4,455	12,481	2,318	1,070	15,869
Advertising and promotion					8,934	8,934
Travel	1,924	399	2,323	44	1,203	3,570
Total operating expenses	\$ 971,024	\$ 299,471	\$ 1,270,495	\$ 134,345	\$ 456,850	\$ 1,861,690

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

VINE MAPLE PLACE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	<u>Program Activities</u>			<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Adults</u>	<u>Children and Youth</u>	<u>Total</u>	<u>and General</u>		
Salaries and wages	\$ 503,976	\$ 84,510	\$ 588,486	\$ 83,602	\$ 246,069	\$ 918,157
Emergency housing and other financial assistance	354,057	39,287	393,344			393,344
Payroll taxes and benefits	99,741	13,867	113,608	14,879	50,892	179,379
Depreciation	54,446	11,830	66,276	5,309	14,205	85,790
Occupancy	53,883	1,371	55,254	963	3,793	60,010
Professional fees	990	148	1,138	15,588	33,430	50,156
Office expenses	7,813	715	8,528	13,791	22,104	44,423
Capital Campaign expenses					69,430	69,430
Conferences and meetings	2,370	804	3,174	167	5,883	9,224
Information technology	17,644	554	18,198	1,479	12,735	32,412
Insurance	10,112	2,480	12,592	2,267	835	15,694
Advertising and promotion					23,108	23,108
Travel	4,706	61	4,767	2	543	5,312
Total operating expenses	<u>\$1,109,738</u>	<u>\$ 155,627</u>	<u>\$ 1,265,365</u>	<u>\$ 138,047</u>	<u>\$ 483,027</u>	<u>\$ 1,886,439</u>

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

VINE MAPLE PLACE

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

Cash flows from operating activities:	<u>2017</u>	<u>2016</u>
Cash received from contributions, grants and rent	\$ 1,769,877	\$ 1,547,127
Cash paid to suppliers and employees	(1,737,919)	(1,724,942)
Interest received	10,645	9,516
Net cash provided (used) by operating activities	<u>42,603</u>	<u>(168,299)</u>
Cash flows from investing activities:		
Cost of improvements and office equipment	(9,573)	(23,609)
Construction costs	(55,595)	(103,312)
Change in investments	(60,389)	(121,987)
Change in deposits refunded	(36,138)	421
Net cash used by investing activities	<u>(161,695)</u>	<u>(248,487)</u>
Cash flows from financing activities:		
Cash contributions restricted for the purchase of long-term assets	<u>672,921</u>	<u>1,201,822</u>
Increase in cash	553,829	785,036
Cash balance, beginning of year	1,999,964	1,215,365
Cash balance, end of year	<u>\$ 2,553,793</u>	<u>\$ 1,999,964</u>
Reconciliation of net income to net cash provided (used) by operations:		
Net income	\$ 710,288	\$ 913,052
Depreciation	60,244	85,790
Unrealized investment income	4,010	437
Contributions restricted for the purchase of long-term assets	(672,921)	(1,201,822)
Changes in operating accounts:		
Pledges, grants and other receivables	(42,879)	800
Prepaid expenses	946	(1,598)
Accounts payable and accrued liabilities	(17,385)	35,742
Security deposits	300	(700)
Net cash provided (used) by operating activities	<u>\$ 42,603</u>	<u>\$ (168,299)</u>
Supplementary noncash information:		
In-kind donations of construction materials and services	<u>\$ 70,226</u>	<u>\$ 26,643</u>

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

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

1. Nature and Purpose of the Agency

Vine Maple Place (the “Agency”) was incorporated in October 2000 as a nonprofit corporation under the laws of the State of Washington, and is located in Maple Valley, Washington. The Agency is a Christian organization that offers programs and services to help single parents and their children build lives of hope, stability and self-sufficiency. The goal is to help adults break the patterns in their lives that lead to homelessness, help children avoid repeating those same patterns as they mature, and strengthen the family unit to end the generational cycle of homelessness.

The Agency’s programs are designed to provide temporary shelter to homeless families quickly to help them become safe and stable, and ultimately equip them to self-sufficiency. These programs serve both adults and children to help them heal from trauma, address the underlying causes of instability in the family, strengthen parent/child relationships, and develop life skills to establish stability and reach economic self-sufficiency so they never have to suffer the effects of homelessness again.

In October 2012, Vine Maple Place began piloting new ways to prevent and stop homelessness. From that pilot, a new client-centered program was implemented to help families who are facing homelessness through prevention and intervention. Currently, our on-site housing units are providing emergency shelter for families who are homeless or need immediate housing due to dangerous living situations. With the assistance of the Agency, families relocate to their own safe housing as soon as possible. They continue to receive services and rent assistance as they progress toward self-sufficiency.

The shift from transitional housing to emergency shelter and rapid re-housing has resulted in families becoming stable sooner. Combined with the Agency’s homeless prevention resources, this has significantly reduced the amount of time families spend in a homeless situation, reduced the cost by 75% and has increased the number of families that can be served annually. In 2017, 183 families and 379 children were served and given the tools and resources to become stable and self-sufficient, as compared with 2016 during which 180 families and 396 children were given the tools and resources to become stable and self-sufficient.

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies

Basis of Presentation and Accounting for Pledges

The accompanying financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues and support should be recorded when earned rather than when cash is received, and expenses are recorded when incurred rather than when cash is disbursed. However, the Agency's policy is to record pledges as revenue in the year cash is received regardless of when the pledge was made.

Pledges are typically made for varying amounts to be contributed over a five-year period. At June 30, 2017, the amount expected to be received in future years is as follows:

Year Ended	
<u>June 30,</u>	
2018	\$ 1,141,112
2019	350,355
2020	155,495
2021	51,639
2022	8,882
Thereafter	1,170
	<u>\$ 1,708,653</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Land, Buildings and Building Improvements

Land, buildings and improvements are stated at cost or, for donated assets, at the fair value of the assets received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the accounts and the resulting gains or losses are included in the Statement of Activities.

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Contributed Services and Materials

The Agency's operations have been financed primarily through contributions from churches, individuals and the community, as well as grants from the City of Maple Valley, businesses and private foundations. Contributions received are recorded as unrestricted, temporarily-restricted or permanently-restricted depending on the existence or nature of any donor restrictions.

Donated assets and services are recorded as contributions at their estimated values at the date of receipt. No amounts have been reflected in the financial statements for the value of volunteer labor since no objective basis is available to measure the value of such services, however, a substantial number of volunteers have donated significant amounts of time to the Agency's programs.

Functional Expense Classification

Expenses are classified in the Statement of Functional Expenses according to whether they relate to a specific program or to supporting service classifications on the basis of estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for overall support and direction of the Agency. Fundraising expenses include those costs which are attributable to raising money on behalf of the Agency.

Net Assets

The Agency classifies its net assets in one of three categories depending on the existence, nature and extent of restrictions imposed by donors: unrestricted, temporarily-restricted or permanently-restricted. Unrestricted net assets represent the portion of expendable funds that are available without restriction for the support of current ongoing financial requirements. Donations received which are restricted as to their use by the donor are classified as either temporarily-restricted or permanently-restricted depending on the nature and extent of the restrictions. At June 30, 2017 and 2016, temporarily-restricted net assets were \$2,149,301 and \$1,551,514, respectively. There were no permanently-restricted net assets.

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Federal Income Taxes

Vine Maple Place is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and it is not a private foundation. In general, the Agency's tax returns may be selected for examination by tax authorities subject to a three-year statute of limitations.

3. Cash Equivalents and Mutual Fund Investments

The Agency invests excess funds in money market accounts and mutual funds. All investments with an initial maturity date of three months or less at the time of purchase are deemed to be cash equivalents.

In accordance with an established investment policy emphasizing the preservation of principal, the Agency's investments at June 30, 2017 and 2016, consist of money market funds, fixed income investments and mutual funds. These investments are classified as available-for-sale securities based on their highly liquid nature and, as such, are considered to be Level 1 investments which are presented at their estimated fair values as determined by the investment custodian. These investments include unrealized gains of \$4,010 and \$437 for the years ended June 30, 2017 and 2016, respectively. The following is a summary of the Agency's investments as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market fund	\$ 130,766	\$ 130,135
Equity mutual funds	117,190	61,442
	<u>\$ 247,956</u>	<u>\$ 191,577</u>

4. Operating Leases

The Agency generally does not enter into leases on behalf of qualified families who are being assisted. However, the Agency will occasionally enter into a lease to provide temporary housing in connection with its Rapid Rehousing Program. As of June 30, 2017, the Agency had entered into one such lease on a month-to-month basis which was, in turn, subleased to a qualified family. As of June 30, 2016, the Agency had entered into one lease guarantee arrangement on behalf of a qualified family on a month-to-month basis.

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

5. Construction in Progress

The Agency has commenced construction of a new facility which will serve as the Family Hope Center. In December 2016 a permit was received allowing the Agency to proceed with construction. The cost is expected to be approximately \$5,200,000. This cost includes the cost of the land which was previously purchased, as well as architect and engineering fees, taxes, permits and other related costs. Through June 30, 2017 the Agency has incurred costs related to the Family Hope Center of \$559,178, including the cost of the land, architectural and engineering fees and other related costs. Construction costs incurred as of June 30, 2016, were \$503,582. Management expects construction to be completed in July 2018.

Subsequent to yearend, the Agency entered into a contract with a general contractor to construct the Family Hope Center facility. The contract is based on the contractor's costs, plus a stipulated fee. The contract specifies a maximum price of \$3,356,097, including the contractor's fee. This cost also specifies that the maximum amount does not include the costs for such additional necessary items, such as architect and engineering fees, taxes, permits and other related costs.

The Agency has received notice that it will be the recipient of a \$450,000 grant to facilitate the construction of the Family Hope Center. This grant is contingent on the Agency raising sufficient additional funds to complete construction.

6. Employee Benefits

The Agency sponsors a 401(k) plan for all eligible employees. During the year ended June 30, 2017 and 2016, the Agency made contributions on behalf of eligible employees of \$16,247 and \$16,398, respectively.

7. Related Party Transactions

The Agency's pledges receivable shown on the accompanying Statement of Financial Position include outstanding pledges from Board members and management of \$863,003 and \$1,063,595 as of June 30, 2017 and 2016, respectively. Donations received from Board members and management amounted to \$207,055 and \$216,384 for the years ended June 30, 2017 and 2016, respectively.

VINE MAPLE PLACE

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

8. Board-Designated Net Assets

The Board has designated certain unrestricted net assets for specific purposes. The following is a schedule of Board-designated net assets at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital replenishment fund	\$ 50,036	\$ 107,831
Lovsted operating reserve	63,845	59,634
	<u>\$ 113,881</u>	<u>\$ 167,465</u>

9. Temporarily-Restricted Net Assets

As discussed in Note 2, any donations received are classified as temporarily-restricted if the donor has placed restrictions on the use of the donated funds. The following is a schedule of temporarily-restricted net assets at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building campaign	\$ 2,039,420	\$ 1,495,385
Children's Hope Fund	27,907	25,871
Scholarships	20,234	17,196
Building changes	4,977	7,615
Security improvement and other	56,763	5,447
	<u>\$ 2,149,301</u>	<u>\$ 1,551,514</u>

10. Subsequent Events

Management has evaluated subsequent events through October 3, 2017, the date on which the financial statements were available to be issued. See Note 5 regarding the contract to construct the Family Hope Center.