
HOPESOURCE

A WASHINGTON NON-PROFIT ORGANIZATION

Financial Statements

For the Year Ended December 31, 2008
With Comparative Totals for 2007

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

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INDEPENDENT AUDITOR'S REPORT

April 24, 2009

To the Board of Directors
Hopesource
601 West Fifth Avenue
Ellensburg, WA 98926

We have audited the accompanying statement of financial position of HOPESOURCE as of December 31, 2008; the related statement of activities and changes in net assets; statement of functional expenses; and the statement of cash flows for the year then ended. These financial statements are the responsibility of HOPESOURCE's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HOPESOURCE's 2007 financial statements and, in our report dated April 25, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPESOURCE as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2009, on our consideration of HOPESOURCE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of HOPESOURCE taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

HOPESOURCE

Statement of Financial Position

December 31, 2008 <i>(With Comparative Totals for 2007)</i>	2008	2007
<u>ASSETS</u>		
Current Assets		
Cash	\$ 282,942	\$ 24,329
Accounts Receivable	154,639	440,452
Due from Westview Villa Limited Partnership	30,653	-
Weatherization Inventory	1,002	1,002
Commodities Inventory	2,823	3,381
Prepaid Expenses & Other Current Assets	4,648	1,043
Total Current Assets	476,707	470,207
Property & Equipment		
Land & Building, net	38,167	40,167
Leasehold Improvements, net	1,755	1,888
Equipment, net	-	-
Vehicles, net	3,145	-
Total Property & Equipment	43,067	42,055
Other Assets		
Investments	5,438	8,249
Investment in Westview Villa Limited Partnership	124,808	124,814
Total Other Assets	130,246	133,063
Total Assets	\$ 650,020	\$ 645,325
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	121,693	239,755
Accrued Expenses	20,680	9,827
Deferred Revenue	64,208	30,043
Loan Payable Current	3,600	3,600
Total Current Liabilities	210,181	283,225
Long Term Liabilities		
Loans Payable	123,600	127,200
Less Loans Payable Current	(3,600)	(3,600)
Total Long Term Liabilities	120,000	123,600
Net Assets		
Unrestricted Net Assets	305,700	222,801
Temporarily Restricted Net Assets	14,139	15,699
Total Net Assets	319,839	238,500
Total Liabilities and Net Assets	\$ 650,020	\$ 645,325

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

HOPESOURCE

Statement of Activities and Change In Net Assets

Year Ended December 31, 2008 (With Comparative Totals for 2007)	2008		2007	
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
Support & Revenue:				
Grants	\$ 2,050,924	\$ -	\$ 2,050,924	\$ 1,989,987
Contributions	88,385	14,139	102,524	91,100
Program Income	37,015	-	37,015	24,574
Other Income	22,514	-	22,514	4,107
Inkind Revenue	52,910	-	52,910	62,788
Service Fees	41,812	-	41,812	36,722
Fundraising	6,158	-	6,158	4,445
Release of Program Restrictions	15,699	(15,699)	-	-
Total Support & Revenues	2,315,417	(1,560)	2,313,857	2,213,723
Expenses:				
Program Services				
Housing Services	249,449	-	249,449	197,220
Nutrition Services	161,087	-	161,087	172,244
Transportation Services	720,590	-	720,590	867,163
Weatherization Services	173,505	-	173,505	225,581
Energy Services	545,513	-	545,513	396,271
Emergency Services	-	-	-	97
Block Grants	176,082	-	176,082	134,229
Social Enterprise	4,916	-	4,916	-
Corporate	31,442	-	31,442	66,811
	2,062,584	-	2,062,584	2,059,616
Administration	167,123	-	167,123	156,990
Total Expenses	2,229,707	-	2,229,707	2,216,606
Other Revenue & Expenses:				
Investment Income (Loss)	(2,811)	-	(2,811)	834
Total Other Revenue & Expenses	(2,811)	-	(2,811)	834
INCREASE (DECREASE) IN NET ASSETS	82,899	(1,560)	81,339	(2,049)
NET ASSETS, BEGINNING OF YEAR	222,801	15,699	238,500	240,549
NET ASSETS, END OF YEAR	\$ 305,700	\$ 14,139	\$ 319,839	\$ 238,500

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

HOPESOURCE

Statement of Functional Expenses

Year Ended December 31, 2008 (With Comparative Totals for 2007)

	Housing Services	Nutrition Services	Transportation Services	Weatherization Services	Energy Services	Block Grants
Salaries	\$ 53,426	\$ 23,867	\$ 309,152	\$ 69,557	\$ 32,478	\$ 81,636
Benefits	24,922	11,933	170,549	37,899	16,596	33,980
Subcontractors Expense	11,618	17,934	-	21,346	-	-
Supplies	296	285	1,760	126	1,806	17,331
Vehicle Expenses	595	7	133,892	2,185	80	3,060
Professional Services	330	229	10,108	1,432	-	896
Communication	2,084	894	10,227	2,265	1,798	2,342
Travel	652	-	1,266	3,125	278	14,979
Advertising	-	-	528	-	802	711
Rent	5,297	2,449	36,776	7,777	2,490	6,015
Insurance	435	192	28,382	6,692	635	4,119
Utilities	6,349	420	4,241	1,437	472	1,093
Repair & Maintenance	20,598	181	1,607	659	585	483
Miscellaneous	721	139	1,813	472	1,096	3,812
Inkind Expenses	2,224	47,436	-	-	105	-
Conference & Training Fees	23	60	2,065	2,413	92	4,149
Client Expenses	106,849	54,563	749	15,479	485,714	17
Depreciation Expense	2,133	-	-	-	-	-
Capital Outlay	519	498	7,475	641	486	1,456
Interest Expense	10,378	-	-	-	-	3
TOTAL	\$ 249,449	\$ 161,087	\$ 720,590	\$ 173,505	\$ 545,513	\$ 176,082

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

Social Enterprise	Corporate	Total Programs	Administration	Total	Total
\$ 1,988	\$ 447	\$ 572,551	\$ 84,400	\$ 656,951	\$ 583,991
708	30	296,617	37,953	334,570	326,230
-	971	51,869	837	52,706	112,089
3	529	22,136	5,605	27,741	25,014
1,277	754	141,850	789	142,639	147,055
10	322	13,327	23,572	36,899	70,083
68	246	19,924	3,890	23,814	22,347
265	(627)	19,938	83	20,021	21,588
-	-	2,041	85	2,126	2,175
-	-	60,804	996	61,800	53,062
495	-	40,950	412	41,362	41,294
-	11	14,023	177	14,200	14,240
-	4,383	28,496	621	29,117	41,774
5	2,310	10,368	5,566	15,934	25,539
-	-	49,765	-	49,765	59,776
42	603	9,447	1,696	11,143	22,707
55	17,501	680,927	403	681,330	438,091
-	-	2,133	-	2,133	5,018
-	1,099	12,174	38	12,212	192,276
-	2,863	13,244	-	13,244	12,257
<u>\$ 4,916</u>	<u>\$ 31,442</u>	<u>\$ 2,062,584</u>	<u>\$ 167,123</u>	<u>\$ 2,229,707</u>	<u>\$ 2,216,606</u>

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Statement of Cash Flows

Year Ended December 31, 2008 (With Comparative Totals for 2007)	2008	2007
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 81,339	\$ (2,049)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,133	5,018
Forgiveness of Debt	(3,600)	(3,600)
Donated Stock	-	(3,022)
Donated Vehicle	(3,145)	-
Loss on Disposed Vehicle	-	2,357
Loss from Westview Villa Limited Partnership	6	14
Investment Loss (Gain)	2,811	(834)
(Increase) Decrease in --		
Accounts Receivable	285,813	(133,212)
Due from Westview Villa Limited Partnership	(30,653)	-
Inventories	558	(721)
Prepaid Expenses & Other Current Assets	(3,605)	493
Increase (Decrease) in --		
Accounts Payable	(118,062)	70,534
Accrued Expenses	10,853	(2,704)
Deferred Revenue	34,165	30,043
Net Cash Provided (Used) by Operations	<u>258,613</u>	<u>(37,683)</u>
Cash Flows From Investing Activities:	<u>-</u>	<u>-</u>
Cash Flows From Financing Activities:	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	258,613	(37,683)
Cash, at Beginning of Year	<u>24,329</u>	<u>62,012</u>
Cash, at End of Year	<u>\$ 282,942</u>	<u>\$ 24,329</u>

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

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kittitas County Action Council (HOPESOURCE) is a non-profit entity exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and is not a private foundation. HOPESOURCE operates primarily as the sponsoring agency of various federal, state, and locally funded programs aimed at providing various types of aid to the underprivileged who reside in Kittitas County, state of Washington. As a community action agency (community action agencies were founded under the Economic Opportunity Act of 1964) HOPESOURCE is a locally controlled organization and is administered with the "maximum feasible participation" of the poor. This essential element distinguishes it from other non-profit human service providers. The maximum feasible participation emphasis begins with the board of directors which, by law, must be comprised of representatives from three major elements of the community: 1/3 of low-income residents or their representatives, 1/3 of local public officials or their designees, and the remaining 1/3 of members from the private sector.

HOPESOURCE receives a substantial amount of its annual support in the form of government grants. A significant reduction in the level of this support, if it were to occur, might have a significant effect on HOPESOURCE'S programs and activities.

Accounting Basis

HOPESOURCE maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as temporarily restricted or unrestricted as provided in the particular terms of the respective grant contracts. However, if the restrictions on grant funds are met in the same year the funds are awarded, it is HOPESOURCE'S policy to report the grant funds as unrestricted on the statement of activities and changes in net assets.

Recognition of Contribution Revenue

HOPESOURCE reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

HOPESOURCE reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, HOPESOURCE reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on restricted contributions are met in the same year the gift is received, it is HOPESOURCE'S policy to report the contribution as unrestricted on the statement of activities and changes in net assets.

Property and Equipment

Property and equipment purchased by HOPESOURCE with unrestricted funds is recorded at cost. Items of less than \$5,000 per unit cost are charged to expense as minor equipment or supplies.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

Property and Equipment (Con't)

property and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income.

Straight-line depreciation is provided over the estimated useful lives of the assets as follows:

Buildings & Improvements	30 years
Office equipment	7 years
Vehicles	5 to 6 years

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting certain reported amounts and disclosures.

Accordingly, actual results could differ from those estimates.

Advertising Costs

It is HOPESOURCE'S policy to expense all advertising costs as incurred.

NOTE 2: ACCOUNTS RECEIVABLE

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. HOPESOURCE uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2008 and 2007, there were bad debts of \$0. As of December 31, 2008, management estimated that all accounts receivable were collectible.

Past due trade receivables are those on which no payments have been received within 30 days following the month in which they originated. No interest is charged on past due trade receivables.

NOTE 3: COMPENSATED ABSENCES

HOPESOURCE provides its employees with paid annual and sick leave in accordance with its current policies. Sick leave benefits are cumulative only to the extent of use for illness. Unused annual leave is payable to employees in cash upon their termination. Annual leave is cumulative up to a maximum of 80 hours.

At December 31, 2008 and 2007, vested leave has been accrued as follows and is included in accrued expenses on the statement of financial position:

	<u>2008</u>	<u>2007</u>
Annual leave	\$ <u>19,324</u>	\$ <u>9,827</u>

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 4: LEASE COMMITMENTS

HOPESOURCE leases facilities to be used in their programs. The lease for facilities is classified as an operating lease. Lease expense for facilities for the years ended December 31, 2008 and 2007, was \$61,800 and \$53,062, respectively.

Future minimum payments under operating leases at December 31, 2008, are:

2009	\$ 41,000
2010	-
2011	-
2012	-
2013	-

NOTE 5: LOANS PAYABLE

As of December 31, 2008 and 2007, long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Department of Community, Trade, and Economic Development - Housing Trust Fund Program - Secured by real estate (See Below)	\$ <u>123,600</u>	\$ <u>127,200</u>

Maturity of debt due within 5 years:

2007	\$ 3,600
2008	3,600
2009	3,600
2010	3,600
2011	3,600
	<u>\$ 18,000</u>

During 2003, HOPESOURCE entered into an agreement with the DCTED for funds used to pay off existing debt. The promissory note and deed of trust for \$144,000, with no interest, will be forgiven \$3,600 per year until May 1, 2043. The loan is secured by the emergency shelter triplex. In the event that the property is sold, or the property is not used as required by the Contract during the term of the loan, HOPESOURCE would be liable to the DCTED for any unpaid balance of the promissory note plus an amount representing the prorated, appreciated value of the property as defined in the Contract. An imputed interest rate of 8.19% is used to calculate interest expense and contribution revenue for each year.

NOTE 6: CASH

During 2008, HOPESOURCE periodically had bank accounts that exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC).

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 7: SUPPLEMENTAL DISCLOSURES - STATEMENT OF CASH FLOWS

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

Cash paid during the years ended December 31, 2008 and 2007, for interest was \$2,866 and \$1,583, respectively.

NOTE 8: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of HOPESOURCE and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the financial statements.

NOTE 9: WESTVIEW VILLA LIMITED PARTNERSHIP

HOPESOURCE is the Managing General Partner in the Westview Villa Limited Partnership. HOPESOURCE has an ownership interest of 1.0%. The purpose of the partnership is to construct, maintain, and operate a low to moderate income housing project located in Cle Elum, Washington. The project is a qualified tax credit project with bond financing being provided by the Washington State Housing Finance Commission. The units are rented to families with moderate to low incomes.

During 2008 and 2007, HOPESOURCE paid for landscaping maintenance at the Partnership site. The Partnership will be reimbursing HOPESOURCE \$22,428 for these costs. The Partnership pays HOPESOURCE an annual administrative fee of \$8,225, which was due at December 31, 2008. At December 31, 2008, the total due from the Partnership was \$30,653.

NOTE 10: IN-KIND CONTRIBUTIONS

Volunteers contribute services toward the fulfillment of programs sponsored by HOPESOURCE. The contributed services are not recorded in the financial statements because they do not meet the requirements set out in SFAS 116. During the years ended December 31, 2008 and 2007, the estimated fair value of volunteer services was \$11,275 and \$13,987, respectively.

HOPESOURCE receives donated supplies and food that are used in the programs sponsored by HOPESOURCE. The donated supplies and food are recorded as in-kind revenue at estimated fair market value when they are received. When the donated supplies and food are used an offsetting entry to in-kind expense is made. Donated supplies and food for the years ended December 31, 2008 and 2007 were \$49,765 and \$59,776, respectively.

During 2008, HOPESOURCE received a donated van. The vehicle was capitalized as an asset on the statement of financial position, and recorded as in-kind revenue on the statement of activities at the estimated fair market value of \$3,145.

NOTE 11: DEFERRED REVENUES

Deferred revenue is recognized for program (grant) advances received by HOPESOURCE that are in excess of current grant expenditures. Such amounts are restricted funds and as such can only be maintained and used in accordance with the respective grant contracts.

HOPESOURCE

Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 12: TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets are donor-restricted contributions that have not been expended for the donor specified purposes as of December 31, 2008 and 2007.

NOTE 13: PROPERTY, EQUIPMENT AND ACCUMULATED DEPRECIATION

Equipment, vehicles, leasehold improvements, land and buildings consist of the following:

<u>Asset</u>	<u>Method</u>	<u>Life</u>	<u>2008</u>	<u>2007</u>
Land			\$ 15,000	\$ 15,000
Building	S/L	30 yrs	60,000	60,000
Accumulated Depreciation			(36,833)	(34,833)
			<u>\$ 38,167</u>	<u>\$ 40,167</u>
Leasehold Improvements	S/L	30 yrs	\$ 3,976	\$ 3,976
Accumulated Depreciation			(2,221)	(2,088)
			<u>\$ 1,755</u>	<u>\$ 1,888</u>
Equipment	S/L	7 yrs	\$ 12,202	\$ 12,202
Accumulated Depreciation			(12,202)	(12,202)
			<u>\$ -</u>	<u>\$ -</u>
Vehicles	S/L	5 - 6 yrs	\$ 55,223	\$ 52,078
Accumulated Depreciation			(52,078)	(52,078)
			<u>\$ 3,145</u>	<u>\$ -</u>

NOTE 14: INVENTORY

Inventories of USDA surplus commodities are shown at the cost value provided by the USDA. The cost of inventory of USDA Surplus Commodities at December 31, 2008 and 2007 is \$2,823 and \$3,381, respectively.

At December 31, 2008 and 2007, HOPESOURCE had inventory of insulation and windows for the Weatherization program. The cost of the inventory as of December 31, 2008 and 2007, is \$1,002 and \$1,002, respectively.

NOTE 15 – CONTINGENCIES

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of HOPESOURCE if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

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Notes to the Financial Statements

Year Ended December 31, 2008

NOTE 16 – INVESTMENTS

During 2007, HOPESOURCE received donations of corporate stock. These corporate stocks were recorded at fair market value measured at the time the donation was received. The investments in corporate stocks are accounted for at fair value. As of December 31, 2008 and 2007, the investments had a cost basis of \$6,978. As of December 31, 2008 and 2007, the investments had a fair value of \$5,438 and \$8,249, respectively. Investment income was the following:

	2008	2007
Dividends	\$ 25	\$ 67
Unrealized Gain/(Loss)	(2,836)	767
	\$ (2,811)	\$ 834

NOTE 17 – SCHEDULE OF NON-FEDERAL AWARDS

Expenditures for certain non-federal awards for the fiscal year ended December 31, 2008, are as follows:

Agency	Contract Number	Program Name	Amount
Dept of Transportation	GCA5301	Rural Mobility	\$ 482,521
Dept of Transportation	GCA5301	Central Transit	109,233
Dept of Transportation	GCA5302	Transportation Capital	921
CTED	08-32100-212	CSBG	20,644
CTED	08-46105-19	ESAP	44,945
CTED	08-46104-10	Transitional Housing Operation	15,633
CTED	None	EFAP	5,762
Puget Sound Energy	PSE-EE-LIW-012	Energy Assist.	2,598
Kittitas County	None	Transportation	7,875
City of Ellensburg	None	Transportation	13,500
CTED	S08-32101-011	EFAP	48,919
Fee for Service	None	People for People	16,493
Suncadia	None	Suncadia	5,000
Puget Sound Energy	LIPA	Energy Assist.	9,676
State of Washington	MOU# 2007-1	Ecology Wood Stove Exchange	1,740
Kittitas County	None	Senior Rent Assistance	61,000
CWU	#7667	Central Transit	76,593
Elmview	None	Central Transit	15,000
WA Disability Resource	None	Central Transit	8,000
Social Enterprise HS	None	Social Enterprise	384
Puget Sound Energy	None	Social Enterprise	4,532
Crest View Housing	None	Crest View Program	33,537
			\$ 984,506

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
Department of Health and Human Services			
Passed Through State Department of Community, Trade and Economic Development:			
LIHEAP Weatherization Assistance Program	93.568	F07-431-415	\$ 73,426
LIHEAP Weatherization Assistance Program	93.568	F09-431-415	14,054
LIHEAP	93.568	F08-32106-066	380,657
LIHEAP	93.568	F09-32106-066	198,034
Community Services Block Grant	93.569	F07-32105-016	4,773
Community Services Block Grant	93.569	F08-32105-016	50,147
Passed Through Yakima County:			
Special Programs for the Aging-Title III Part B	93.044	2008-HS	42,239
			<u>763,330</u>
Department of Housing & Urban Development			
Passed Through State Department of Community, Trade and Economic Development:			
Supportive Housing Program	14.235	WA01B60-1027	21,673
Supportive Housing Program	14.235	WA01B70-1010	26,036
Community Development Block Grant	14.228	08-64007-005	110,229
Emergency Shelter Grants Program	14.231	07-46106-46	11,227
Emergency Shelter Grants Program	14.231	08-46106-46	29,728
			<u>198,893</u>
Department of Agriculture			
Passed Through State Department of General Administration:			
Emergency Food Assistance Program (Administrative)	10.568	None	11,203
Emergency Food Assistance Program (Commodities)	10.569	None	54,174
			<u>65,377</u>
Department of Energy			
Passed Through State Department of Community, Trade and Economic Development:			
Weatherization Assistance	81.042	F07-431-03-415	10,255
Weatherization Assistance	81.042	F08-431-03-415	46,713
			<u>56,968</u>
Bonneville Power Administration			
Passed Through State Department of Community, Trade and Economic Development:			
BPA Weatherization	81.999	F07-446-415	53,106

HOPESOURCE

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2008

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>Department of Transportation</u>			
Passed Through State of Washington			
Department of Transportation: Transportation Assistance	20.513	GCA5302	<u>3,685</u>
			\$ <u><u>1,141,359</u></u>

HOPESOURCE

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2008

No prior year findings.

**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**

April 24, 2009

To the Board of Directors
Hopesource
601 West Fifth Avenue
Ellensburg, WA 98926

We have audited the financial statements of the Hopesource as of and for the year ended December 31, 2008, and have issued our report thereon dated April 24, 2009. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopesource's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hopesource's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hopesource's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

April 24, 2009

To the Board of Directors
Hopesource
601 West Fifth Avenue
Ellensburg, WA 98926

Compliance

We have audited the compliance of the Hopesource with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Hopesource's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hopesource's management. Our responsibility is to express an opinion on Hopesource's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Hopesource's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hopesource's compliance with those requirements.

In our opinion, Hopesource complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Hopesource is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hopesource's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Hopesource's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

HOPESOURCE

Schedule of Findings and Questioned Costs

Year Ended December 31, 2008

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

Material weaknesses identified: No

Significant Deficiencies identified not considered to be material weaknesses: No

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a): No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: Yes

Section II – Financial Statement Findings:

No matters were reported.

Section III – Federal Award Findings and Questioned Costs:

No matters were reported.