

LYDIA PLACE

Financial Statements and Reports and Schedules in Accordance with
Government Auditing Standards and Required by the Uniform Guidance

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lydia Place
Bellingham, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lydia Place (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Lydia Place as of December 31, 2022, and its change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of Lydia Place as of December 31, 2021, were audited by other auditors whose report dated September 26, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lydia Place's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lydia Place's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Reports and Schedules in Accordance *Government Auditing Standards* and Required by the Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
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Andrew Van Ness, CPA



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of Lydia Place's internal control over financial reporting and 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* in considering Lydia Place's internal control over financial reporting and compliance.

Greenwood Ohlund

Seattle, Washington
September 27, 2023

LYDIA PLACE

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

ASSETS	2022	2021
Current Assets		
Cash and cash equivalents	\$ 1,843,009	\$ 2,616,277
Government grants receivable	373,955	874,983
Prepaid expenses and other assets	16,444	5,132
Total current assets	2,233,408	3,496,392
Beneficial Interest in Perpetual Trust	186,918	225,076
Property and Equipment, net	7,325,364	5,254,327
Total assets	\$ 9,745,690	\$ 8,975,795
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 217,300	\$ 672,926
Accrued payroll liabilities	429,237	312,274
Long-term debt, current portion	15,871	12,391
Total current liabilities	662,408	997,591
Long-Term Debt, less current portion	680,755	352,552
Total liabilities	1,343,163	1,350,143
Net Assets		
Net assets without donor restrictions	7,923,271	6,556,876
Net assets with donor restrictions	479,256	1,068,776
Total net assets	8,402,527	7,625,652
Total liabilities and net assets	\$ 9,745,690	\$ 8,975,795

See accompanying notes to financial statements.

LYDIA PLACE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Government grants	\$ 3,213,791	\$ -	\$ 3,213,791	\$ 3,449,350	\$ -	\$ 3,449,350
Contributions	866,611	309,137	1,175,748	1,404,784	848,760	2,253,544
In-kind contributions	316,830	-	316,830	641,559	-	641,559
Other contracts	224,964	-	224,964	191,713	-	191,713
Special events	450,181	-	450,181	348,224	-	348,224
Special events - cost of direct benefit to donor	(84,747)	-	(84,747)	(64,799)	-	(64,799)
Rental income	96,203	-	96,203	103,287	-	103,287
Change in value of beneficial interest	-	(38,158)	(38,158)	-	94,772	94,772
Other income	157,311	-	157,311	93,095	-	93,095
Net assets released from restrictions	860,499	(860,499)	-	313,605	(313,605)	-
Total support and revenue	6,101,643	(589,520)	5,512,123	6,480,818	629,927	7,110,745
Expenses						
Program services	3,984,301	-	3,984,301	2,606,123	-	2,606,123
Management and general	459,071	-	459,071	272,301	-	272,301
Fundraising	291,876	-	291,876	149,094	-	149,094
Total expenses	4,735,248	-	4,735,248	3,027,518	-	3,027,518
Change in net assets	1,366,395	(589,520)	776,875	3,453,300	629,927	4,083,227
Net Assets, beginning of year	6,556,876	1,068,776	7,625,652	3,103,576	438,849	3,542,425
Net Assets, end of year	<u>\$ 7,923,271</u>	<u>\$ 479,256</u>	<u>\$ 8,402,527</u>	<u>\$ 6,556,876</u>	<u>\$ 1,068,776</u>	<u>\$ 7,625,652</u>

See accompanying notes to financial statements.

LYDIA PLACE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Wages, benefits, and taxes	\$ 2,157,735	\$ 344,915	\$ 141,444	\$ 2,644,094	\$ 1,544,343	\$ 234,761	\$ 113,106	\$ 1,892,210
Client assistance	712,935	-	-	712,935	490,597	-	-	490,597
Debt covenant fee	336,000	-	-	336,000	-	-	-	-
Repairs and maintenance	114,163	5,437	977	120,577	32,124	420	194	32,738
Technical support	76,057	12,786	8,407	97,250	62,786	5,526	2,592	70,904
Advertising and promotion	-	-	84,747	84,747	-	-	64,799	64,799
Utilities	71,622	6,563	2,214	80,399	51,850	1,594	990	54,434
Equipment and furniture	27,393	16,266	8,256	51,915	20,450	824	3,629	24,903
Program supplies	39,718	-	5,108	44,826	37,147	7,762	750	45,659
Professional fees	33,915	6,991	2,799	43,705	8,195	3,213	304	11,712
Office supplies	11,000	19,995	6,493	37,488	24,453	4,307	1,503	30,263
Insurance	23,350	5,750	1,246	30,346	27,979	2,386	1,202	31,567
Interest	20,391	8,618	921	29,930	15,343	560	166	16,069
Conferences	13,135	13,524	488	27,147	19,474	1,085	903	21,462
Mileage	23,391	1,141	541	25,073	11,502	44	255	11,801
Miscellaneous	-	11,254	12,040	23,294	-	133	-	133
Rent	-	3,084	9,252	12,336	-	-	-	-
Printing	1,323	1,154	6,688	9,165	12,704	543	5,527	18,774
Dues and subscriptions	5,517	644	96	6,257	7,701	1,101	7,858	16,660
Property taxes	403	-	-	403	370	29	-	399
Total expenses before in-kind and depreciation, less special events	3,668,048	458,122	291,717	4,417,887	2,367,018	264,288	203,778	2,835,084
In-kind expense - rent	22,750	-	22,750	45,500	28,438	-	-	28,438
In-kind expense - other	79,673	-	61,776	141,449	135,880	-	3,883	139,763
Depreciation	213,830	949	380	215,159	74,787	8,013	6,232	89,032
Less: Special events - cost of direct benefit to donor	-	-	(84,747)	(84,747)	-	-	(64,799)	(64,799)
Total expenses	\$ 3,984,301	\$ 459,071	\$ 291,876	\$ 4,735,248	\$ 2,606,123	\$ 272,301	\$ 149,094	\$ 3,027,518

See accompanying notes to financial statements.

LYDIA PLACE

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 776,875	\$ 4,083,227
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Forgiveness of Paycheck Protection Program loan	-	(277,900)
Donated property and equipment	(129,881)	(470,204)
Contributions to beneficial interest	(5,000)	(80,300)
Change in value of beneficial interest	43,158	(14,472)
Loss on disposal of property and equipment	9,293	18,400
Depreciation	215,159	89,032
Changes in operating assets and liabilities:		
Government grants receivable	501,028	(725,262)
Prepaid expenses and other assets	(11,312)	7,914
Accounts payable	(455,626)	68,329
Accrued payroll liabilities	116,963	74,975
Net cash flows from operating activities	1,060,657	2,773,739
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	-	200,000
Purchases of property and equipment	(2,165,608)	(1,793,941)
Net cash flows from investing activities	(2,165,608)	(1,593,941)
Cash Flows from Financing Activities		
Issuance of long-term debt	710,000	-
Repayment of long-term debt	(378,317)	(10,416)
Net cash flows from financing activities	331,683	(10,416)
Net change in cash and cash equivalents	(773,268)	1,169,382
Cash and Cash Equivalents, beginning of the year	2,616,277	1,446,895
Cash and Cash Equivalents, end of the year	\$ 1,843,009	\$ 2,616,277
Noncash Investing Activity		
Property and equipment purchases within accounts payable	\$ -	\$ 595,479

See accompanying notes to financial statements.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Lydia Place (the Organization) is a Washington nonprofit corporation that works to disrupt the cycle of homelessness and promote sustained independence for current and future generations. The Organization provides housing, case management, parenting education, mental health counseling, and advocacy, and partners with the community to raise awareness and address the causes of homelessness.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from such estimates.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Certain net assets without donor restrictions have been designated by the Board of Directors for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 278,849	\$ 278,188
Capital projects reserve	<u>35,435</u>	<u>20,374</u>
	<u>\$ 314,284</u>	<u>\$ 298,562</u>

Net Assets With Donor Restrictions – Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future time periods. Net assets with donor restrictions also represent gifts given with the intent that the principal will be maintained intact into perpetuity and the income be used for current operations. Net assets with perpetual restrictions consist entirely of a beneficial interest in a perpetual trust at December 31, 2022 and 2021. Changes in the fair value of the beneficial interest in the perpetual trust are reported as increases or decreases in net assets with donor restrictions. Distributions of income from the perpetual trust are reported as increases in net assets without donor restrictions.

Gifts of property and equipment are reported as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and 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 long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired assets are placed in service.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Beneficial interest in Whatcom Community Foundation's Agency Endowed Fund (perpetual trust)	\$ 186,918	\$ 225,076
Program specific (various)	147,589	229,538
Property and equipment maintenance	124,538	59,624
Property and equipment construction	<u>20,211</u>	<u>554,538</u>
	<u>\$ 479,256</u>	<u>\$ 1,068,776</u>

Fair Value Measurements

Fair value is a market-based measurement determined using assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Organization occasionally has interest-bearing cash deposits in excess of federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Government Grants Receivable

Government grants expected to be collected within one year are recorded at net realizable value. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to government grants receivable. The allowance for uncollectible receivables is maintained at a level considered adequate to provide for potential past due receivables. The adequacy of the allowance is based upon management's evaluation of the quality, character, and inherent risks associated with the receivables. There was no allowance at December 31, 2022 or 2021.

Three government agencies accounted for 95% of total government grants receivable at December 31, 2021. No such concentrations existed at December 31, 2022.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment is stated at cost if purchased and at estimated fair value if donated. Items over \$2,500 with a useful life of more than one year are capitalized. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives ranging from 5 to 40 years. Maintenance, repairs, and minor improvements are expensed as incurred.

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 7,091,684	\$ 2,175,966
Equipment	35,097	24,634
Other	<u>127,963</u>	<u>11,839</u>
	7,254,744	2,212,439
Less: Accumulated depreciation	<u>(722,343)</u>	<u>(519,987)</u>
	6,532,401	1,692,452
Land	792,963	792,963
Construction in progress - Heart House Facility	<u>-</u>	<u>2,768,912</u>
	<u>\$ 7,325,364</u>	<u>\$ 5,254,327</u>

In December 2015, the Organization entered into a tenancy-in-common (TIC) agreement with Domestic Violence and Sexual Assault Services of Whatcom County (DVSAS), a nonprofit organization. The TIC was entered into for the purpose of purchasing real property located in Bellingham, Washington (hereafter, Baker Place), to house homeless women consistent with the mission of both organizations. The TIC is owned 59% by the Organization and 41% by DVSAS. The related land and building are recorded at the Organization's portion of the purchase price, less accumulated depreciation, in these financial statements. Each Organization is responsible for maintenance, taxes, and insurance on their respective portion of the property. The TIC agreement is in effect until the property is sold or both parties agree to terminate the agreement.

In June 2022, the Organization completed construction of the Heart House Facility and began accepting residents for its Permanent Supportive Housing apartments.

Revenue Recognition

Contributions (including those from special events) are recognized when an unconditional promise to give is received. Contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give — that is, those with a measurable performance-related barrier or other measurable barrier and a right of return — are not recognized until the conditions on which they depend have been met.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Revenue from government grants and other contracts is recognized when the service is provided or when the related qualified expenditure is incurred (when the conditions have been met). Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2022 and 2021, no such adjustments were made. Three and two government agencies represented 58% and 38% of total support and revenue for the years ended December 31, 2022 and 2021, respectively.

In April 2020, the Organization received a \$277,900 loan from the Federal Paycheck Protection Program. This loan accrued interest at 1%, was guaranteed by the Small Business Administration, and was forgivable if the Organization's use of the funds meets the criteria for such forgiveness. The loan was fully forgiven in May 2021 and is included in government grants in the accompanying statement of activities.

Donated goods and services are reflected as in-kind contributions and in the accompanying statements of activities at their estimated values at the date of donation. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated. During the year ended December 31, 2022, in-kind contributions consisted of donated property and equipment of \$129,881, contributed use of space of \$45,500, and other contributed goods and services of \$141,449. During the year ended December 31, 2021, in-kind contributions consisted of donated property and equipment of \$470,204, contributed use of space of \$28,438, and other contributed goods and services of \$139,763.

Many volunteers have donated significant amounts of time to the Organization's activities. The services of these volunteers are not recorded in the accompanying financial statements as they do not meet the criteria for recognition.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited and have been allocated on a reasonable basis that is consistently applied. The Organization allocates all expenses on the basis of time and effort except utilities, rent, repairs and maintenance, interest, and property taxes, which are allocated based on an occupancy billing rate.

Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, it is subject to income taxes only on unrelated business income. During the years ended December 31, 2022 and 2021, the Organization had no unrelated business income and, accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Reclassifications

Certain prior year balances have been reclassified in order to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was September 27, 2023.

Note 2 – Liquidity and Availability of Resources

As part of the Organization’s liquidity management plan, cash in excess of daily requirements shall be used in funding three months of operating expenses in the Operational Reserve account. In addition, the Organization maintains a board-designated capital projects reserve, which is not available for general expenditure within one year but may be made available, if necessary.

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,843,009	\$ 2,616,277
Government grants receivable	373,955	874,983
	<u>2,216,964</u>	<u>3,491,260</u>
Amounts not available for general use within one year		
Board-designated - Capital projects reserve	(35,435)	(20,374)
Net assets with donor restrictions (excluding beneficial interest)	(292,338)	(843,700)
	<u>\$ 1,889,191</u>	<u>\$ 2,627,186</u>

Note 3 – Beneficial Interest

The Organization holds an irrevocable beneficial interest in a perpetual trust held by Whatcom Community Foundation (WCF). The beneficial interest is valued at the fair value of the trusts’ assets (using Level 3 inputs as determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions). The beneficial interest in the perpetual trust is included in net assets with restrictions, as the trust agreement stipulates that the income from the assets be provided to Lydia Place and the principal remain intact into perpetuity. Distributions of investment earnings from the fund are paid to the Organization periodically at the discretion of WCF.

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

A reconciliation of the beginning and ending balances of the trust is as follows for the years ended December 31:

	2022	2021
Balance, beginning of year	\$ 225,076	\$ 130,304
Change in value	(37,938)	20,428
Contributions	5,000	80,300
Distributions of earnings	(5,220)	(5,956)
Change in value, net	(38,158)	94,772
Balance, end of year	\$ 186,918	\$ 225,076

Note 4 – Long-Term Debt

The Organization held a mortgage loan from a local financial institution which financed the purchase of the Bell Tower property. As disclosed in Note 5, in September 2016, the Organization recognized a \$336,000 forgivable promissory note from the City of Bellingham as revenue which assisted in the acquisition of the Bell Tower Property. In January 2022, the Organization notified the City of Bellingham that the use of the Bell Tower building was no longer in compliance with the original agreement, and therefore recognized a \$336,000 covenant fee and payable to the City of Bellingham.

In conjunction with the fee recognized in 2022, the Organization refinanced its existing loan for the Bell Tower property with its local financial institution and paid the City of Bellingham in full. The refinanced loan requires monthly principal and interest payments of \$4,042, including interest fixed at 4.66% through maturity of February 2037. The loan is secured by the Bell Tower property with a cost of \$1,111,431 and accumulated depreciation of \$128,039 at December 31, 2022.

The principal maturities are as follows for the years ending December 31:

2023	\$	15,871
2024		16,546
2025		17,436
2026		18,278
2027		19,160
Thereafter		609,335
		696,626
Less: Current portion		(15,871)
	\$	680,755

LYDIA PLACE

NOTES TO FINANCIAL STATEMENTS

Note 5 – Contingencies

The Organization holds certain promissory notes with the City of Bellingham (the City) and one with the Washington Department of Commerce that funded various capital purchases and remodel projects over the years. The notes are non-interest bearing and are not required to be repaid unless one of the following events occurs: 1) the property is not maintained, 2) the property is not used as a facility to support its mission, or 3) the property is sold or transferred. Management determined the likelihood of any event occurring which would cause repayment of the notes to be remote. Therefore, the notes have been recognized as government grant and contract revenue in the appropriate year.

The following schedule is a listing of these promissory notes at December 31:

	<u>2022</u>	<u>2021</u>
November 1996 - Transitional House	\$ 144,025	\$ 144,025
March 2014 - Transitional House	204,140	204,140
December 2015 - Baker Place	447,201	447,201
September 2016 - Bell Tower	-	336,000
June 2020 - A Place for Dads	374,700	374,700
February 2021 - Department of Commerce	1,300,000	-
June 2021 - Heart House	1,723,750	-
	<u>\$ 4,193,816</u>	<u>\$ 1,506,066</u>

**SUPPLEMENTAL REPORTS AND SCHEDULES IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND REQUIRED BY
THE UNIFORM GUIDANCE**

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Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Lydia Place
Bellingham, Washington

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of Lydia Place, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lydia Place's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lydia Place's internal control. Accordingly, we do not express an opinion on the effectiveness of Lydia Place's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



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 an 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.

Greenwood Ohlund

Seattle, Washington
September 27, 2023

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Lydia Place
Bellingham, Washington

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Lydia Place's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Lydia Place's major federal program for the year ended December 31, 2022. Lydia Place's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lydia Place complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Major Federal Program

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 of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lydia Place's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lydia Place's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lydia Place's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lydia Place's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lydia Place's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

Amanda O'Rourke, CPA
Matt Smith, CPA
Claire Chow, CPA
Jason Mallon, CPA
Andrew Van Ness, CPA



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.

Greenwood Ohlund

Seattle, Washington
September 27, 2023

LYDIA PLACE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Grantor/Program Titles	Award Number	Federal Assistance Listing	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development				
<i>Passed through City of Bellingham</i>				
Community Development Block Grants/Entitlement Grants	C2100641	14.218	\$ 20,735	\$ -
Community Development Block Grants/Entitlement Grants	C2200677	14.218	14,000	-
Community Development Block Grants/Entitlement Grants	C2100463	14.218	28,368	-
Total Community Development Block Grants/Entitlement Grants			63,103	-
<i>Passed through Whatcom County Health Department</i>				
Emergency Solutions Grants Program	202205023	14.231	24,618	-
Emergency Solutions Grants Program	202106042-2	14.231	30,000	-
Emergency Solutions Grants Program	202012021-6	14.231	336,100	-
Total Emergency Solutions Grants Program			390,718	-
<i>Passed through City of Bellingham</i>				
Home Investment Partnerships Program	C2100363	14.239	237,709	-
Total U.S. Department of Housing and Urban Development			691,530	-
U.S. Department of the Treasury				
<i>Passed through City of Bellingham</i>				
Coronavirus State and Local Fiscal Recovery Funds	C2200876	21.027	155,000	-
<i>Passed through Whatcom County Health Department</i>				
Coronavirus State and Local Fiscal Recovery Funds	202205023	21.027	14,357	-
Total Coronavirus State and Local Fiscal Recovery Funds and U.S. Department of the Treasury			169,357	-
Total Federal Expenditures			\$ 860,887	\$ -

The accompanying notes are an integral part of this schedule.

LYDIA PLACE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Lydia Place under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lydia Place, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lydia Place.

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 cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect Cost Rate

Lydia Place has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance for the year ended December 31, 2022.

LYDIA PLACE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2022**

A. Summary of Audit Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal Control over Financial Reporting

Material weaknesses identified: None reported

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted: None reported

Federal Awards

Material weaknesses identified: None reported

Significant deficiencies identified not considered to be material weaknesses: None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported: None reported

Identification of Major Programs

<u>Program Title</u>	<u>Assistance Listing</u>
Emergency Solutions Grants Program	14.231

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

Auditee qualified as low-risk auditee: No

B. Findings – Financial Statement Audit None

C. Findings and Questioned Costs – Major Federal Award Programs Audit None