

**WASHINGTON CASH
(dba VENTURES)**

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS WITH SINGLE AUDIT
REPORTS AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2015 AND 2014

VENTURES
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ventures
Seattle, Washington

We have audited the accompanying financial statements of Washington CASH, doing business as Ventures (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ventures as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of Ventures' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventures' internal control over financial reporting and compliance.

Jones & Associates LLC, CPAs

Jones & Associates, LLC CPAs
September 21, 2015

VENTURES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|---|------------|------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 70,701 | \$ 90,234 |
| Cash - microloan revolving account | 91,090 | 111,894 |
| Cash - restricted for IDA program | 149,715 | 181,796 |
| Loans receivable, net | 79,144 | 81,811 |
| Loan loss reserve fund | 37,143 | 31,137 |
| Government grants receivable | 96,602 | 42,471 |
| Contributions receivable | 36,050 | 12,940 |
| Prepaid expenses and other | 6,976 | 7,734 |
| Property and equipment, net | 51,249 | 17,336 |
| | \$ 618,670 | \$ 577,353 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 34,837 | \$ 58,862 |
| Accrued payroll and related liabilities | 25,368 | 27,646 |
| Group fund deposits | 1,226 | 710 |
| IDA matching funds payable | 80,714 | 116,195 |
| Notes payable | 170,517 | 181,327 |
| | 312,662 | 384,740 |
| NET ASSETS | | |
| Unrestricted | 251,008 | 182,613 |
| Temporarily restricted | 55,000 | 10,000 |
| | 306,008 | 192,613 |
| | \$ 618,670 | \$ 577,353 |

VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|-------------------|---------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Government grants | \$ 714,246 | \$ - | \$ 714,246 |
| Contributions | 199,226 | 55,000 | 254,226 |
| Special events | 35,580 | - | 35,580 |
| In-kind contributions | 44,998 | - | 44,998 |
| Retail service fees | 251,279 | - | 251,279 |
| Program fees | 23,481 | - | 23,481 |
| Interest and other income | 183 | - | 183 |
| | <u>1,268,993</u> | <u>55,000</u> | <u>1,323,993</u> |
| Net assets released from restriction | | | |
| Restrictions satisfied by payments | <u>10,000</u> | <u>(10,000)</u> | <u>-</u> |
| | <u>1,278,993</u> | <u>45,000</u> | <u>1,323,993</u> |
| EXPENSES | | | |
| Program | 946,962 | - | 946,962 |
| Management and general | 173,216 | - | 173,216 |
| Fundraising | 90,420 | - | 90,420 |
| Total expenses | <u>1,210,598</u> | <u>-</u> | <u>1,210,598</u> |
| CHANGE IN NET ASSETS | 68,395 | 45,000 | 113,395 |
| NET ASSETS | | | |
| Beginning of the year | <u>182,613</u> | <u>10,000</u> | <u>192,613</u> |
| End of the year | <u>\$ 251,008</u> | <u>\$ 55,000</u> | <u>\$ 306,008</u> |

VENTURES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|-------------------|---------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Government grants | \$ 392,776 | \$ - | \$ 392,776 |
| Contributions | 330,188 | - | 330,188 |
| Special events | 47,570 | - | 47,570 |
| In-kind contributions | 8,903 | - | 8,903 |
| Retail service fees | 174,242 | - | 174,242 |
| Program fees | 27,214 | - | 27,214 |
| Interest and other income | 290 | - | 290 |
| | <u>981,183</u> | <u>-</u> | <u>981,183</u> |
| Net assets released from restriction | | | |
| Restrictions satisfied by payments | <u>203,898</u> | <u>(203,898)</u> | <u>-</u> |
| | | | |
| Total support and revenue | <u>1,185,081</u> | <u>(203,898)</u> | <u>981,183</u> |
| EXPENSES | | | |
| Program | 1,109,428 | - | 1,109,428 |
| Management and general | 87,513 | - | 87,513 |
| Fundraising | 139,606 | - | 139,606 |
| Total expenses | <u>1,336,547</u> | <u>-</u> | <u>1,336,547</u> |
| | | | |
| CHANGE IN NET ASSETS | (151,466) | (203,898) | (355,364) |
| NET ASSETS | | | |
| Beginning of the year | <u>334,079</u> | <u>213,898</u> | <u>547,977</u> |
| | | | |
| End of the year | <u>\$ 182,613</u> | <u>\$ 10,000</u> | <u>\$ 192,613</u> |

VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

| | Support Services | | | Total |
|-----------------------------------|-------------------|---------------------------|------------------|---------------------|
| | Program | Management and General | Fundraising | |
| Salaries and wages | \$ 607,387 | \$ 23,753 | \$ 24,933 | \$ 656,073 |
| Payroll taxes and benefits | 99,834 | 26,048 | 3,950 | 129,832 |
| | 707,221 | 49,801 | 28,883 | 785,905 |
| Professional and contract | 48,530 | 94,999 | 3,469 | 146,998 |
| Facilities | 108,211 | 1,113 | 7,719 | 117,043 |
| Communications | 13,924 | 2,202 | 38,397 | 54,523 |
| Office supplies and equipment | 11,997 | 7,193 | 4,781 | 23,971 |
| Depreciation | 16,995 | 1,114 | - | 18,109 |
| Bank charges and credit card fees | 13,620 | 761 | 245 | 14,626 |
| Travel and entertainment | 2,656 | 4,776 | 5,099 | 12,531 |
| Program supplies | 12,175 | - | - | 12,175 |
| Professional development | 3,125 | 5,132 | 1,447 | 9,704 |
| Miscellaneous | 3,062 | 5,523 | 380 | 8,965 |
| Taxes | 3,400 | 504 | - | 3,904 |
| Interest | 2,046 | 98 | - | 2,144 |
| | <u>\$ 946,962</u> | <u>\$ 173,216</u> | <u>\$ 90,420</u> | <u>\$ 1,210,598</u> |

VENTURES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

| | Support Services | | | Total |
|-----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| | Program | Management and General | Fundraising | |
| Salaries and wages | \$ 707,904 | \$ 47,381 | \$ 75,551 | \$ 830,836 |
| Payroll taxes and benefits | 161,805 | 9,334 | 16,894 | 188,033 |
| | 869,709 | 56,715 | 92,445 | 1,018,869 |
| Professional and contract | 43,316 | 4,645 | 8,273 | 56,234 |
| Facilities | 94,895 | 4,417 | 10,325 | 109,637 |
| Communications | 15,977 | 1,447 | 6,335 | 23,759 |
| Office supplies and equipment | 18,764 | 3,267 | 8,706 | 30,737 |
| Depreciation | 17,453 | 2,713 | - | 20,166 |
| Bank charges and credit card fees | 11,146 | 1,051 | 1,971 | 14,168 |
| Travel and entertainment | 6,810 | 291 | 9,915 | 17,016 |
| Program supplies | 23,743 | - | - | 23,743 |
| Professional development | 2,489 | 5,126 | 1,516 | 9,131 |
| Miscellaneous | 2,459 | 5,323 | 120 | 7,902 |
| Taxes | 641 | 1,892 | - | 2,533 |
| Interest | 2,026 | 626 | - | 2,652 |
| | <u>\$ 1,109,428</u> | <u>\$ 87,513</u> | <u>\$ 139,606</u> | <u>\$ 1,336,547</u> |

VENTURES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from grants, contributions, and fees | \$ 1,201,571 | \$ 1,219,006 |
| Cash received from interest and other income | 183 | 290 |
| Cash paid to employees and suppliers | (1,208,001) | (1,331,582) |
| | (6,247) | (112,286) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (52,022) | (4,791) |
| Net increase in loans receivable | 2,667 | (7,114) |
| Net increase in loan loss reserve fund | (6,006) | (606) |
| | (55,361) | (12,511) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes payable | (60,810) | (11,013) |
| Proceeds from issuance of notes payable | 50,000 | - |
| | (10,810) | (11,013) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (72,418) | (135,810) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of the year | 383,924 | 519,734 |
| End of the year | \$ 311,506 | \$ 383,924 |
| RECONCILIATION TO CASH ACCOUNTS | | |
| Cash and cash equivalents | \$ 70,701 | \$ 90,234 |
| Cash - microloan revolving account | 91,090 | 111,894 |
| Cash - restricted for IDA program | 149,715 | 181,796 |
| | \$ 311,506 | \$ 383,924 |

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Washington Community Alliance for Self-Help or Washington CASH, doing business as Ventures, (the Organization) is a Washington non-profit corporation incorporated in 1995. The mission of the Organization is to provide the business training, supportive community and capital to help enterprising individuals with limited financial resources gain self-sufficiency through small business ownership.

Basis of Accounting and Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2015 and 2014.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At June 30, 2015 and 2014, cash and cash equivalents consist of checking, savings and money market accounts.

Loans Receivable and Loan Loss Reserve Fund – The Organization offers loans to its program participants, which are made up of low income individuals. Loans are held for investment and are reported at the principal amount outstanding. Allowances for estimated losses for participant loans are established based on a credit quality indicator determined based on repayment status and delinquency status. Loan balances are written off only when they are deemed to be permanently uncollectible. The funds held for loan loss reserve are maintained in cash equivalents.

Government Grants and Contributions Receivable – Government grants receivable include amounts due from government agencies. Contributions receivable are recognized in the period the pledge is received and consist of outstanding promises to give from a variety of individuals and foundations. All amounts are due within one year. No allowance for uncollectible balances has been established by management based upon the Organization's historical experience in the collection of balances due.

Property and Equipment – Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of two to seven years. The Organization follows a policy whereby it capitalizes purchases of property and equipment over \$1,000 that provides future benefits over a period longer than one year.

Group Fund Deposits – Group fund deposits represent the liability for the deposits made by members of the Business Group program.

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

IDA Matching Funds Payable and Cash Restricted for IDA Program – IDA matching funds payable represents amounts received from government agencies to match amounts saved by individuals participating in the Assets for Independence/Individual Development Accounts program. Funds are held in a separate cash account which includes government funding as well as certain funds set aside by the Organization to be used in the match.

Revenue Recognition – Revenues from government grants are recognized when the qualified expenditure is incurred and are subject to audit and retroactive adjustment made by the funding agencies. The adjustments would be recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. There were no adjustments resulting from government audits during the years ended June 30, 2015 and 2014.

Contributions (including those from special events) are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year.

The Organization operated two consignment stores during the years ended December 31, 2015 and 2014 for its program participants. The Organization recognizes retail services fees revenue based on a percentage of the sales price when products are sold at point of sale and the title and risk of loss for products has passed to the customer. The Organization closed operations of one of its consignment stores in June 2015.

Revenue from program services is recognized in the period in which the service is provided. The Organization records program service fees collected in advance as deferred revenue until the related services are performed, at which time they are recognized as revenue.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subject to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Subsequent Events – Subsequent events were evaluated through the date of the independent auditors’ report, which is the date the financial statements were available to be issued.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements. These reclassifications did not affect the change in net assets for the current or prior year.

Note 2 – Cash Flow Information

The following reconciles the change in net assets to net cash provided (used) by operating activities for the years ended June 30:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|---------------------|
| Change in net assets | \$ 113,395 | \$ (355,364) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 18,109 | 20,166 |
| Change in: | | |
| Government grants receivable | (54,131) | 74,798 |
| Contributions receivable | (23,110) | 163,315 |
| Prepaid expenses and other | 758 | 17,505 |
| Accounts payable and accrued expenses | (24,025) | 32,338 |
| Accrued payroll and related liabilities | (2,278) | (1,710) |
| Group fund deposits | 516 | 471 |
| IDA matching funds payable | (35,481) | (63,805) |
| | <u>\$ (6,247)</u> | <u>\$ (112,286)</u> |

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 3 – Loans Receivable

Substantially all loans are unsecured. The loans receivable that result from the loans made with funds provided by the U.S. Small Business Administration (SBA) are subject to security interest in favor of the SBA. Loans are made to low income individuals to start their own businesses. Interest rates are variable. Start-up loans are funded by the SBA and U.S. Bancorp Community Development Corporation. Loans receivable consist of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Loans receivable in one year or less | \$ 45,533 | \$ 51,573 |
| Loans receivable in more than one year | 44,963 | 41,590 |
| Less allowance for uncollectible amounts | (11,352) | (11,352) |
| | <u>\$ 79,144</u> | <u>\$ 81,811</u> |

There were \$250 and \$2,287 of loans charged off against the allowance, and provision made to the allowance, during the years ended June 30, 2015 and 2014, respectively. There were \$405 of loans over 30 days past due at June 30, 2015. No loans were over 30 days past due at June 30, 2014. No loans have been placed in nonaccrual status, or identified as impaired or troubled debt restructured loans.

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|------------------|------------------|
| Furniture and equipment | \$ 216,570 | \$ 166,718 |
| Leasehold improvements | 13,540 | 11,370 |
| Less accumulated depreciation | (178,861) | (160,752) |
| | <u>\$ 51,249</u> | <u>\$ 17,336</u> |

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 5 – Notes Payable

Notes payable consist of the following at June 30:

| | 2015 | 2014 |
|--|------------|------------|
| U.S. Small Business Administration: | | |
| Note payable with award of \$150,000 dated February 19, 2009, due in monthly installments of \$654, and non-interest bearing. The note matures in February 2019. | \$ 29,644 | \$ 36,838 |
| | | |
| Note payable with award of \$100,000 dated October 10, 2012, due in monthly installments of \$463, and non-interest bearing. The note matures in December 2022. | 90,873 | 47,489 |
| | | |
| U.S. Bancorp Community Development Corp.: | | |
| Unsecured note payable with award of \$25,000 dated May 10, 2002, including interest at 3%. Paid in full in 2015. | - | 12,000 |
| | | |
| Plymouth Congregational Church: | | |
| Unsecured note payable original balance \$85,000 dated June 15, 2011, including interest at 2% due quarterly with a balloon payment at maturity of June 2017. | 50,000 | 85,000 |
| | \$ 170,517 | \$ 181,327 |
| | \$ 170,517 | \$ 181,327 |

Principal payments on notes payable are scheduled as follows for the years ending June 30:

| | |
|------------|------------|
| 2016 | \$ 19,764 |
| 2017 | 69,764 |
| 2018 | 19,764 |
| 2019 | 18,016 |
| 2020 | 11,916 |
| Thereafter | 31,293 |
| | \$ 170,517 |
| | \$ 170,517 |

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 5 – Notes Payable (continued)

The U.S. Small Business Administration (SBA) notes payable include the following requirements:

- a. a non-drawn, non-federal source of cash matching contribution of 15 percent of the amount of the disbursement requested,
- b. a loan loss reserve fund established and maintained at a minimum of 15 percent of the total outstanding principal amount due on all microloan notes receivable in a segregated bank account,
- c. a microloan revolving fund established in a segregated bank account.

The SBA notes payable are collateralized by a security interest in all funds held in the Microloan Revolving Fund, all funds held in the Loan Loss Reserve Fund and all microloan notes receivable from funds disbursed from funds received from the SBA.

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are composed of the following restrictions at June 30:

| | 2015 | 2014 |
|-------------------------------|-----------|-----------|
| Restricted for future years | \$ 25,000 | \$ 10,000 |
| Business development training | 20,000 | - |
| Financial management training | 10,000 | - |
| | \$ 55,000 | \$ 10,000 |

Note 7 – In-Kind Contributions

In-kind contributions are composed of the following for the years ended June 30:

| | 2015 | 2014 |
|------------------------------------|-----------|----------|
| Professional and contract services | \$ 38,844 | \$ 50 |
| Facilities | 4,088 | 5,833 |
| Goods and supplies | 1,245 | 2,323 |
| Other services | 821 | 697 |
| | \$ 44,998 | \$ 8,903 |

VENTURES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Note 7 – In-Kind Contributions (continued)

In-kind contributions were utilized for the following purposes for the years ended June 30:

| | 2015 | 2014 |
|------------------------|-----------|----------|
| Program | \$ 1,998 | \$ 8,225 |
| Management and general | 25,391 | - |
| Fundraising | 17,609 | 678 |
| | \$ 44,998 | \$ 8,903 |

Note 8 – Lease Commitments

The Organization leases equipment, and office and retail space, with various terms through September 2019. Retail space terms include a base rent and/or additional rents based on a percentage of sales. Total rent expense (including additional rents for percentages of sales, common area charges, utilities, and other month to month leases) totaled \$125,681 and \$112,681 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments (excluding percentage based rents as amounts are indeterminable) are as follows for the years ending June 30:

| | |
|------|------------|
| 2016 | \$ 63,630 |
| 2017 | 64,737 |
| 2018 | 38,403 |
| 2019 | 19,596 |
| 2020 | 4,935 |
| | \$ 191,301 |

Note 9 – Concentrations

At June 30, 2015 and 2014, 53% and 65%, respectively, of loans receivable were due from three borrowers.

At June 30, 2015 and 2014, 78% and 52%, respectively, of government grants receivable were due from two government agencies.

At June 30, 2015, 97% of contributions receivable were due from two donors. At June 30, 2014, 77% of contributions receivable was due from one donor.

During the years ended June 30, 2015 and 2014, 33% and 24%, respectively, of total support and revenue was earned from one government agency.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Ventures
Seattle, 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, the financial statements of Washington CASH, doing business as Ventures (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ventures' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ventures' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ventures' 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 over financial reporting 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventures' 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Jones & Associates LLC, CPAs

Jones & Associates LLC, CPAs
September 21, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Ventures
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Washington CASH, doing business as Ventures, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ventures' major federal programs for the year ended June 30, 2015. Ventures' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Ventures' major federal program based on our audit on the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 Ventures' 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 for the major federal program. However, our audit does not provide a legal determination of Ventures' compliance.

Opinion on Each Major Federal Program

In our opinion, Ventures' 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 June 30, 2015.

Report on Internal Control over Compliance

Management of Ventures is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ventures' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Ventures' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purposes.

Jones & Associates LLC, CPAs

Jones & Associates LLC, CPAs
September 21, 2015

VENTURES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Federal Identifier | Federal Expenditures |
|---|------------------------|-----------------------|-------------------------|
| <u>Dept. of Housing and Urban Development</u> | | | |
| Community Development Block Grants | | | |
| <i>Pass-through funding from:</i> | | | |
| City of Kent 2012 | 14.218 | BG1514-1614 | \$ 15,943 |
| City of Kent 2014 | 14.218 | BG1314 | 12,548 |
| City of Renton 2015 | 14.218 | CAG-15-055 | 2,572 |
| City of Seattle 2014 (Project 1 & 2) | 14.218 | DA142140 | 61,675 |
| City of Seattle 2015 (Project 1 & 2) | 14.218 | DA152106 | 4,925 |
| | | | <u>97,663</u> |
| <u>Small Business Administration</u> | | | |
| Microloan Program - Revolving Loan Fund | 59.046 | 5478915006 | 90,873 |
| Microloan Program - Revolving Loan Fund | 59.046 | 3719804200 | 29,644 |
| Microloan Program - Technical Assistance | 59.046 | SBAHQ-13-Y-0106 | 18,206 |
| | | | <u>138,723</u> |
| 7(j) Technical Assistance | 59.007 | SBAHQ-14-J-0019 | 148,946 |
| | | | <u>287,669</u> |
| <u>Dept. of Health and Human Services</u> | | | |
| Community Services Block Grant | | | |
| Discretionary Awards | 93.570 | 90EI0679-01-03 | 6,800 |
| Community Services Block Grant | | | |
| Discretionary Awards | 93.570 | 90EE1019 | 245,553 |
| Community Services Block Grant | | | |
| Discretionary Awards | 93.570 | 90EE1063-01-00 | 179,471 |
| | | | <u>431,824</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 817,156</u> |

VENTURES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ventures (the Organization) under programs of the federal government for the year ended June 30, 2015. 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*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flow of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-Through Entities – Pass-through entity identifying numbers are presented where available.

Note 3 – Loans Outstanding

The Organization had outstanding loan balances totaling \$120,517 at June 30, 2015 under the Small Business Administration's Microloan Program. These loan balances are included in the federal expenditures presented in the Schedule.

VENTURES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Ventures.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters.
3. No instances of noncompliance material to the financial statements of Ventures, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance.
5. The auditors' report on compliance for Ventures expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was:

| | |
|--------|---|
| 93.570 | Department of Health and Human Services – Community Services Block Grant Discretionary Awards |
|--------|---|
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Ventures was not determined to be a low-risk auditee.

VENTURES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Findings and Questioned Costs – Major Federal Award Programs Audit

2015-001 Significant Deficiency – Eligibility: Lack of Documented Review of Eligibility Forms

Community Services Block Grant Discretionary Awards – CFDA No. 93.570
Department of Health and Human Services: 90EE1019, 90EE1063-01-00

Criteria: Organizations should have an adequate internal control system to ensure that only eligible individuals are enrolled in the major program. Internal controls over eligibility should include authorized signatures on eligibility documents; periodic review of eligibility documents; and procedures to ensure the accuracy and completeness of data.

Condition: The Organization has a comprehensive client intake form, which all potential clients complete, regardless of whether they are enrolled in the Community Economic Development (CED) grant programs. The client intake form includes declaration of income and income verification is performed. Program personnel process the client intake form and enter the information into the client database, as well as the CED master spreadsheet, where the eligibility calculation is determined by formula. However, there is no place on the intake form for program and supervisory personnel to sign off as approved. Further, there is no periodic review of eligibility determinations to ensure their accuracy and completeness.

Questioned Costs: None noted

Context: We selected a sample of 15 clients from a total population of 82 clients enrolled in the major program during the year under audit. All of the clients had complete intake forms, signed by the client, in their files, along with information regarding their income. Based on the reported income, all clients sampled appeared to be eligible for the program.

Cause: Management was unaware of the compliance requirements requiring documented approval and periodic reviews. Multiple program personnel are usually involved in the client intake process. Management relied on the adequate training of program personnel to perform their tasks properly.

Effect: Ineligible individuals could be enrolled in the program.

Recommendation: We recommend that the Organization design and implement adequate internal controls over eligibility to ensure the accuracy and completeness of data, including adding space for program personnel and supervisory to sign off as approved (whether on the client intake form or within the client database), as well as a process for periodic review of the client files.

Views of a Responsible Official: The Organization agrees with the finding and will establish and implement the recommended procedures. We will create a cover sheet for client files that requires the approval and signature of program personnel and supervisory at the time of enrollment into a grant-funded program. The Associate Director will periodically review these client files for completeness and accuracy.

VENTURES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

2015-002 Significant Deficiency – Procurement and Suspension and Debarment: Failure to Adhere to Procedures

Community Services Block Grant Discretionary Awards – CFDA No. 93.570
Department of Health and Human Services: 90EE1063-01-00

Criteria: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

In addition, non-federal entities should have written procurement policies which conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR sections 215.40 through 215.48). Procurement records should include, at a minimum: (a) basis for contractor selection; (b) justification for lack of competition when competitive bids are not obtained; and (c) basis for award cost or price.

Condition: While the Organization does have the required procurement policies in place, it does not have adequate internal control procedures to ensure the required policies are followed. In addition, it does not have adequate internal control procedures in place to monitor compliance with the federal suspension and debarment requirements for contracts exceeding \$25,000.

Questioned Costs: None noted

Context: The Organization had one procurement contract over \$25,000 for the purchase of a food truck during the period under audit. While management did consider aspects of procurement such as contractor selection and why no bids were obtained, most of the consideration was done verbally or via e-mail. There was a lack of written documentation maintained in an official procurement record such as the vendor file. It was determined during the audit procedures that the individual who sold the truck was not suspended or debarred.

Cause: Management was unaware that the established procurement policies applied to this contract, including documented procurement records. Further, management was unaware of the suspension and debarment compliance requirements.

Effect: The Organization could contract with parties that have been suspended or debarred. The Organization could follow policies that do not conform to federal requirements.

Recommendation: We recommend that the Organization design and implement a process to ensure that the procurement policies in place are followed when required. Further, we recommend that the Organization design and implement procedures to ensure compliance with the suspension and debarment compliance requirement.

VENTURES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

2015-002 Significant Deficiency – Procurement and Suspension and Debarment: Failure to Adhere to Procedures (continued)

Views of a Responsible Official: The Organization agrees with the finding and will establish and implement the recommended procedures. In the case of the next “covered transaction” the Organization’s Associate Director and Controller will train staff on the procurement and suspension and debarment policies and a process for documenting adherence to the policy. We will create paper vendor files for any “covered transaction” which includes documentation of the basis for contractor selection; justification for lack of competition when competitive bids were not obtained; a basis for award costs or price; and evidence of suspension and debarment verification.

VENTURES
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015

Summary Schedule of Prior Year Audit Findings

There were no prior audit findings. Therefore, no matters are reported.