



FINANCIAL STATEMENTS

December 31, 2015 and 2014
(with Independent Auditor's Report Thereon)



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Village Community Services

We have audited the accompanying financial statements of Village Community Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Village Community Services as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads "Vine Dahlen PLLC".

June 20, 2016

VILLAGE COMMUNITY SERVICES
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and equivalents	\$ 213,110	\$ 251,959
Accounts and contracts receivable, net	75,401	326,300
Investments	856,868	872,714
Other assets	57,089	71,655
Loan fees, net	8,419	9,140
Property and equipment, net	1,604,721	1,638,565
TOTAL ASSETS	\$ 2,815,608	\$ 3,170,333
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 6,745	\$ 88,754
Accrued expenses	526,779	482,949
Note payable	765,537	785,163
TOTAL LIABILITIES	1,299,061	1,356,866
NET ASSETS:		
Unrestricted	1,500,760	1,800,560
Temporarily restricted	15,787	12,907
TOTAL NET ASSETS	1,516,547	1,813,467
TOTAL LIABILITIES AND NET ASSETS	\$ 2,815,608	\$ 3,170,333

See accompanying notes to financial statements.

VILLAGE COMMUNITY SERVICES
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains, and other support:		
Program service fees	\$ 2,537,546	\$ 2,671,921
Contributions	167,031	246,096
United Way	52,350	52,350
Investment income	33,835	43,766
Net realized and unrealized gain on investments	0	3,413
Rental income	34,561	18,872
Miscellaneous income	0	5,693
Total revenues, gains, and other support	2,825,323	3,042,111
Net assets released from restrictions:		
Satisfaction of program restrictions	11,025	16,385
Total unrestricted revenues, gains, and other support	2,836,348	3,058,496
Expenses and losses:		
Program services	2,489,408	2,498,827
Supporting services	601,315	533,588
Total expenses	3,090,723	3,032,415
Net realized and unrealized loss on investments	45,425	0
Total expenses and losses	3,136,148	3,032,415
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(299,800)	26,081
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	13,905	8,255
Net assets released from restrictions	(11,025)	(16,385)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	2,880	(8,130)
INCREASE (DECREASE) IN NET ASSETS	(296,920)	17,951
BEGINNING NET ASSETS	1,813,467	1,795,516
ENDING NET ASSETS	\$ 1,516,547	\$ 1,813,467

See accompanying notes to financial statements.

VILLAGE COMMUNITY SERVICES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	\$ (296,920)	\$ 17,951
Adjustments to reconcile change in net assets to net cash:		
Depreciation and amortization	79,684	75,595
Net realized and unrealized (gain) loss on investments	45,425	(3,413)
Loss (gain) on sale and disposal of equipment	0	500
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and contracts receivable	250,899	(75,136)
Other assets	14,566	(23,755)
Increase (decrease) in liabilities:		
Accounts payable	(82,009)	(3,455)
Accrued expenses	43,830	175,604
Total adjustments and changes	352,395	145,940
	55,475	163,891
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Purchase of investments	(210,632)	(117,209)
Proceeds from sale of investments	181,051	77,617
Purchase of equipment	(45,117)	(67,965)
	(74,698)	(107,557)
CASH FLOWS USED BY FINANCING ACTIVITIES:		
Repayment on note payable	(19,626)	(20,789)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(38,849)	35,545
BEGINNING CASH AND EQUIVALENTS	251,959	216,414
ENDING CASH AND EQUIVALENTS	\$ 213,110	\$ 251,959
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 37,669	\$ 33,365
Non-cash investing and financing activities:		
Vendor financed portion of building improvements	\$ 0	\$ 74,397

VILLAGE COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services			Supporting Services		Total Expenses 2015	
	Residential	Vocational	Music and Arts	Total	Management and General		Fundraising
Salaries	\$ 1,341,499	\$ 384,426	\$ 0	\$ 1,725,925	\$ 243,171	\$ 58,600	\$ 2,027,696
Employee benefits	253,366	66,881	0	320,247	36,548	9,465	366,260
Payroll taxes	165,381	35,512	0	200,893	22,363	4,836	228,092
 Total salaries and related expenses	 1,760,246	 486,819	 0	 2,247,065	 302,082	 72,901	 2,622,048
Meals and food	138	395	0	533	647	849	2,029
Professional fees	0	0	0	0	24,324	0	24,324
Licenses and fees	4,740	886	0	5,626	8,427	890	14,943
Dues and subscriptions	0	700	0	700	879	1,263	2,842
Supplies	6,129	2,793	4,299	13,221	4,255	3,000	20,476
Communications	14,756	12,488	0	27,244	3,843	404	31,491
Occupancy	18,101	6,361	1,860	26,322	14,310	748	41,380
Equipment rental and maintenance	3,829	11,334	1,003	16,166	18,316	2,882	37,364
Promotion and staff recruitment	75	44	300	419	4,922	464	5,805
Vehicle expense and travel	30,600	36,547	0	67,147	1,542	2,670	71,359
Conferences and staff training	0	1,841	0	1,841	2,608	713	5,162
Insurance - professional and liability	0	0	0	0	10,102	0	10,102
Other taxes and licenses	0	0	0	0	4,985	0	4,985
Events	0	0	0	0	0	9,586	9,586
Participant activities and support	211	0	0	211	289	0	500
Contract services	4,091	18,070	25,172	47,333	10,176	10,302	67,811
Miscellaneous	203	8	60	271	318	574	1,163
Interest	0	8,887	0	8,887	27,629	1,153	37,669
Depreciation and amortization	7,176	19,246	0	26,422	50,946	2,316	79,684
	<u>\$ 1,850,295</u>	<u>\$ 606,419</u>	<u>\$ 32,694</u>	<u>\$ 2,489,408</u>	<u>\$ 490,600</u>	<u>\$ 110,715</u>	<u>\$ 3,090,723</u>

See accompanying notes to financial statements.

VILLAGE COMMUNITY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Program Services			Supporting Services		Total Expenses 2014	
	Residential	Vocational	Music and Arts	Total	Management and General		Fundraising
Salaries	\$ 1,330,924	\$ 373,934	\$ 1,027	\$ 1,705,885	\$ 206,076	\$ 49,414	\$ 1,961,375
Employee benefits	279,024	70,912	0	349,936	34,225	7,650	391,811
Payroll taxes	157,426	32,484	79	189,989	17,137	3,810	210,936
Total salaries and related expenses	1,767,374	477,330	1,106	2,245,810	257,438	60,874	2,564,122
Meals and food	38	622	175	835	1,028	526	2,389
Professional fees	0	0	0	0	21,615	2,962	24,577
Licenses and fees	4,071	8,360	0	12,431	7,396	1,784	21,611
Dues and subscriptions	0	581	0	581	1,094	311	1,986
Supplies	3,692	5,524	2,704	11,920	9,223	1,473	22,616
Communications	15,644	11,305	0	26,949	3,205	370	30,524
Occupancy	21,257	6,867	1,840	29,964	12,699	661	43,324
Equipment rental and maintenance	3,249	11,497	581	15,327	22,444	1,758	39,529
Promotion and staff recruitment	0	50	374	424	25	96	545
Vehicle expense and travel	36,064	33,200	22	69,286	881	356	70,523
Conferences and staff training	93	387	0	480	1,933	1,245	3,658
Insurance - professional and liability	0	0	0	0	9,585	0	9,585
Other taxes and licenses	0	0	0	0	4,041	0	4,041
Events	0	0	0	0	0	7,450	7,450
Participant activities and support	6	69	328	403	403	0	806
Contract services	2,993	17,658	20,586	41,237	22,585	1,259	65,081
Miscellaneous	5,037	1,490	2,688	9,215	1,691	182	11,088
Interest	0	7,680	0	7,680	24,688	997	33,365
Depreciation and amortization	6,509	19,776	0	26,285	47,524	1,786	75,595
	\$ 1,866,027	\$ 602,396	\$ 30,404	\$ 2,498,827	\$ 449,498	\$ 84,090	\$ 3,032,415

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

1. NATURE OF ACTIVITIES

Village Community Services (the Organization) is a nonprofit Washington corporation which provides residential and vocational support, training, supervision and advocacy to men and women with developmental and other disabilities. The mission of Village Community Services is to support people with disabilities in achieving personal potential at home, work and in community life. This is accomplished by providing the following programs:

Residential

The residential supported living program provides individualized guidance, support and mentorship for persons with disabilities. The Organization's primary focus is to nurture each individual's personal goals/dreams, while ensuring health and safety. The Organization provides daily living support in independent living settings, helping individuals to enjoy full participation in their local communities.

Vocational

The employment and career planning program provides individualized vocational support by building job readiness skills in order to secure paid employment and/or volunteer positions, for persons with disabilities and rehabilitative needs. This program includes job coaching and on-the-job support as needed. The Organization also provides consultation and assessment for local community schools and tribal associations.

Music and arts

The Village Music and Arts program offers people with disabilities the opportunity to create and perform music. The program's mission is to promote community and inclusion through interactive music and art. Village Music and Arts includes weekly musical jam sessions, the monthly "Evening with the Arts" event, and the Voices of the Village performance ensemble.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of presentation

The Organization reports 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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of donor restrictions

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

The Organization reports gifts of land, buildings, and equipment as unrestricted support 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 long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and equivalents

For reporting purposes, cash and equivalents included in investment accounts are considered investments. All other time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less are considered to be equivalents reported in the statement of cash flows.

Investments

Investments are carried at fair value. Gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Accounts and contracts receivable

Accounts and contracts receivable are carried at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

The Organization's policy allows, at management's discretion, the application of finance charges on past due receivables. Accounts are considered past due 60 days after invoice date at which time the customer is mailed a past due notice. Accounts that remain unpaid 90 days after invoice date are referred to management for review. Accounts are written off as uncollectible only after all efforts to collect have been exhausted.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from program service fee contracts is recognized when services are performed.

Rental income is received from tenants under operating leases and is recognized when earned. Tenants are required to make deposits at the inception of the lease in an amount equal to one month's rent. Deposits are included with accrued expenses on the statements of financial position. Any deposit amount not refunded to the tenant at the end of their lease is recognized as revenue upon termination of the lease agreement.

In-kind contributions

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

Contributions of services are recognized if the services received create or enhance a nonfinancial asset or the services require specialized skills that are provided by individuals possessing those skills.

Property and equipment

Property and equipment are recorded at cost if purchased and fair value at the date of acquisition if received as a donation. Provision for depreciation of all items of property and equipment is computed on the straight-line method over the estimated useful lives of the assets: 39 years for building; 10 - 20 years for building improvements; 3 - 20 years for furniture and equipment; and 5 - 7 years for automobiles. Assets with a cost or donated basis less than \$1,000 are expensed in the period of acquisition, with the exception of computers which are expensed if the cost or donated basis is less than \$500.

Loan fees

The Organization capitalizes fees incurred with obtaining bank financing. Amortization of loans fees is recognized, on a straight-line basis, over the life of the loan.

Advertising costs

Advertising costs are charged to operations when incurred.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that relate to more than one program have been allocated between programs based on the ratio of staff support hours provided in each program. This is consistent with the cost allocation reporting requirements of the Organization's residential services contract with the Department of Social and Health Services (DSHS).

Income taxes

Village Community Services has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been designated as an organization which is not a private foundation.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)

The Organization files its information return annually which is subject to examination by taxing authorities, generally for three years after the return is filed.

The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of supporting services.

3. ALLOWANCE FOR DOUBTFUL ACCOUNTS

No allowance for uncollectible amounts has been provided since management considers the balance in accounts and contracts receivable to be fully collectible.

4. INVESTMENTS

The fair values of financial assets are classified based on the following hierarchy reflecting the significance of inputs used in determining fair value measurements:

Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2015 and 2014:

Asset Description	Fair Value Hierarchy Level	2015	2014
Money market	1	\$ 13,411	\$ 16,158
Corporate bonds	1	37,229	38,708
Equities and mutual funds	1	806,228	817,848
		<u>\$ 856,868</u>	<u>\$ 872,714</u>

Investment income (loss) consists of:

Interest and dividend income	\$ 33,835	\$ 43,766
Net realized gain on sale of investments	8,772	6,222
Net unrealized loss on investments	(54,197)	(2,809)
	<u>\$ (11,590)</u>	<u>\$ 47,179</u>

Investment fees were \$4,253 and \$4,038 during the years ended December 31, 2015 and 2014, respectively. These fees are included with management and general expenses.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

5. LOAN FEES

Loan fees consisted of the following at December 31, 2015 and 2014:

	2015	2014
Fees incurred from refinance of building	\$ 10,824	\$ 10,824
Less accumulated amortization	2,405	1,684
	\$ 8,419	\$ 9,140

Amortization expense was \$722 during each of the years ended December 31, 2015 and 2014, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building and improvements	\$ 1,433,033	\$ 1,388,811
Furniture and equipment	190,330	189,434
Automobiles	247,202	247,202
	1,870,565	1,825,447
Less accumulated depreciation	597,216	518,254
	1,273,349	1,307,193
Land	331,372	331,372
	\$ 1,604,721	\$ 1,638,565

Depreciation expense was \$78,963 and \$74,873 in the years ended December 31, 2015 and 2014, respectively.

Approximately 48% of the square footage of the building and improvements is used for the Organization's program and supporting services. The remaining 52% consists of common area as well as space available for lease which is used by the Organization to generate rental income (see Note 10).

7. LINE OF CREDIT

The Organization has a \$50,000 revolving line of credit with a bank, bearing interest at the higher of 5% or the bank's prime rate plus 1% and secured by all of the Organization's assets. The line of credit matured on May 27, 2016, and was not renewed. The balance was \$0 at December 31, 2015 and 2014.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

8. ACCRUED EXPENSES

Accrued expenses at December 31, 2015 and 2014 consisted of the following:

	2015	2014
DSHS settlement payable	\$ 285,000	\$ 250,000
Accrued vacation	111,766	111,804
Accrued wages	95,492	89,990
Payroll taxes payable	27,669	26,065
Other accrued expenses	6,852	5,090
	\$ 526,779	\$ 482,949

9. NOTE PAYABLE

Note payable at December 31 is summarized as follows:

Note payable to a bank, due in initial monthly payments of \$4,186, including interest at the Wall Street Journal Prime Rate plus .25% for 24 months (through August 1, 2014); after which, interest converted to a fixed rate of 4.79%. The rate will be adjusted every five years to 4.25% or the Five-Year Swap Rate Index plus 3.00%, whichever is greater. The note is secured by the Organization's land, building and improvements. The note matures on August 1, 2027, at which time a balloon payment estimated at \$465,000 will be due.

	\$ 765,537	\$ 785,163
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Principal payments are due as follows:

<u>Year Ending December 31,</u>	
2016	\$ 19,000
2017	21,000
2018	22,000
2019	23,000
2020	25,000
Thereafter	655,537
	\$ 765,537

The provisions of the note contain various covenants and require maintenance of a debt service coverage ratio of 1.20 to 1.00. The bank has waived the ratio requirement not met as of and for the year ended December 31, 2015.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

10. LEASE COMMITMENTS

Lessee

The Organization leased copier equipment under a non-cancelable operating lease which was set to expire in September 2016. The equipment was returned early in exchange for entering into a new lease (see Note 19).

Total rent expense under this lease and other cancelable leasing arrangements for the years ended December 31, 2015 and 2014 was \$23,587 and \$27,643, respectively.

Lessor

As described in Note 6, the Organization leases office space to tenants under both cancelable and non-cancelable arrangements as of December 31, 2015. Future rental income under these leases is as follows:

<u>Year Ending December 31,</u>	
2016	\$ 15,000
2017	9,500
2018	9,600
2019	<u>10,200</u>
	<u>\$ 44,300</u>

The Organization recognized rental revenue in the amount of \$34,561 and \$18,872 from tenants for the years ended December 31, 2015 and 2014, respectively.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Parent funds for program participants	\$ 1,340	\$ 4,421
Parking lot project	7,525	0
Employment success project	428	5,153
Residential services	0	78
Inclusive entrepreneurs	5,040	0
Disabilities calendar	<u>1,454</u>	<u>3,255</u>
	<u>\$ 15,787</u>	<u>\$ 12,907</u>

Net assets were released from donor temporary restrictions during the year by incurring expenses satisfying the restricted purposes specified by donors as follows:

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

11. TEMPORARILY RESTRICTED NET ASSETS (Continued)

	2015	2014
Purpose restrictions accomplished:		
Parent funds for program participants	\$ 4,421	\$ 0
Vehicle fund	0	10,100
Employment success project	4,725	363
Residential services	78	922
Aging adults project	0	5,000
Disabilities calendar	1,801	0
	\$ 11,025	\$ 16,385

12. SUPPORT FROM GOVERNMENT UNITS

During the years ended December 31, 2015 and 2014, Village Community Services received approximately 89% and 87%, respectively, of its support from state or local government fee-for-service contracts. Nearly all of the balance in accounts and contracts receivable was due from these entities at December 31, 2015 and 2014. A significant reduction in the level of this support would have an adverse impact on operations.

13. EMPLOYEE BENEFIT PLAN

Village Community Services has a defined contribution salary deferral plan. The Organization matched employee contributions to the plan dollar-for-dollar up to 2% and 1% of an employee's wages during the years ended December 31, 2015 and 2014, respectively. Employer contributions during 2015 and 2014 were \$18,715 and \$8,505, respectively. This plan covers all eligible union and non-union employees.

14. COLLECTIVE BARGAINING AGREEMENT

The Organization entered into an agreement with an employees' union effective September 1, 2014 through August 31, 2018. Approximately 84% and 82% of the Organization's workforce for each of the years ended December 31, 2015 and 2014, respectively, were covered by this collective bargaining agreement.

Among the various requirements of the contract is a provision to maintain a retirement plan as described in Note 13.

15. CONCENTRATIONS OF CREDIT RISK

The Organization maintains an account with an investment firm. The account contains cash and securities. Within the limits of protection offered by the Securities Investor Protection Corporation (SIPC), claims against a broker-dealer are satisfied on cash up to a maximum of \$250,000 and securities up to a maximum of \$500,000. At times the Organization has balances in excess of the limits. Coverage provided by the SIPC and the investment firms' insurance companies does not protect against the loss of market value of securities.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2015 and 2014, the Organization had the following transactions with related parties:

	2015	2014
Payment to a company owned by a board member for IT services and computer installation.	\$ 18,024	\$ 17,504
Contributed services for IT and installation by a company owned by a board member.	\$ 4,868	\$ 5,712
Repair reimbursements and rent payments for use of office space within a residential services site owned by a board member.	\$ 6,800	\$ 6,012

17. SELF-INSURANCE

The Organization is a member of 501(c) Agencies Trust (the Trust) which enables the Organization to be self-insured for unemployment claims. As such, the Organization does not pay in quarterly taxes to the state of Washington and does not have unemployment insurance. The Trust acts as the administrator of any claims made against the Organization and requires the Organization to maintain a reserve account with the Trust.

At December 31, 2015 and 2014, the Organization had \$49,062 and \$47,555, respectively, on deposit with the Trust to fund future claims which is included in other assets on the statements of financial position. The Organization has not recorded a liability for any potential outstanding claims as they cannot be reasonably estimated.

18. CONTINGENCIES

During 2011, improvements were made to the Organization's property using a Community Development Block Grant (CDBG) from Snohomish County in the amount of \$74,248. As part of the requirements of this grant, the Organization agrees to use the property for ADA access to severely disabled persons through January 31, 2021.

In addition, elevator improvements were made to the Organization's property in 2015 and 2014 using a CDBG from Snohomish County in the amount of \$121,923. As part of the requirements of this grant, the Organization agrees to use the property for its nonprofit mission through December 31, 2029.

Upon noncompliance with each of these restrictions, the Organization would pay Snohomish County an amount equal to the current fair market value of the property less any portion of the value attributable to expenditures of non-CDBG funds. The Organization has not recorded a liability for these contingencies as it intends to use each property as instructed.

VILLAGE COMMUNITY SERVICES
NOTES TO FINANCIAL STATEMENTS

18. CONTINGENCIES (Continued)

A substantial portion of the public support of the Organization is derived from grants and contracts administered by state or local government agencies. Revenue from these contracts 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 on notification by the government agency. Included in accrued expenses on the statement of financial position at December 31, 2015, is \$285,000 which is a proposed preliminary settlement amount that the Organization calculated as part of their annual cost report filing with DSHS. The Organization is in process of negotiating a final settlement at a reduced rate but has not yet received a response. An adjustment of \$250,000 was accrued for the year ended December 31, 2014, and the Organization settled with DSHS for a payment of \$249,000.

19. SUBSEQUENT EVENTS

In January 2016, the Organization purchased two vehicles for a total of \$36,439.

In April 2016, the Organization entered into a 60-month non-cancelable operating lease agreement for copier equipment requiring monthly payments of \$698.

The Organization has evaluated subsequent events through the date these statements were available to be issued on June 20, 2016.