

**VALLEY CITIES COUNSELING
AND CONSULTATION**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**VALLEY CITIES COUNSELING
AND CONSULTATION**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Valley Cities Counseling and Consultation
Kent, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Cities Counseling and Consultation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Valley Cities Counseling and Consultation as of December 31, 2020 and 2019, 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 audits were 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 audits 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 October 25, 2021, on our consideration of Valley Cities Counseling and Consultation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Valley Cities Counseling and Consultation's 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 Valley Cities Counseling and Consultation's internal control over financial reporting and compliance.

Shannon ? Associates, LLP

Kent, Washington
October 25, 2021

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,623,279	\$ 10,425,010
Restricted cash - Valley Cities Landing Reserves (Note 5)	268,184	268,130
Restricted cash - Phoenix Rising Reserves (Note 5)	<u>104,639</u>	<u>104,620</u>
Total cash and cash equivalents	15,996,102	10,797,760
Accounts and grants receivable, net of allowance for doubtful accounts of \$24,502 and \$27,302	4,898,671	2,672,034
Prepaid expenses and deposits	<u>391,638</u>	<u>400,216</u>
TOTAL CURRENT ASSETS	21,286,411	13,870,010
 PROPERTY AND EQUIPMENT		
Buildings	43,018,427	43,018,427
Construction in progress	1,831,102	1,188,451
Leasehold improvements	1,399,684	1,243,782
Office and computer equipment	2,414,077	2,397,743
Vehicles	81,677	81,677
Land	<u>6,138,227</u>	<u>6,138,227</u>
	54,883,194	54,068,307
Less accumulated depreciation and amortization	<u>9,051,823</u>	<u>7,536,206</u>
NET PROPERTY AND EQUIPMENT	<u>45,831,371</u>	<u>46,532,101</u>
TOTAL ASSETS	<u>\$ 67,117,782</u>	<u>\$ 60,402,111</u>

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

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,016,071	\$ 911,819
Accrued wages, payroll taxes and benefits	3,539,444	3,114,241
Accrued interest payable	3,478	3,449
Rent deposits	28,549	29,299
Current portion, notes payable	504,806	488,148
TOTAL CURRENT LIABILITIES	5,092,348	4,546,956
 LONG-TERM LIABILITIES		
Notes payable, net of current portion	10,721,398	11,256,940
Refundable advances	19,592,443	18,976,613
TOTAL LONG-TERM LIABILITIES	30,313,841	30,233,553
TOTAL LIABILITIES	35,406,189	34,780,509
 NET ASSETS		
Without donor restrictions	30,668,780	24,606,427
With donor restrictions	1,042,813	1,015,175
TOTAL NET ASSETS	31,711,593	25,621,602
TOTAL LIABILITIES AND NET ASSETS	\$ 67,117,782	\$ 60,402,111

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

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 9,851	\$ 2,143,494	\$ 2,153,345
Revenues			
Net client and third-party revenues			
King County prepaid health plan	31,084,551		31,084,551
King County contracts	19,641,380		19,641,380
Federal contracts	1,472,902		1,472,902
Client and third party	1,582,581		1,582,581
Local	1,370,088		1,370,088
Medicare	182,819		182,819
Medicaid	131,980		131,980
State of Washington	1,619,951		1,619,951
Other	741,880	-	741,880
	<u>57,828,132</u>		<u>57,828,132</u>
Net assets released from restriction	<u>2,115,856</u>	<u>(2,115,856)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	59,953,839	27,638	59,981,477
EXPENSES			
Salaries and wages	34,845,986		34,845,986
Employee benefits	4,586,947		4,586,947
Payroll taxes	3,058,139		3,058,139
Total salaries and related expenses	<u>42,491,072</u>		<u>42,491,072</u>
Professional fees	443,328		443,328
Sub-contractor expenses	324,208		324,208
Conference and training	274,771		274,771
Travel and vehicle	116,129		116,129
Insurance	445,182		445,182
Supplies	1,352,550		1,352,550
Interest expense	369,849		369,849
Computer expense	926,347		926,347
Telephone	1,234,001		1,234,001
Postage and delivery	104,611		104,611
Rent	1,409,629		1,409,629
Furniture and equipment	207,642		207,642
Depreciation and amortization	1,515,616		1,515,616
Utilities	406,137		406,137
Occupancy	1,098,769		1,098,769
Printing/advertising	171,841		171,841
Client assistance	873,773		873,773
Clients – special needs	68,823		68,823
Miscellaneous	57,208	-	57,208
TOTAL EXPENSES	53,891,486	-	53,891,486
CHANGE IN NET ASSETS	6,062,353	27,638	6,089,991
NET ASSETS, beginning of year	24,606,427	1,015,175	25,621,602
NET ASSETS, end of year	\$ 30,668,780	\$ 1,042,813	\$ 31,711,593

The accompanying notes are an integral part of these financial statements

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Public support			
Contributions	\$ 82,434	\$ 1,647,280	\$ 1,729,714
Revenues			
Net client and third-party revenues			
King County prepaid health plan	29,461,659		29,461,659
King County contracts	11,563,199		11,563,199
Federal contracts	-		-
Client and third party	442,211		442,211
Local	862,352		862,352
Medicare	122,518		122,518
Medicaid	84,021		84,021
State of Washington	984,622		984,622
Other	925,085	-	925,085
	44,445,667		44,445,667
Net assets released from restriction	1,307,268	(1,307,268)	-
TOTAL PUBLIC SUPPORT AND REVENUES	45,835,369	340,012	46,175,381
EXPENSES			
Salaries and wages	27,759,323		27,759,323
Employee benefits	3,948,735		3,948,735
Payroll taxes	2,424,044		2,424,044
Total salaries and related expenses	34,132,102		34,132,102
Professional fees	508,927		508,927
Sub-contractor expenses	316,063		316,063
Conference and training	430,962		430,962
Travel and vehicle	298,046		298,046
Insurance	354,615		354,615
Supplies	803,480		803,480
Interest expense	399,549		399,549
Computer expense	786,936		786,936
Telephone	1,048,364		1,048,364
Postage and delivery	100,812		100,812
Rent	1,415,117		1,415,117
Furniture and equipment	311,350		311,350
Depreciation and amortization	1,371,388		1,371,388
Utilities	350,905		350,905
Occupancy	931,084		931,084
Printing/advertising	184,469		184,469
Client assistance	1,007,939		1,007,939
Clients – special needs	189,821		189,821
Miscellaneous	176,587	-	176,587
TOTAL EXPENSES	45,118,516	-	45,118,516
CHANGE IN NET ASSETS	716,853	340,012	1,056,865
NET ASSETS, beginning of year	23,889,574	675,163	24,564,737
NET ASSETS, end of year	<u>\$ 24,606,427</u>	<u>\$ 1,015,175</u>	<u>\$ 25,621,602</u>

The accompanying notes are an integral part of these financial statements

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Behavioral Health Services				Support Services				
	Outpatient Services	Inpatient Services	Homeless/ Housing Specialty Svc	Total Program Services	Management & General	Fundraising	Program Development/ Compliance	Total Support Services	Grand Total
Salaries and wages	\$ 19,982,580	\$ 10,489,286	\$ 2,158,047	\$ 32,629,913	\$ 1,961,580	\$ 110,594	\$ 143,899	\$ 2,216,073	\$ 34,845,986
Employee benefits	2,871,018	1,109,688	340,498	4,321,204	235,459	17,167	13,117	265,743	4,586,947
Payroll taxes	<u>1,757,724</u>	<u>923,473</u>	<u>195,083</u>	<u>2,876,280</u>	<u>158,709</u>	<u>10,548</u>	<u>12,602</u>	<u>181,859</u>	<u>3,058,139</u>
Total salaries and related expenses	24,611,322	12,522,447	2,693,628	39,827,397	2,355,748	138,309	169,618	2,663,675	42,491,072
Professional fees	292,991	44,838	11,634	349,463	11,105	748	82,012	93,865	443,328
Sub-contractor expenses	23,342	-	300,866	324,208	-	-	-	-	324,208
Conference and training	76,224	62,500	8,528	147,252	5,341	2,404	119,774	127,519	274,771
Travel and vehicle	59,225	22,986	26,695	108,906	6,872	278	73	7,223	116,129
Insurance	229,193	128,740	65,483	423,416	19,345	1,816	605	21,766	445,182
Supplies	84,221	1,117,608	140,616	1,342,445	9,250	499	356	10,105	1,352,550
Interest expense	217,329	124,289	28,231	369,849	-	-	-	-	369,849
Computer expense	549,194	260,516	66,974	876,684	40,936	2,441	6,286	49,663	926,347
Telephone	748,547	317,122	97,855	1,163,524	62,636	5,881	1,960	70,477	1,234,001
Postage and delivery	63,661	27,451	7,276	98,388	5,513	506	204	6,223	104,611
Rent	974,058	140,785	80,314	1,195,157	191,782	18,664	4,026	214,472	1,409,629
Furniture and equipment	121,484	55,119	20,970	197,573	9,035	732	302	10,069	207,642
Depreciation and amortization	624,573	534,703	351,801	1,511,077	4,036	365	138	4,539	1,515,616
Utilities	135,016	138,748	131,730	405,494	571	54	18	643	406,137
Occupancy	347,333	424,603	326,163	1,098,099	622	36	12	670	1,098,769
Printing/advertising	83,756	23,871	5,739	113,366	5,346	992	52,137	58,475	171,841
Client assistance	35,611	40,354	797,127	873,092	-	681	-	681	873,773
Clients - special needs	68,823	-	-	68,823	-	-	-	-	68,823
Miscellaneous	<u>31,256</u>	<u>14,721</u>	<u>3,760</u>	<u>49,737</u>	<u>7,281</u>	<u>46</u>	<u>144</u>	<u>7,471</u>	<u>57,208</u>
TOTAL EXPENSES	<u>\$ 29,377,159</u>	<u>\$ 16,001,401</u>	<u>\$ 5,165,390</u>	<u>\$ 50,543,950</u>	<u>\$ 2,735,419</u>	<u>\$ 174,452</u>	<u>\$ 437,665</u>	<u>\$ 3,347,536</u>	<u>\$ 53,891,486</u>

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

**VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Behavioral Health Services				Support Services				Grand Total
	Outpatient Services	Inpatient Services	Homeless/ Housing Specialty Svc	Total Program Services	Management & General	Fundraising	Program Development/ Compliance	Total Support Services	
Salaries and wages	\$ 18,474,481	\$ 4,808,760	\$ 2,255,122	\$ 25,538,363	\$ 2,064,130	\$ 61,314	\$ 95,516	\$ 2,220,960	\$ 27,759,323
Employee benefits	2,756,168	548,555	349,906	3,654,629	263,975	9,109	21,022	294,106	3,948,735
Payroll taxes	1,610,075	432,631	202,095	2,244,801	164,725	5,699	8,819	179,243	2,424,044
Total salaries and related expenses	22,840,724	5,789,946	2,807,123	31,437,793	2,492,830	76,122	125,357	2,694,309	34,132,102
Professional fees	281,790	24,655	12,006	318,451	123,179	236	67,061	190,476	508,927
Sub-contractor expenses	38,107	-	277,956	316,063	-	-	-	-	316,063
Conference and training	150,500	73,591	20,199	244,290	10,511	112	176,049	186,672	430,962
Travel and vehicle	187,615	31,001	62,577	281,193	14,975	172	1,706	16,853	298,046
Insurance	192,225	80,953	61,040	334,218	18,249	1,074	1,074	20,397	354,615
Supplies	104,756	617,777	64,378	786,911	13,916	274	2,379	16,569	803,480
Interest expense	185,105	185,702	28,742	399,549	-	-	-	-	399,549
Computer expense	486,586	197,230	68,260	752,076	33,043	736	1,081	34,860	786,936
Telephone	687,167	194,574	97,428	979,169	61,911	3,642	3,642	69,195	1,048,364
Postage and delivery	64,904	19,758	8,702	93,364	6,356	731	361	7,448	100,812
Rent	952,961	112,753	103,122	1,168,836	220,357	12,962	12,962	246,281	1,415,117
Furniture and equipment	168,803	103,969	24,164	296,936	13,424	495	495	14,414	311,350
Depreciation and amortization	591,909	415,659	358,318	1,365,886	4,922	290	290	5,502	1,371,388
Utilities	133,070	87,384	129,765	350,219	614	36	36	686	350,905
Occupancy	292,303	333,554	301,854	927,711	3,153	110	110	3,373	931,084
Printing/advertising	103,529	28,577	9,425	141,531	6,076	332	36,530	42,938	184,469
Client assistance	70,261	5,349	931,993	1,007,603	32	3	301	336	1,007,939
Clients - special needs	189,821	-	-	189,821	-	-	-	-	189,821
Miscellaneous	18,591	6,627	2,774	27,992	132,888	1,251	14,456	148,595	176,587
TOTAL EXPENSES	\$ 27,740,727	\$ 8,309,059	\$ 5,369,826	\$ 41,419,612	\$ 3,156,436	\$ 98,578	\$ 443,890	\$ 3,698,904	\$ 45,118,516

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

VALLEY CITIES COUNSELING AND CONSULTATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,089,991	\$ 1,056,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,515,616	1,371,388
Cash provided (used) by changes in operating assets and liabilities:		
Accounts and grants receivable, net	(2,226,637)	(297,361)
Prepaid expenses and deposits	8,578	109,531
Accounts payable and accrued liabilities	104,281	(120,368)
Accrued wages, payroll taxes and benefits	425,203	668,347
Rent deposits	(750)	(826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,916,282	2,787,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(172,236)	(171,423)
Construction in progress	(642,650)	(1,953,487)
NET CASH USED BY INVESTING ACTIVITIES	(814,886)	(2,124,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments on) lines of credit, net	-	(3,650,000)
Proceeds from refundable advances	615,830	934,590
Proceeds from notes payable	-	10,080,000
Principal payments on notes payable	(518,884)	(6,789,658)
NET CASH PROVIDED BY FINANCING ACTIVITIES	96,946	574,932
NET INCREASE IN CASH	5,198,342	1,237,598
Cash and cash equivalents and restricted cash, beginning of year	10,797,760	9,560,162
Cash and cash equivalents and restricted cash, end of year	\$ 15,996,102	\$ 10,797,760
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 369,820	\$ 488,093
Cash and cash equivalents and restricted cash consist of:		
Cash and cash equivalents	\$ 15,623,279	\$ 10,425,010
Restricted cash - Valley Cities Landing Reserves	268,184	268,130
Restricted cash - Phoenix Rising Reserves	104,639	104,620
	\$ 15,996,102	\$ 10,797,760

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

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PURPOSE AND PROGRAMS

Valley Cities Counseling and Consultation (Valley Cities), a not-for-profit community behavioral health center, has been the local source for quality behavioral health counseling and chemical dependency since 1965 in Washington State with clinics in Auburn, Federal Way, Kent, Renton, Meridian at Northgate, Rainier Beach, Enumclaw, Midway, Pike Place, Bitter Lake, and the Cohen Veterans Network in Lakewood. Valley Cities is accredited by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO).

Valley Cities provides licensed mental health and chemical dependency treatment for youth and adults; supported employment and education services; outreach services and housing programs for the homeless; family support programs offering youth and family activities; and specialized veterans services that deliver counseling and family support services to veterans and their families. The development department carries out fundraising, marketing, public relations, grant writing, and public policy advocacy. The human resources department oversees personnel, staff training, student intern, and volunteer functions, and the administration and finance departments oversee the Revenue Cycle team, support staff, accounting and payroll operations.

Valley Cities continues to integrate trained and certified Peer Support Specialists into all programs, allowing their own recovery, and motivating others to find hope and growth in their recovery process.

Valley Cities clinics offer a unique Model of Care, Care Coordination. All clients are assigned to a Care Coordinator who then assists them in connecting to resources in the agency and in the community. Clinicians are trained in evidenced based treatment modalities including CBT+ (Trauma Focused Cognitive Behavioral Therapy for children) and Love and Logic parenting skills. Through Care Coordination, Valley Cities still treats children, adults and older adults, but as a team approach so each individual gets the focus that they need.

Services are provided to meet the needs of children, youth and their families with mental illnesses or emotional disturbances; children, youth and families who are in crises; and children and youth who are victims of trauma or family violence. These services include individual and family counseling; in home family support and advocacy; school-based counseling; crises intervention; case management; psychiatric assessment; case coordination with other service providers; medication management; support groups and skills for training parents; outreach clinical teams for homeless families; community consultation and education; and specialized treatment for those with co-occurring mental health and substance use disorders.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Services are also provided to assist adults and their families with mental health and chemical dependency treatment services. Services are designed with an emphasis on recovery and hope. Valley Cities provides employment and educational services so that clients can be supported to return to work or school. The chemical dependency services include intensive outpatient and specialized relapse prevention services and are integrated with the mental health services for those clients that have co-occurring mental health and chemical dependency problems.

Valley Cities is committed to quality mental health care delivered from a recovery orientation, meaning that its treatments and interventions extend beyond symptom improvement to a more holistic approach to care that helps its clients live, work, learn, and fully participate in their communities. Various public and private funding sources and individual client fees are used to fund services. A sliding fee scale is available to help individuals gain access to services.

Valley Cities' programs consist of:

Care Coordination at each outpatient clinic

A Care Coordinator will be the main point of contact at Valley Cities. They will help walk the client through how to get services at Valley Cities, ask them about what difficulties they are having and try to find ways to help. They will connect the client with the appropriate level of care that is needed, which can include counseling, medications, peer support, or groups. They can also help connect them to services in the community, like a primary care physician or a dentist. The Care Coordinator helps manage all of the expertise needed to provide the best outcomes for clients.

Peer Support Services

Valley Cities proudly offers a range of support services provided by certified Peer Counselors. Peers are an integral part of the Care Team at Valley Cities, offering insight, empowerment, and engagement from life experience. Peer support is based on the philosophy that someone who has faced life circumstances similar to yours may be the person who can understand you the most. Peers are living, walking examples of hope and that recovery is possible.

Peer Support Counselors have been trained, tested, and certified to inspire hope and provide unique support to people receiving mental health and chemical dependency services. Because of their unique experience with mental illness and mental health services, peer counselors provide expertise that professional training cannot replicate.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Peer Support Services (Continued)

Peers at Valley Cities offer many services, and each peer has personal lived experience in the field in which they work. Peers participate regularly in clinical team meetings and offer valuable input and insight that only lived experience can offer. They are provided on-going clinical training and supervision.

Resource Rooms

The community resource rooms at all locations are open to the community. Resource rooms provide individual support, skill-building and a variety of free resources to assist those who might not have a network of support. Valley Cities provides computers, fax and phones, employment and housing information, family/youth and health services, and community and transportation services. Valley Cities promotes recovery by involving consumers in their own process of finding the support and resources they need.

All resource rooms are run by peers and community volunteers. Hours vary by location and are based on volunteer availability. As a result of the COVID 19 pandemic, resource rooms closed effective March 2020 and remain closed in 2021. Resource rooms may reopen for use with telehealth access in the future based on available funding.

Children's Wraparound Services

Valley Cities Wraparound serves high needs youth throughout King County, with a primary focus in South King County, who are eligible for one of two Wraparound programs offered. 1) Wraparound with Intensive Services - WISE (youth utilizing Medicaid funded Mental Health treatment) OR 2) MIDD Wraparound (youth involved in at least two of the following systems: Mental Health, Special Education, Juvenile Justice, Child Welfare, DDA - Development Disabilities, and Chemical Dependency.)

Wraparound facilitators, parent partners and youth peers work collaboratively with the youth, families, providers and community members to develop a cross system care plan driven by the youth and family's identified needs and goals. Wraparound staff follow ten guiding principles as they support the team planning process. These principles are: Family Voice and Choice, Team Based, Natural Supports, Collaboration, Community-Based, Culturally Competent, Individualized, Strengths Based, Persistence and Outcomes Based.

Valley Cities serves about 120 families per year, a number that will grow in 2021 as the program continues to expand. The average youth is served in Wraparound for 18 months and outcomes include fewer hospital visits, increased school attendance and achievement and fewer police contacts. Families leave Wraparound with increased ongoing support and improved skills to navigate their youth's recovery moving forward.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Family Treatment Court Wraparound

Family Treatment Court is an alternative to regular dependency court and is designed to improve the safety and well-being of children in the dependency system by providing parents access to drug and alcohol treatment, judicial monitoring of their sobriety and individualized services to support the entire family. Valley Cities is the only wraparound program in the state of Washington to work with adults as the identified client, to amplify the parent's voice in the dependency process. A wraparound facilitator works with the team to discover the individual's strengths, set goals, determine major needs, and develop strength-based options to meet those needs.

Valley Cities facilitator works with 15 families at a time to provide this critical resource in order to keep families together in a safe and healthy environment.

Mental Health First Aid

In 2020, Valley Cities continued its partnership with King County for a third year to design a program to increase the number of people in the community trained in Mental Health First Aid (MHFA). The focus is to reduce the stigma associated with behavioral health disorders, learn signs and symptoms of mental health challenges, how to talk with someone about what is noticed, and how to connect individuals with professional services. Training is provided for a variety of groups and populations including, but not limited to the public, peers, behavioral health workforce, and other private and public organizations. The MHFA program is operated by the MHFA Coordinator.

In response to COVID19, trainings were held virtually with direction and tools from the National Council of Behavioral Health. 21 new instructors were trained in both youth and adult curriculum. Partnerships were re-evaluated and focused on inclusion for all regardless of geographic location, race, or nationality.

Valley Cities trained 939 individuals in 97 virtual training classes, which included instruction of 583 individuals in adult curriculum, 334 individuals in youth curriculum, and 22 individuals in higher education curriculum.

School Based Services

Youth mental health symptoms have been on the rise in the last 15 years. Suicide is the second leading cause of death for adolescents. Youth spend a large amount of their time in schools, but school districts are not set up to meet the mental health needs of all their students. Valley Cities School Based Program provides much needed mental health treatment within the schools and reduces many barriers for youth and their families. Valley cities works in cooperation with:

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

School Based Services (Continued)

Federal Way School District: Valley Cities runs the Real Talk for Teens program at multiple schools within the district. Each year 600 youths are given the opportunity to participate in a Real Talk group comprised of 10 participants who meet weekly for one hour over 8-13 weeks. The Valley Cities Prevention and Community Support Program (PCSP) works collaboratively with schools, mental health providers, and other community-based organizations to amplify youth voice and bring attention and visibility to the issues impacting their lives, including poverty, racism, community violence, mental health concerns, substance abuse, climate change, the school-to-prison pipeline, etc.

When schools closed in March of 2020 due to COVID19, Real Talk groups moved to a virtual platform. As a result, program facilitators were able to serve youth from multiple schools through groups designed specifically for LGBTQ+ youth and their allies. Youth were able to connect with peers they likely would not have met otherwise. Additionally, program staff were able to provide group and individual support services to youth during out-of-school times, including winter break, spring break, and summer break – something the program has not been able to do in more than six years. Despite the widespread challenges associated with the pandemic, the PCSP has seen an increase in the number of youths given the opportunity to participate in groups, an increase in the number of groups provided, and an increase in service hours since moving to a virtual platform for services. Valley Cities plans to continue offering some virtual groups even after it is safe to resume in-person learning and support services based on the success they have had over the past year.

Kent School District: Valley Cities School Based Program provides mental health treatment within 12 schools. In 2020, Valley Cities was able to provide services through telehealth to 24 schools.

Auburn School District: Valley Cities School Based Program provides full-time mental health treatment in Cascade Middle School.

Employment Services

Valley Cities is the largest supported employment program in King County. Valley Cities does much more than look for jobs for those in the program. Valley Cities helps clients with diagnosed disabilities learn the necessary job search skills to make them successful in their job search, such as how to write resumes, apply for a job, and interview.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Employment Services (Continued)

A huge focus of the program is to connect clients to jobs that are a good fit and benefit not only the new employee, but also the employer. Valley Cities works closely with these individuals to plan for potential challenges on the job and outside of work that could make long-term employment difficult. Valley Cities supports the individual with job coaching, assistance with training and works with their integrated treatment team to ensure there are natural supports in place so that they can be successful in their employment for the long term. Valley Cities works closely with employers in the community to ensure Valley Cities knows the details necessary to provide a good fitting candidate. Once Valley Cities matches a client with an employer, Valley Cities works in coordination with the Department of Vocational Rehabilitation to support both the client and the employer to resolve situations before they become problems to job success.

Research shows that people who have a mental illness who go to work have increased income, improved self-esteem, improved ability to manage symptoms, and increased quality of life.

In 2020, out of the clients who reported whether they are employed or unemployed, 80% reported that they are unemployed. 503 clients requested services from our program in 2020, with 223 clients being served and enrolled in the program.

Veterans Services

Throughout 2020 and despite restrictions of COVID19, the Valley Cities Veterans team continued to provide behavioral health, Pathfinder, and Navigation services for Veterans and family members under funding provided by the King County Veteran, Seniors, and Human Services Levy. Behavioral health services were provided to 40 clients under a contract with the Washington Department of Veterans Affairs, and 11 under a contract with King County Public Health, which had been unexpectedly extended for an additional year. Both the Pathfinder for Veterans of Color and the Housing Navigator programs served 50 clients.

Cohen Veterans Network

In 2018, Valley Cities entered into a grant agreement with Cohen Veterans Network (CVN) to support a clinic with the purpose of providing low to no-cost mental health services to post-9/11 veterans, service members and their families. The grant is for up to \$6,419,057 in funding for the services provided at this clinic through January 2022 with continued support at 50% of the annual budget thereafter with the clinic sustaining the rest through insurance billing, philanthropy and grant funding.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Cohen Veterans Network (Continued)

The Steven A. Cohen Military Family Clinic at Valley Cities (CVN Clinic) in Lakewood, opened to the community on February 14, 2019 and has since provided over 18,000 services (including over 9,000 telehealth services in response to the COVID-19 pandemic) to over 1,800 clients. The Cohen Clinic served 899 clients and provided 9,260 services (16% over projections) in 2020. Additionally, the clinic expanded the staff and services to support military families in the Clover Park School District. The Cohen Clinic at Valley Cities remains one of the largest and most productive clinics in the Cohen Veterans Network.

Housing Support Services

Valley Cities operates both permanent and transitional supported housing programs that provide rental assistance with home-based case management services for homeless individuals and homeless families. Supportive services in these programs address events and circumstances that underlie or contribute to the inability to obtain and maintain affordable and stable housing. This includes Pathways First, Homeless Service Enhancement, Shelter Plus Care, Valley Cities Landing, Valley Cities Place and Phoenix Rising permanent supportive housing projects dedicated to serving individuals and families. Twelve units at Valley Cities Landing are dedicated for homeless “veterans”. Residents engage in on-site and community-based services that help them live with stability, autonomy and dignity.

Standard Supportive Housing

Standard Supportive Housing provides housing and outpatient care for clients who may require regular staff contact and the availability of staff 24-hours-a-day, seven-days-a-week, but who do not need the physical safety and structure of a residential facility.

The program offers the benefits included in all outpatient treatment services, in addition to support services that assist program participants to develop a daily structure and meaningful activities in their lives, make connections to community social, employment, educational, leisure and spiritual activities and support, acquire the skills and means to meet basic nutritional needs and means to move to a less intensive service level within two years.

Valley Cities serves an average of 20 individuals a year who are served by King County and meet the Access to Care Standards. Priority is given to clients from Western State Hospital or from another local psychiatric hospital. Second priority are clients who need an extended period of time for stabilization, are a frequent or high utilizer of psychiatric hospitals or jails, are at risk of hospitalization, or who are chronically homeless.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Families First

The Families First program is an exciting project that was designed to provide housing placement and supportive services to 24 high need families in King County. The Families First program provides individualized, intensive services to families along with a Family Unification Program (FUP) Section 8 voucher that can be used in private market housing (tenant-based vouchers).

The primary goal of the program is to assist families in achieving housing stability and increase self-sufficiency using an approach that centers on providing homeless people housing quickly and then providing services as needed. In 2020, Valley Cities achieved a 100% housing stability rating and graduated 10 families from the program who have maintained housing stability for up to five years. Families First is currently endorsed by the United States Interagency Council on Homelessness (USICH) as a “best practice” for governments and service-agencies to use in their fight to end chronic homelessness in America.

In 2020, due to COVID19, clients in this program have achieved limited new employment, enrollment in unemployment benefit services, enrollment in mental health and substance use disorder services, regular medical care for COVID19 testing and vaccination, enrollment in the emergency Pandemic EBT free lunch for kids, enrollment in DSHS COVID19 relief emergency funds for low-income families and access to local food banks.

Coming-Up Youth Program

The Coming-Up Youth Program (CUP) is a supportive housing program subsidized in large part through King County Housing Authority (KCHA), King County, and United Way.

CUP provides housing and agency support services to up to 22 homeless young adults in South King County ages 18-24. The program switched service providers from Auburn Youth Resources (now known as Nexus Youth) to Valley Cities in November 2016. The CUP team consists of one case manager, one peer support specialist, housing specialist, a housing manager, program manager, and finance support staff, plus access to a mental health therapist.

The goal of the CUP program is to provide program participants with a wraparound approach to services and support that will enable them to achieve self-sufficiency. The program enables them to gain life skills necessary to gain education and employment, maintain their health, finances, and homes, and maintain housing stability. In 2020, 50% of participants who graduated from the program moved to stable permanent housing in the community.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

New Journeys Demonstration Project Program

The New Journeys Demonstration Project's goal is to deliver and implement a program for first-episode psychosis (FEP) treatment that creates a positive clinical climate and maintains fidelity to the clinical concepts and core elements of Coordinated Specialty Care (CSC) via the NAVIGATE model. The program participants are ages 15-40, with the majority of participants from ages 15-25 who are experiencing a first episode of psychosis who also meet the diagnostic criteria or whose symptoms are on the Schizophrenia spectrum. They have an IQ of 70 or greater, reside within King County and do not have a developmental delay or autism spectrum disorder.

New Journeys places a strong emphasis on outreach and engagement. Valley Cities staff dedicates much of their time to "meeting participants where they are at." They ensure participant and family engagement by offering mobile services that attempt to meet the multiple needs within recovery. The New Journeys program provides individual skills training and therapy, group therapy, family skills training and support, case management, employment and education services and peer support in an outreach setting. The program also offers medication management at a clinic for enrolled participants. The Program Manager provides clinical supervision, contract monitoring, relationship building with the referral base, community education about the schizophrenia spectrum and screening for prospective clients. In addition to helping enrolled clients, the Program Manager also offers support to individuals who do not meet eligibility criteria by helping them identify resources and available treatment options.

Hub and Spokes Services also known as MATCH (Medication-Assisted Treatment & Community Health)

Valley Cities entered into a contract with the Healthcare Authority to begin providing low-barrier access to medication, rapid access to Medications for Opiate Use Disorder (MOUD), and related support services in response to the opioid epidemic. The primary focus of the MATCH program is to induct and stabilize individuals with MOUD, who meet diagnostic criteria for an Opioid Use Disorder, with the option of on-site administration of an opioid agonist (buprenorphine) or an opioid antagonist (naltrexone, primarily in the form of an extended-release injectable). MATCH services can be accessed in the community at one of our outpatient facilities, or at Recovery Place Seattle (RPS), which is Valley Cities' inpatient treatment and medical detox program.

The MATCH program works closely with our community partners to provide individualized equitable services. Our Care Navigators, Peer Support Specialist, Data Coordinator, and Nurse Care Manager work directly with the client to connect them with the services they are seeking to include (but not limited to), primary care, dental, behavioral health, housing, employment, and recovery support services.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Hub and Spokes Services also known as MATCH (Medication-Assisted Treatment & Community Health) (Continued)

In order to provide evidence-based, trauma-informed care, the MATCH program regularly attends continuing education opportunities and engages with other MOUD providers as a cohort, to better understand the community they are serving. In that spirit, MATCH provides quantitative and qualitative data to the Washington State Healthcare Authority, DBHR, and SAMHSA to further the mutual goal of helping those who continue to struggle with Opiate Use Disorder.

Valley Cities inducted a total of 277 unique individuals in 2020 and the MATCH program serviced 294 clients.

Low-Barrier Buprenorphine Service Expansion Program

In 2018, Valley Cities facilitated access to buprenorphine induction and treatment services that provide a continuum of medication assisted treatment and recovery support services designed from a recovery and resiliency perspective and available to eligible individuals in King County.

Valley Cities worked cooperatively with Behavioral Health Recovery Division (BHRD) on a mutually agreed-upon process to qualitatively evaluate treatment activities to help answer questions related to buprenorphine program success and to create and identify learning opportunities while an effective low-barrier MAT network is developed in King County.

Assisted Outpatient Services Program

The Assisted Outpatient Services Program (AOSP) was created by King County in order to reduce or prevent decompensation, re-hospitalization, and other emergency behavioral health responses for clients who have been discharged from King County community hospitals and Evaluation and Treatment (E&T) facilities on a Less Restrictive Order (LRO), Less Restrictive Alternative (LRA) or Conditional Release (CR). The goal of AOSP is to successfully transition clients from a higher level of care to outpatient behavioral health services as well as ensure that clients maintain a high level of engagement in outpatient services for the duration of their LRO, LRA or CR. King County provides incentive payment when Valley Cities engages an AOSP enrolled client in at least 12 contacts per month. Clients are enrolled in AOSP for the duration of their LRO, LRA or CR which is typically 3 months but can be 6 months or 12 months.

In 2020, an average of 68 clients were enrolled in AOSP each month. Valley Cities reached incentive payment for an average of 26 (39%) clients per month.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Medical Services

Medical Services includes both staff psychiatrists and nurse practitioners. They provide psychiatric evaluations and medication management services to any client who needs psychiatric care. In addition, the medical staff provides psychiatric consultation to a range of community health centers throughout King County, advising the primary care staff with diagnostic information and recommendations on psychotropic medications that can be prescribed in the primary care setting. All expenses related to these staff are captured in this program.

Clinical Support Services

Clinical Support Services includes information systems, access services including all telephone screening and initial intake services, after-hours crises team, front desk support, medical records, call center and quality management services. These programs directly support all clinical programs by providing either client assistance and/or data collection and reporting in order to manage client care.

Recovery Place Seattle (RPS)

Recovery Place Seattle (RPS) is a residential treatment facility and houses a licensed medically monitored 33 bed detoxification unit which provides medical detoxification inpatient services for people who need support to safely withdraw from drug or alcohol use. This 33-bed unit provides services for a 3-5 day typical stay. RPS also houses a 42 bed 28-day intensive inpatient program for individuals living with substance use disorder and mental health concerns. This program offers structured, holistic, and evidence-based practices, including relapse prevention, coping mechanisms (both abstinence-based and harm reduction), and re-connection to community and resources. Clients participate in counseling and support groups. The average census for Detox and Residential for 2020 was 19 and 29, respectfully.

Recovery Place Kent (RPK)

The Recovery Place Kent (RPK) opened in December 2019 with 32 beds and is Washington State's first and only dually licensed Chemical Dependency & Psychiatric facility. The Evaluation and Treatment program provides inpatient crisis stabilization services to individuals who have been detained under the Involuntary Treatment Act (ITA) for danger to self, danger to others, or grave disability related to a psychiatric illness. The interdisciplinary treatment team provides psychiatric evaluation, medication management, individual mental health and substance use disorder counseling, group activities, peer support, coordination with King County ITA court, and discharge planning to re-connect clients to community supports. The Secure Withdrawal Management program opened February 2020.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PURPOSE AND PROGRAMS (Continued)

Recovery Place Kent (RPK) (Continued)

In response to House Bill 1713 (“Ricky’s Law”), secure detoxification is a program for individuals who have been referred to Designated Crisis Responders (DCRs) because they, as a result of a substance use disorder, present an imminent likelihood of serious harm. Secure detoxification consists of approved substance use disorder treatment programs for not more than 72 hours. Clients receive a medical exam and an evaluation and get a recommendation for treatment from a psychiatric nurse practitioner. The detox facilities are medically monitored and have a regimen for evaluation and treatment. Substance use disorder professionals provide onsite assessments and recommendations for the next level of care. Clients can have their 72-hour holds extended by court order to 14 days for acute treatment, and then up to 90 days in a “less-restrictive-alternative.” Admissions are available to an individual twenty-four hours a day, seven days a week.

The average census for Evaluation and Treatment and Secure Detox in 2020 was 14 and 5, respectively.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Valley Cities have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

Basis of Presentation

Valley Cities presents its financial statements in accordance with accounting guidance under FASB ASC 958, *Not-for-Profit Entities*. Under this standard, Valley Cities is required to report information regarding its financial position and activities according to two classes of net assets: with donor restriction and without donor restriction.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Valley Cities considers checking, savings, and certificates of deposit to be cash and cash equivalents. There are restrictions placed on cash and cash equivalent balances resulting in the inability to use some balances for general expenditures. Cash balances reserved for replacement reserves are for repairs and capital expenditures and are thus classified as current assets in the statements of financial position. See also Notes 5 and 11.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Valley Cities provides various mental health, substance abuse, and housing services to low income and homeless individuals and families in King County. Services are funded primarily through King County's prepaid health plan (PHP), third-party payors (Medicaid/Medicare/Insurance/others), and through receipt of contributions and grants with restricted use.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from PHP, third-party payors (including government payors), patients, and others for satisfying performance obligations. The Organization has agreements with governmental and other third-party payors that provide for payments to the Organization at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed costs, discounted charges, per diem payments, and include variable consideration for incentives or adjustments based on performance and reviews.

Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on the output method depending on payor agreement. For PHP, revenue depends upon the number of eligible clients enrolled for services during the period. The Organization receives funds monthly for standing ready to provide services to clients over a period of 12 months. Effective October 1, 2020, PHP payments are based on services provided to authorized clients as opposed to clients authorized for the period. Timing of revenue recognition did not change. For Medicaid/Medicare/Insurance and other third-party payors, the services provided and days of occupancy are used to measure the satisfaction of performance obligations. Performance obligations satisfied over time for PHP relates to the Organization providing access to behavioral health services upon request during the performance period. For Medicaid/Medicare/Insurance and other third-party payors, providing behavioral health services to clients results in recognition over time as clients receive the benefits simultaneously with the provision of service. Under PHP, the Organization measures the performance obligation as each month the Organization has a requirement to stand ready to provide services. The Organization measures the performance obligation from admission date to the discharge date for inpatient services not covered by PHP. For outpatient services, the number of clients served during the performance period or the number of client visits is used to measure the performance obligation. The Organization believes these methods provide a faithful depiction of the transfer of services over the term of the performance obligation.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Net patient service revenue (continued)

Net patient service revenues are recognized over time as the services are made available to patients under PHP and as services are provided to patients for all others. Revenue is recorded in the amount at which the Organization expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of revenue recognized will not occur when the performance metrics associated with the variable consideration are measured. Adjustments resulting from the final measurement of variable consideration were not material for the years ended December 31, 2020 and 2019.

Generally, services are reported within 3 days of the date of service through electronic upload or transmission of batch files to the payors. Batches are processed and submitted daily. Contracts provide up to 12 months from the date of service to report the services provided.

Valley Cities uses the allowance method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the status of receivables at year end. No interest is charged on overdue accounts. Historically receivable balances are collectible as the majority of balances involve receivables with government agencies.

The expected losses on accounts receivable balances of \$4,923,173 and \$2,699,336 as of December 31, 2020 and 2019, respectively, are estimated to be \$24,502 and \$27,302, respectively.

The opening and closing balances of trade receivables, net is \$2,672,034 and \$4,898,671, respectively, as of January 1, 2020 and December 31, 2020 and there were no contract assets or contract liabilities.

The opening and closing balances of trade receivables, net is \$2,374,673 and \$2,672,034, respectively, as of January 1, 2019 and December 31, 2019 and there were no contract assets.

None of the Organizations' contracts have a significant financing component.

The Organization has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, King County, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Eligibility for services (client registered address and income levels) can result in services provided to clients that become ineligible

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Net patient service revenue (continued)

- Method of reimbursement (case rate, fee for service, or reimbursement)
- Organization's line of business that provided the service (inpatient, outpatient, homeless & housing specialty services)

Net patient service revenues received from PHP and third-party payors (Medicaid/Medicare/Insurance, etc.) totaled \$31,084,551 and \$1,897,380, respectively, for the year ended December 31, 2020. Net patient service revenues received from PHP and third-party payors (Medicaid/Medicare/Insurance, etc.) totaled \$29,461,659 and \$648,750, respectively for the year ended December 31, 2019.

Contributions and Grants

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization records contributions as with or without donor restriction, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Consequently, at December 31, 2020 and 2019, contributions approximating \$1,881,000 and \$1,748,000, respectively have not been recognized in the accompanying statements of activities because the conditions on which they depend have not yet been met. The conditional contributions depend on the Organization meeting level of service, reporting, and other requirements for its operations at the Steven A Cohen Military Family Clinic at Valley Cities.

The Organization also enters into agreements of varying length with local, county and state government agencies in providing mental health and recovery services to the general public, as funding under these agreements is subject to change based on contract amendments and dependent upon services rendered, expenses incurred, level of effort and other requirements, the amount of future funding committed under those agreements is indeterminable.

Contributions of \$2,153,345 and \$1,729,714 were recognized for the years ended December 31, 2020 and 2019, respectively.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributions and Grants (Continued)

Government Contracts & Grants

Federal, state, and local governments have awarded cost-reimbursable and unit-of-service grants and contracts to support Valley Cities program activities, primarily for the benefit of the public. The grants and contracts are conditioned on performing certain services or incurring certain reimbursable expenditures. The grant and contract revenue is recognized in the month services are performed or as expenses are incurred and subsequently invoiced. Invoices are contractually required to be submitted within 30 days, under most grants and contracts, to the appropriate government entity and is reported as an increase in net assets without donor restrictions because the restrictions on use of the funds are met in the same year that the grant or contracted funds are received. Grant and contract terms specify the rate of payment for services and allowability of expenses for reimbursements.

Revenues received from these government grants and contracts totaled \$24,104,321 and \$13,410,173 for the years ended December 31, 2020 and 2019, respectively.

Refundable Advances

Certain promissory notes to the State of Washington or King County are recorded as refundable advances and will be forgiven in future periods provided certain conditions are met. The forgiveness of these notes will be recorded as contribution income when the required conditions have been met. These conditions consist principally of the Organization's compliance with the terms and conditions of the loan agreements as per the Accounting Standards Update ASU 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." Valley Cities adopted this standard on a modified prospective basis, effective January 1, 2019 as it was applicable and required. Prior to adoption, the Organization recognized in income a portion of the advance based on the term of each advance. The Organization previously recognized amortization of \$1,348,058 on the refundable advances. After adoption, the advances are no longer amortized and income will be recognized in full in the year the requirements of the advances are substantially met resulting in a deferral of up to 50 years depending upon the performance period of the advances. See also Note 5.

Donated Property and Equipment

Contributions of property and equipment are recorded as support at their estimated fair value at the date of donation. Such contributions are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)
Contributions and Grants (Continued)

Donated Property and Equipment (Continued)

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Valley Cities reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Valley Cities reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Donated services, if deemed material in amount, are recorded at their estimated fair values. The estimated fair values of donated services are reported as both support and expenses in the accompanying Statements of Activities. Valley Cities did not receive a material amount of donated services in 2020 and 2019.

Functional Expense Classification and Allocation

Expenses are classified in the accompanying Statements of Functional Expenses according to whether they are behavioral health services, are related to homeless, housing or other specialty services, inpatient services, or outpatient services. Classifications are made on the basis of time records and estimates made by Valley Cities' management as well as by where services are performed. Management and general expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of Valley Cities. Fundraising expenses include salaries and related expenses and other expenses directly related to this support activity. Program development/compliance expenses are those associated with developing new services and programs, marketing and community education, and contracts administration of new and renewing contracts.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are recorded on a straight-line basis over the asset's estimated useful life, ranging from 3 to 50 years.

Leasehold improvements are amortized over the shorter of their useful lives or lease terms. All purchases with an estimated useful life exceeding one year and costing \$1,500 or more are capitalized. Effective September 30, 2020, the capitalization threshold was increased to \$2,500. Repairs and maintenance are expensed as incurred. Depreciation and amortization expense charged to operations for the years ended December 31, 2020 and 2019, was \$1,515,616 and \$1,371,388, respectively.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Self-Insured Health Plan

Effective January 2016, Valley Cities implemented a self-insured health plan whereby it directly reimburses medical costs for individual claims through a third-party administrator. As of December 31, 2020 and 2019, Valley Cities covered the cost of individual claims up to \$125,000 and \$85,000, respectively. Valley Cities maintains a stop-loss policy that covers claims in excess of these amounts. Total payments to the plan for the years ended December 31, 2020 and 2019 were approximately \$2,280,000 and \$1,903,000, respectively. Total reserves for claims incurred and paid in the subsequent year and for incurred but not reported claims was approximately \$634,000 and \$607,000 as of December 31, 2020 and 2019 and is included in the accompanying statements of financial position.

Income Taxes

Valley Cities is a not-for-profit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code and, as such, is subject to income taxes only to the extent of taxable unrelated business income.

During 2020 and 2019, Valley Cities did not generate any taxable income and therefore no provision for federal income tax is necessary. In addition, Valley Cities qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

FASB ASC 740 requires nonpublic entities to determine and evaluate uncertain tax positions. The standard requires entities to measure, recognize, and disclose uncertain tax positions. The term tax position includes, but is not limited to, a decision not to file a return, the characterization of income or a decision to exclude reporting taxable income on a tax return, and the entity's tax-exempt status. Management believes Valley Cities does not have any uncertain tax positions. Valley Cities may be subject to examination by the Internal Revenue Service for calendar years 2017 through 2020.

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 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.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1.--CENTER PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impacts of COVID-19

The outbreak of the COVID-19 pandemic has severely impacted and continues to severely impact the U.S. and global economies throughout 2020. The full impact of the COVID-19 outbreak continues to evolve as of the date the financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The change in net assets was not affected by these changes.

NOTE 2.--FACILITIES AND CONSTRUCTION IN PROGRESS

As of December 31, 2020, Valley Cities has one project underway as part of the expansion plan for new service locations as well as to provide additional capacity and access to services. This project is listed below and comprise the total balance of construction-in-progress of approximately \$1.8 million as of December 31, 2020.

Phoenix Rising: Valley Cities developed a low-income housing complex and recovery cafe on one of its existing properties.

The housing complex (buildings A & B) was placed into service in June 2016 and approximately \$4,550,000 was moved from construction-in-progress to property and equipment. In April 2017, the construction on the Recovery Café was completed and approximately \$1.7 million was moved from construction-in-progress to property and equipment. As of December 31, 2020, approximately \$1,830,000 remains in construction-in-progress for building C. During 2015, Valley Cities was awarded funding by the State of Washington, King County and city of Auburn in the amount of \$4.495 million for this project. The project was subsequently completed in February 2021.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3.--LINE OF CREDIT & NOTES PAYABLE

In April 2017, a revolving line of credit agreement was signed for \$5,600,000. The proceeds were used to fund the completion of Recovery Place of Seattle. In December 2018, the available amount was reduced to \$3,650,000. The agreement expired on March 31, 2019 and was extended to October 31, 2019. The terms of the agreement were for interest only payments to be made at LIBOR plus 2.35%. Effective September 20, 2019, the line of credit along with the Bank of America note due October 2019, Rainier Valley Community Development Fund note due April 2020, and the Washington State Housing Finance Commission note due May 2020 were consolidated into a new loan assigned to Bank of America in the amount of \$10,200,000. The consolidation loan was initially issued by the Washington Health Care Facilities Authority and funded via Revenue Bond, Series 2019 (Valley Cities Counseling and Consultation) prior to assignment to Bank of America; see the note payable details below.

Notes payable as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Note payable to Bank of America in monthly principal payments as established in a loan payment schedule, plus interest based on the monthly LIBOR rate plus 2.1%, (total rate of 2.25% and 3.80% at December 31, 2020 and 2019, respectively). Due April 1, 2023, with a balloon payment of \$796,681. See Note 4. Secured by the real estate financed.	\$ 938,871	\$ 995,787
Note payable to Washington State Housing Finance Commission with monthly installments of \$9,541, including interest at 2.75% due October 31, 2027. Secured by real estate financed.	712,515	806,015
Note payable to Bank of America in monthly principal payments of \$56,377 including interest at 3.1%. Due October 1, 2029, with a balloon payment of \$5,854,716. Secured by two properties financed under the consolidated loans, see above.	9,574,818	9,943,286
	11,226,204	11,745,088
Less current portion	(504,806)	(488,148)
Total long-term portion	\$10,721,398	\$11,256,940

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 3.--LINE OF CREDIT & NOTES PAYABLE (Continued)

Maturities of long-term debt obligations for the next five years and thereafter are as follows:

<u>Year ending December 31,</u>	
2021	\$ 504,806
2022	552,886
2023	1,323,841
2024	521,231
2025	538,168
Thereafter	<u>7,785,272</u>
	<u>\$11,226,204</u>

The carrying value of the properties serving as collateral on the line of credit and notes payable at December 31, 2020 and 2019, are approximately \$18,069,000 and \$18,505,000, respectively.

The notes payable to Bank of America contain restrictive covenants relating to debt service coverage and minimum liquidity to debt. As of December 31, 2020, and 2019, Valley Cities was in compliance with the restrictive covenants.

NOTE 4.--INTEREST RATE SWAP AGREEMENT

In 2013, Valley Cities used variable-rate debt to finance the acquisition of the Renton facility. The debt obligation exposes Valley Cities to variability in interest payments due to changes in interest rates. Management believes it is prudent to limit the variability of its interest payments. To meet this objective, management entered into an interest rate swap agreement to manage fluctuations in cash flows resulting from interest rate risk. This swap changed the variable-rate cash flows exposure on the debt to fixed cash flows. Under the terms of the interest rate swap, Valley Cities receives or pays variable interest rate payments and makes fixed interest payments, thereby creating the equivalent of fixed-rate debt.

On March 27, 2013, Valley Cities entered into a notional \$1,320,000 U.S. Dollar Rate Swap Transaction with an effective date of April 1, 2013, and a termination date of April 1, 2023. Under the terms of the agreement, Valley Cities pays a fixed rate of 4.145% to Bank of America on a monthly basis and, in return, Bank of America pays Valley Cities the variable rate of the monthly LIBOR rate plus 2.1%, which was a total rate of 2.25% and 3.80% at December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the swap contract had a notional amount of \$938,871 and \$995,787, respectively. See Note 3.

Management has determined that the fair value of the interest rate swap agreement at December 31, 2020 and 2019, is immaterial and, hence, is not included in the financial statements.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--REFUNDABLE ADVANCES

Refundable advances as of December 31 consist of:

	<u>2020</u>	<u>2019</u>
Valley Cities Landing	\$ 5,268,444	\$ 5,268,444
Valley Cities Neighborhood Stabilization Program Rental	549,176	549,176
Phoenix Rising	6,172,881	5,557,051
Recovery Place Kent	7,000,000	7,000,000
Recovery Place Seattle	1,950,000	1,950,000
Accumulated amortization	<u>(1,348,058)</u>	<u>(1,348,058)</u>
	<u>\$19,592,443</u>	<u>\$18,976,613</u>

Valley Cities Landing

In 2007, Valley Cities acquired property near its Auburn administrative office for development of low-income housing units. In 2008 and 2009, various grants (refundable advances) were awarded for development and construction, as described below.

The project, Valley Cities Landing, includes 24 low-income housing units owned and operated by Valley Cities. As of December 31, 2011, a total of \$5,268,444 had been advanced under the awards from State of Washington and King County shown below.

The agreement requires that a reasonable amount of cash be held in separate accounts for both operating and replacement reserves. The balances in the operating and replacement reserve accounts as of December 31, 2020 and 2019 total approximately \$268,000.

State of Washington Grant: During 2008, Valley Cities was awarded \$1,500,000 from the State of Washington Department of Community Trade and Economic Development, of which \$1,382,254 was used as of December 31, 2011. This grant is restricted from January 1, 2011, until December 31, 2050, when the term of commitment ends. If the property is sold, refinanced, transferred, the use changes during the 40-year term of commitment, or Valley Cities is materially out of compliance with the terms and conditions of the grant, the award amount, plus a proportional share of the appreciated value of the property will be due and payable within 30 days of such event. The grant is secured by a promissory note and deed of trust on the property. The units must be occupied by households that at the time of initial occupancy have adjusted gross incomes at or below 50% of the median income for Seattle-Bellevue per the Housing and Mortgage Finance Agency (HMFA). Further, Valley Cities is required to make best efforts to provide 24 of the units to households that at the initial occupancy have gross annual household incomes at or below 30% of the median income for Seattle-Bellevue.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--REFUNDABLE ADVANCES (Continued)

Valley Cities Landing (Continued)

King County Grant: A second refundable advance for \$4,098,872 was awarded to Valley Cities from the King County Department of Community and Human Services/Housing and Community Development of which \$3,886,190 was used for the same purpose as of December 31, 2011. This grant is restricted from July 1, 2010, to June 30, 2060.

If the property is sold, refinanced, transferred, or the use changes during the 50-year term of commitment, the award must be paid back, plus a proportional share of the appreciated value of the property will be due and payable within 30 days of such event. The grant is secured by a promissory note and deed of trust on the property. Rent to be paid by tenants may not exceed 30% of the monthly income of the target population and shall be adjusted for household size. The units are required to provide permanent housing for homeless, chronically mentally ill individuals of which 12 will be homeless veterans.

Valley Cities Neighborhood Stabilization Program Rental (Valley Cities Place)

In 2010, Valley Cities purchased a 4-plex (multi-family residence) for \$344,000 to provide low income housing for families. A grant was awarded to Valley Cities for purchase and renovation of the property. The property includes four 2-bedroom, 2-bath units owned and operated by Valley Cities.

Also, in 2010, Valley Cities was awarded a \$549,176 refundable advance by the King County Department of Community and Human Services for the full projected costs. The grant is for acquisition and rehabilitation of property located at 3858 D Place SE, Auburn, Washington. The grant is restricted from June 30, 2010, to December 30, 2060. Valley Cities has made draws on the grant of \$549,176 as of December 31, 2011.

If the property is sold or transferred, the award must be paid back, plus a proportional share of the appreciated value of the property will be due and payable within 30 days of such event. The grant is secured by a promissory note and deed of trust on the property. The note is non-interest bearing unless a breach, default, or violation of the contract, deed of trust, covenant agreement, or promissory note occurs. Units must be occupied by homeless individuals and families that, at the time of initial occupancy or change of tenancy following a vacancy, have incomes that do not exceed 50% of the area median incomes.

Phoenix Rising

In 2001, Valley Cities purchased a single-family residence in Auburn with the intent develop it for use in Valley Cities' operations. In 2015, a decision was made to construct housing units and a recovery café. Up to 48 units may be constructed, with an initial project to produce 24 single occupancy units for permanent housing of young adults.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--REFUNDABLE ADVANCES (Continued)

Phoenix Rising (Continued)

In 2015, 2016, and 2019 Valley Cities was awarded several grants (refundable advances) for development and construction of the housing units and recovery café. As of December 31, 2020, a total of \$6,172,881 had been advanced under the awards from State of Washington and King County shown below.

The agreement requires that a reasonable amount of cash be held in separate accounts for both operating and replacement reserves. The balances in the operating and replacement reserve accounts as of December 31, 2020 and 2019 total approximately \$105,000.

State of Washington Grant: In 2015, Valley Cities was awarded a \$2,659,021 refundable advance by the Department of Commerce Housing Trust Fund for construction of a 24-unit apartment complex located at 915 26th Street NE, Auburn, WA. The grant is restricted from October 1, 2015, to September 30, 2055.

If the property is sold, transferred, use changed during the commitment period, or the contractor is out of compliance with terms, the award amount, plus a proportional share of the appreciated value of the property will be due and payable to the Housing Trust Fund within 30 days of such event. Units are to be targeted to homeless youth between the ages of 18 and 26 with gross annual household income at or below 30% of the median income for Seattle-Bellevue WA HMFA as adjusted annually by HUD. Lease terms are set at a standard of one year unless tenants request a shorter term of not less than three months.

King County Grant: In 2015, Valley Cities was awarded a \$1,771,360 refundable advance by the Department of Community and Human Services Community Services. The refundable advance is restricted from December 31, 2015 through December 30, 2065.

If the property is sold, transferred, or the use changes during the 50-year term of commitment, the award, plus a proportional share of the appreciated value of the property will be due and payable. The advance is secured by a promissory note and deed of trust on the property. Units are to provide permanent housing for homeless young adults ages 18 through 26 with gross annual household income at or below 30% of the median income for the Seattle-Everett Primary Metropolitan Statistical Area as published annually by HUD. The agreement requires that a reasonable amount of cash be held in a separate account for both operating and replacement reserves.

State of Washington Grant: In 2016, Valley Cities was awarded a \$242,500 refundable advance by the Department of Commerce for construction of the Recovery Café located at 915 26th Street NE, Auburn, WA. The grant is restricted for 10 years from December 23, 2016. If the property is sold and proceeds are not applied to a project with a similar purpose, the funds are required to be repaid including interest.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--REFUNDABLE ADVANCES (Continued)

Phoenix Rising (Continued)

State of Washington Grant: In 2019, Valley Cities was awarded a \$1,500,000 refundable advance by the Department of Commerce for construction of 12 modular affordable rental housing units located at 915 26th Street NE, Auburn, WA. Draws in accordance with this award totaled \$615,829 and \$884,171 for 2020 and 2019, respectively. The grant is restricted for 40 years, ending June 30, 2059. The units must be restricted for housing individuals with income at or below 80% of the area median income. If the property is sold or changes use, the funds are required to be repaid plus a proportional share of the appreciated value of the property. The grant is secured by a promissory note and deed of trust on the property.

Recovery Place Kent

In November 2015, Valley Cities purchased property in Kent with the intent to develop the property for a new site addressing the need in south King County for psychiatric treatment and substance use services. The location will offer secured detoxification services and inpatient evaluation and treatment services with a capacity of 32 beds.

In May 2017, Valley Cities was awarded a refundable advance by the Washington State Department of Commerce. The refundable advance will provide reimbursement of up to \$7,000,000 in costs incurred after July 1, 2015 for the purchase of real property, acquisition costs, design, engineering, architectural, and planning costs, construction management, and construction costs. During 2020 and 2019, Valley Cities was reimbursed for approximately \$0 and \$50,000, respectively, of eligible expenses incurred in acquiring and renovating the Kent site. Cumulative draws through December 31, 2020 and 2019 are \$7,000,000. The grant is restricted through April 2029, 10 years from the date the final payment is made, which occurred in April 2019.

If the property is sold, transferred, or the use changes during the 10-year term of commitment, all proceeds must be applied to the purchase price of a different facility or facilities used for a similar purpose. If the proceeds are not applied to the purchase price of other facilities, the award must be paid back in full, plus interest calculated at the rate of interest on State of Washington general obligation bonds issued most closely to the effective date of the legislation in which the funding was authorized. The advance is secured by a promissory note and deed of trust on the property.

Recovery Place Seattle at Beacon Hill

In 2017, Valley Cities acquired a facility in Seattle with the intent to provide much needed access to inpatient care, substance use detoxification, and evaluation and treatment services.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5.--REFUNDABLE ADVANCES (Continued)

Recovery Place Seattle at Beacon Hill (Continued)

In July 2018, Valley Cities was awarded a refundable advance by the Washington State Department of Commerce. The refundable advance will provide reimbursement of up to \$1,950,000 in costs incurred after July 1, 2017 for the purchase of real property, acquisition costs, design, engineering, architectural, and planning costs, construction management, and construction costs. During 2018, Valley Cities was reimbursed for \$1,950,000 of eligible expenses incurred in acquiring and renovating the Seattle site. The grant is restricted through July 2028, 10 years from the date the final payment is made, which occurred in July 2018.

If the property is sold, transferred, or the use changes during the 10-year term of commitment, all proceeds must be applied to the purchase price of a different facility or facilities used for a similar purpose. If the proceeds are not applied to the purchase price of other facilities, the award must be paid back in full, plus interest calculated at the rate of interest on State of Washington general obligation bonds issued most closely to the effective date of the legislation in which the funding was authorized. The advance is secured by a promissory note and deed of trust on the property.

NOTE 6.--LEASES

Valley Cities has entered into various agreements to lease operating facilities, computers and office equipment under noncancelable operating leases with terms through 2025.

Certain facilities lease agreements require Valley Cities to pay common area maintenance charges, and some of the leases are subject to escalation clauses. Total rent expense recorded for the years ended December 31, 2020 and 2019, was approximately \$1,573,000 and \$1,415,000, respectively.

Required future minimum payments under noncancelable operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 1,060,894	\$ 147,144	\$ 1,208,038
2022	1,091,019	133,847	1,224,866
2023	917,284	93,118	1,010,402
2024	801,373	72,869	874,242
2025	396,594	43,872	440,466
Thereafter	-	-	-
	<u>\$ 4,267,164</u>	<u>\$ 490,850</u>	<u>\$ 4,758,014</u>

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7.--RETIREMENT PLANS

Valley Cities maintains a tax sheltered 403(B) plan in which eligible employees may make tax deferred contributions and are eligible to receive employer contributions after completing two years of service. In addition, Valley Cities maintains a 457(b) plan for employees considered highly compensated under Title 1 of ERISA. Employer contributions to the plans are based on compensation and years of service and are immediately vested. Employer contributions to the plans totaled \$622,557 in 2020 and \$525,137 in 2019 and are included in employee benefits expense on the accompanying statements of activities and statements of functional expenses.

NOTE 8.--NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Seattle Foundations - Veterans	\$ -	\$ 1,858
Seattle Foundations - Operating Funds (Meridian Only)	-	28,356
Seattle Foundations - Covid 19 Relief Fund	27,203	-
Seattle Foundations - Defibrillator	5,000	-
Seattle Foundations - VCCC Operating Funds	9,453	-
Amerigroup Initiative Support	-	7,472
National Council for Behavioral Health - MHFA	-	4,294
National Alliance on Mental Illnes - NAMI	93,979	114,596
Boeing Grant 1 (CVN)	42,099	77,626
Boeing Grant 2 (CVN)	66,122	146,937
Boeing Grant 3 (CVN)	225,000	-
Cohen Veterans Network (Year 1)	-	604,636
Cohen Veterans Network (Year 2)	504,393	-
Greater Tacoma (CVN)	13,064	-
Franz Bakery Foundation (PXR Operations)	2,500	-
WA Youth Devt - Non Profit Relief Fund	20,000	-
Milton and Charlotte Kramer Charitable Foundation	5,000	-
Fundraising & Other Events	29,000	29,400
Total net assets with donor restrictions	<u>\$ 1,042,813</u>	<u>\$ 1,015,175</u>

NOTE 9.--NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors. Net assets were released from restrictions during the years ended December 31, 2020 and 2019, for the following purposes:

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9.--NET ASSETS RELEASED FROM RESTRICTIONS (Continued)

	<u>2020</u>	<u>2019</u>
Seattle Foundations - Veterans	\$ 1,858	\$ -
Seattle Foundations - Operating Funds (Meridian Only)	28,356	-
Seattle Foundations - VCCC Operating Funds	5,547	-
Seattle Foundations - Covid 19 Relief Fund	32,797	-
Amerigroup Initiative Support	7,472	-
National Council for Behavioral Health - MHFA	4,294	-
National Alliance on Mental Illness - NAMI	20,617	3,776
Aven Foundation - PXR Residential	-	15,000
Medina Foundation	-	20,000
BSNF Railway Foundation	-	2,500
Boeing Grant 1 (CVN)	35,527	22,374
Boeing Grant 2 (CVN)	80,816	46,063
Cohen Veterans Network (Year 0)	-	347,912
Cohen Veterans Network (Year 1)	604,636	849,643
Cohen Veterans Network (Year 2)	1,222,395	-
Greater Tacoma (CVN)	11,936	-
Healthierhere - Resiliency Funds	49,205	-
Healthierhere - Telehealth Remote Funds	10,000	-
Fundraising & Other Events	<u>400</u>	<u>-</u>
Total net assets with donor restrictions released from restrictions	<u>\$2,115,856</u>	<u>\$1,307,268</u>

NOTE 10.--CONCENTRATIONS OF RISK

Valley Cities maintains cash balances in several financial institutions that may, at times, exceed limits insured by the FDIC. Valley Cities does not believe that it is exposed to significant credit risk on cash and cash equivalents as deposits are maintained in high quality financial institutions and Valley Cities has not experienced any losses in such accounts.

During the years ended December 31, 2020 and 2019, King County funding (including prepaid health plan) accounted for 88% and 92% of Valley Cities' client and third-party revenues. Also, amounts due from King County at December 31, 2020 and 2019, accounted for approximately 60% and 72%, respectively, of accounts receivable. Federal agencies accounted for approximately 17% of accounts receivable as of December 31, 2020.

VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11.--LIQUIDITY AND AVAILABILITY

Valley Cities regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The agency has various sources of liquidity at its disposal, including cash and cash equivalents, money market funds, and other short-term investments.

In addition to financial assets available to meet general expenditures over the next 12 months, Valley Cities operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The table below presents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$15,996,102	\$10,797,760
Accounts and grants receivable, net of allowance for doubtful accounts	<u>4,898,671</u>	<u>2,672,034</u>
Total financial assets	20,894,773	13,469,794
Less restricted assets:		
Valley Cities Landing Reserves (Note 5)	(268,184)	(268,130)
Phoenix Rising Reserves (Note 5)	(104,639)	(104,620)
Donor restrictions	<u>(1,042,813)</u>	<u>(1,015,175)</u>
Total financial assets not available for general expenditures	<u>(1,415,636)</u>	<u>(1,387,925)</u>
 Financial assets available to meet general expenditures within one year	 <u>\$19,479,137</u>	 <u>\$12,081,869</u>

NOTE 12.--SUBSEQUENT EVENTS

Valley Cities has evaluated subsequent events through October 25, 2021 the date which the financial statements were available to be issued.

**VALLEY CITIES COUNSELING AND CONSULTATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	2020 Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through from King County			
Department of Community and Human Services			
Behavioral Health and Recovery Division			
COVID-19 Coronavirus Relief Fund	21.019	*	EIN
			\$ 612,157
Pass-through from King County			
Department of Community and Human Services			
Behavioral Health and Recovery Division			
Substance Abuse and Mental Health Services			
Projects of Regional and National Significance	93.243	EIN	333
Pass-through from King County			
Department of Community and Human Services			
Behavioral Health and Recovery Division			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	EIN	126,087
Pass-through from King County			
Department of Community and Human Services			
Behavioral Health and Recovery Division			
Block Grants for Community Mental Health Services	93.958	EIN	300,000
Pass-through from Washington HCA			
Division of Behavioral Health and Recovery			
Opioid STR	93.788	868332433	863,192
Pass-through from Washington HCA			
Division of Behavioral Health and Recovery			
Block Grants for Community Mental Health Services	93.958	EIN	10,000
Total U.S. Department of Health and Human Services			<u>1,911,769</u>
U.S. Department of Housing and Urban Development:			
Pass-through from King County			
Housing and Community Development Division			
Pass-through from Solid Ground Washington			
CDBG - Entitlement Grants Cluster			
Community Development Block Grant program/Entitlement Grants	14.218	EIN	3,582
Pass-through from King County			
Department of Community and Human Services			
Community Services Division			
Continuum of Care Program	14.267	086832433	93,354
Continuum of Care Program	14.267	086832433	98,608
Total U.S. Department of Housing and Urban Development			<u>195,544</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,107,313</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

**VALLEY CITIES COUNSELING AND CONSULTATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 1.--BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Valley Cities Counseling and Consultation under programs of the federal government for the year ended December 31, 2020. The information in this 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 the Valley Cities Counseling and Consultation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Valley Cities Counseling and Consultation.

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 the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Valley Cities Counseling and Consultation has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3.--MAJOR PROGRAMS

The asterisk (*) to the right of the CFDA number identifies the grant as a major federal program as defined by the Uniform Guidance.

NOTE 4.--PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Actual program costs may be more than shown.

NOTE 5.--SUBSEQUENT EVENTS

During 2021, guidance was released by the Office of Management and Budget through amendments to the Uniform Guidance and Compliance Supplements on auditing and reporting of Provider Relief Funds in the Statement of Expenditures of Federal Awards. The guidance provides that Provider Relief Fund expenditures are to be reported for the year ended December 31, 2021. As a result, funds received of \$1,472,902 in Provider Relief Funds and expended on Covid-19 related expenditures and lost revenues during the year ended December 31, 2020 are excluded from the Statement of Expenditures of Federal Awards as of December 31, 2020 and will be reported on the schedule for the year ended December 31, 2021.



**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***

Board of Directors
Valley Cities Counseling and Consultation
Kent, Washington

We have audited, 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, the financial statements of Valley Cities Counseling and Consultation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 October 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valley Cities Counseling and Consultation'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 Valley Cities Counseling and Consultation's internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Cities Counseling and Consultation'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 the 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Cities Counseling and Consultation'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*.

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.

Shannon & Associates, LLP

Kent, Washington
October 25, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Valley Cities Counseling and Consultation
Kent, Washington

Report on Compliance for Each Major Federal Program

We have audited Valley Cities Counseling and Consultation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Valley Cities Counseling and Consultation's major federal programs for the year ended December 31, 2020. Valley Cities Counseling and Consultation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Valley Cities Counseling and Consultation's major federal programs based on our audit of 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 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). Those standards and the Uniform Guidance 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 Valley Cities Counseling and Consultation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Valley Cities Counseling and Consultation's compliance.

Opinion on Each Major Federal Program

In our opinion, Valley Cities Counseling and Consultation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Valley Cities Counseling and Consultation 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 Valley Cities Counseling and Consultation's 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 each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Valley Cities Counseling and Consultation's 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Shannon & Associates, LLP

Kent, Washington
October 25, 2021

**VALLEY CITIES COUNSELING AND CONSULTATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (unmodified, qualified, adverse, or disclaimer): Unmodified

Internal control over financial reporting:
 * Material weakness(es) identified? No
 * Significant deficiencies identified No
 Noncompliance material to financial statements noted? No

Federal Awards

Internal control over financial reporting:
 * Material weakness(es) identified? No
 * Significant deficiencies identified that are not considered to be a material weakness? No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:
 CFDA Number 21.019 Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.