

CRISIS CONNECTIONS

FINANCIAL REPORT

DECEMBER 31, 2018

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Note: There were no findings or questioned costs in the prior year. Accordingly, no summary schedule of prior audit findings is included.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Crisis Connections
Seattle, Washington

We have audited the accompanying financial statements of Crisis Connections, which comprise the statements of financial position as of December 31, 2018 and 2017, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crisis Connections as of December 31, 2018 and 2017, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. 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 July 31, 2019, on our consideration of Crisis Connection'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 Crisis Connection'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 Crisis Connection's internal control over financial reporting and compliance.

Peterson Sullivan LLP

July 31, 2019

CRISIS CONNECTIONS

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 2,122,641	\$ 1,595,076
Certificates of deposit	699,285	597,021
Contracts and grants receivable	1,213,459	798,712
Prepaid expenses and other assets	<u>89,002</u>	<u>42,658</u>
Total current assets	4,124,387	3,033,467
Equipment and Leasehold Improvements, net	<u>191,928</u>	<u>99,133</u>
Total assets	<u><u>\$ 4,316,315</u></u>	<u><u>\$ 3,132,600</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 125,827	\$ 59,052
Accrued expenses	187,492	178,331
Refundable advances	<u>46,894</u>	<u></u>
Total current liabilities	360,213	237,383
Deferred Rent	<u>41,000</u>	<u>66,713</u>
Total liabilities	401,213	304,096
Net Assets		
Without donor restrictions		
Net investment in equipment and leasehold improvements	191,928	99,133
Other net assets without donor restrictions	<u>3,570,181</u>	<u>2,629,371</u>
Total net assets without donor restrictions	3,762,109	2,728,504
With donor restrictions	<u>152,993</u>	<u>100,000</u>
Total net assets	<u>3,915,102</u>	<u>2,828,504</u>
Total liabilities and net assets	<u><u>\$ 4,316,315</u></u>	<u><u>\$ 3,132,600</u></u>

See Notes to Financial Statements

CRISIS CONNECTIONS

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Government contracts and grants	\$ 6,093,039	\$ -	\$ 6,093,039	\$ 4,544,797	\$ -	\$ 4,544,797
Other contracts and grants	560,118		560,118	695,320		695,320
United Way	464,488		464,488	488,850		488,850
Program service fees	247,176		247,176	167,477		167,477
Contributions	187,840	85,917	273,757	313,722	100,000	413,722
Special events, net of direct expense of \$29,396 in 2018 and \$0 in 2017	70,604	67,076	137,680			
Investment income	11,402		11,402	6,210		6,210
Net assets released from restriction	100,000	(100,000)				
	<u>7,734,667</u>	<u>52,993</u>	<u>7,787,660</u>	<u>6,216,376</u>	<u>100,000</u>	<u>6,316,376</u>
Expenses						
Telephone services	4,650,935		4,650,935	3,629,021		3,629,021
Hospital authorization	817,643		817,643	920,250		920,250
Community training	181,768		181,768	222,253		222,253
Total program services	5,650,346		5,650,346	4,771,524		4,771,524
Management and general	918,653		918,653	821,667		821,667
Fundraising	132,063		132,063	101,991		101,991
Total expenses	<u>6,701,062</u>		<u>6,701,062</u>	<u>5,695,182</u>		<u>5,695,182</u>
Change in net assets	1,033,605	52,993	1,086,598	521,194	100,000	621,194
Net Assets, beginning of year	<u>2,728,504</u>	<u>100,000</u>	<u>2,828,504</u>	<u>2,207,310</u>		<u>2,207,310</u>
Net Assets, end of year	<u>\$ 3,762,109</u>	<u>\$ 152,993</u>	<u>\$ 3,915,102</u>	<u>\$ 2,728,504</u>	<u>\$ 100,000</u>	<u>\$ 2,828,504</u>

See Notes to Financial Statements

CRISIS CONNECTIONS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services			Total	Management and General	Fundraising	Total
	Telephone Services	Hospital Authorization	Community Training				
Salaries and contract services	\$ 2,854,792	\$ 503,736	\$ 101,762	\$ 3,460,290	\$ 600,441	\$ 71,502	\$ 4,132,233
Employee benefits	476,624	62,013	13,444	552,081	79,081	7,836	638,998
Payroll taxes	267,966	45,619	9,306	322,891	50,452	6,090	379,433
Total personnel expenses	3,599,382	611,368	124,512	4,335,262	729,974	85,428	5,150,664
Occupancy	296,376	37,489	16,981	350,846	52,638	8,049	411,533
Professional fees and subcontracts	148,503	123,395	127	272,025	53,601	11,071	336,697
Information technology	177,527	10,076	2,092	189,695	15,641	1,387	206,723
Telephone	126,965	6,464	1,140	134,569	10,894	941	146,404
Advertising	67,610	6,911	3,430	77,951		7,760	85,711
Supplies	53,299	8,360	3,339	64,998	9,064	1,139	75,201
Printing and media	27,269	1,848	7,301	36,418	2,007	8,708	47,133
Conferences	18,615	708	4,661	23,984	11,856	2,292	38,132
In-kind	15,956	1,613	800	18,369	9,800	1,811	29,980
Special event expenses						29,396	29,396
Insurance	16,001	2,945	340	19,286	4,774	224	24,284
Recruitment	15,440	89	345	15,874	582	545	17,001
Transportation	9,486	133	4,372	13,991	2,622	60	16,673
Recognition	15,318	306	34	15,658	465	64	16,187
Equipment maintenance and rental	7,421	91	3,827	11,339	1,272	73	12,684
Postage	2,462	123	1,182	3,767	2,449	828	7,044
Dues	4,077			4,077	1,074		5,151
Other	26,280	2,123	5,497	33,900	6,652	1,381	41,933
Total expenses before depreciation	4,627,987	814,042	179,980	5,622,009	915,365	161,157	6,698,531
Depreciation and amortization	22,948	3,601	1,788	28,337	3,288	302	31,927
	4,650,935	817,643	181,768	5,650,346	918,653	161,459	6,730,458
Less: direct cost of fundraising event						(29,396)	(29,396)
Total expenses	<u>\$ 4,650,935</u>	<u>\$ 817,643</u>	<u>\$ 181,768</u>	<u>\$ 5,650,346</u>	<u>\$ 918,653</u>	<u>\$ 132,063</u>	<u>\$ 6,701,062</u>

See Notes to Financial Statements

CRISIS CONNECTIONS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program Services			Total	Management and General	Fundraising	Total
	Telephone Services	Hospital Authorization	Community Training				
Salaries and contract services	\$ 2,301,649	\$ 562,380	\$ 75,210	\$ 2,939,239	\$ 551,618	\$ 62,336	\$ 3,553,193
Employee benefits	374,376	63,720	7,755	445,851	63,251	7,755	516,857
Payroll taxes	200,699	47,452	6,204	254,355	46,645	5,170	306,170
Total personnel expenses	2,876,724	673,552	89,169	3,639,445	661,514	75,261	4,376,220
Occupancy	231,012	36,285	20,372	287,669	38,712	3,011	329,392
Professional fees and subcontracts	211,824	180,117	58,202	450,143	50,749	5,028	505,920
Telephone	107,774	5,564	876	114,214	8,646	780	123,640
Advertising	8,087		2,725	10,812			10,812
Supplies	37,046	6,749	9,593	53,388	12,614	604	66,606
Printing and media	18,652	856	27,007	46,515	2,374	8,775	57,664
Conferences	9,228	792	1,863	11,883	2,644	17	14,544
In-kind	11,251	1,966	152	13,369	1,424	138	14,931
Insurance	15,815	3,234	242	19,291	3,139	230	22,660
Recruitment	9,045	816	65	9,926	12,799	472	23,197
Transportation	11,139	36	2,543	13,718	1,074	319	15,111
Recognition	14,228	2,029	225	16,482	11,882	291	28,655
Equipment maintenance and rental	7,464	49	2,707	10,220	2,210	135	12,565
Postage	3,641	252	1,811	5,704	343	3,216	9,263
Dues	11,417			11,417	542	480	12,439
Other	21,726	4,352	2,913	28,991	7,208	2,932	39,131
Total expenses before depreciation	3,606,073	916,649	220,465	4,743,187	817,874	101,689	5,662,750
Depreciation and amortization	22,948	3,601	1,788	28,337	3,793	302	32,432
Total expenses	<u>\$ 3,629,021</u>	<u>\$ 920,250</u>	<u>\$ 222,253</u>	<u>\$ 4,771,524</u>	<u>\$ 821,667</u>	<u>\$ 101,991</u>	<u>\$ 5,695,182</u>

See Notes to Financial Statements

CRISIS CONNECTIONS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ 1,086,598	\$ 621,194
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	31,927	32,432
Reinvested interest from certificates of deposit	72	2,567
Changes in operating assets and liabilities		
Contracts and grants receivable	(414,747)	172,001
Prepaid expenses and other assets	(46,344)	(4,167)
Accounts payable	66,775	13,448
Accrued expenses	9,161	(32,011)
Refundable advances	46,894	
Deferred rent	(25,713)	(18,963)
	754,623	786,501
Net cash flows from operating activities	754,623	786,501
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(300,000)	(100,000)
Proceeds from maturities of certificates of deposit	197,664	101,087
Purchase of equipment and leasehold improvements	(124,722)	(11,573)
	(227,058)	(10,486)
Net cash flows from investing activities	(227,058)	(10,486)
Net change in cash and cash equivalents	527,565	776,015
Cash and Cash Equivalents, beginning of year	1,595,076	819,061
Cash and Cash Equivalents, end of year	\$ 2,122,641	\$ 1,595,076

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Organization

Crisis Connections (formerly Crisis Clinic) was founded in the state of Washington in 1964 as a not-for-profit corporation for the purpose of providing emergency telephone crisis intervention, and information and referral services.

Crisis Connections operates the 24-Hour Crisis Line, King County 2-1-1, the WA Recovery Help Line, the Washington Warm Line, and the TeenLink Help Line. It also offers support groups for survivors of suicide and those newly bereaved by suicide ("CC Cares"), and training for youth and adults on a wide range of topics including suicide and crisis intervention. Community Resources Online provides a database of more than 5,000 health and human services in King County. In 2018, Crisis Connections handled more than 269,000 calls.

Financial Statement Presentation

Crisis Connections reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions and certain grants that are received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions expire. Crisis Connections has elected to show restricted contributions whose restrictions are met in the same reporting period as unrestricted support. Net assets with donor restrictions, listed by purpose, consist of the following at December 31:

	2018	2017
Technology campaign	\$ 121,993	\$ -
Call to courage - veterans line	20,000	
CC Cares	11,000	
Many Minds collaborative		100,000
	<u>\$ 152,993</u>	<u>\$ 100,000</u>

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Value Measurements

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

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

Cash and Cash Equivalents

Crisis Connections considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. Crisis Connections occasionally has cash deposits in excess of federally insured limits in order to support its monthly cash requirements.

Certificates of Deposit

Certificates of deposit are stated at fair value using Level 1 inputs. Certificates of deposit with maturity dates that extend beyond one year from the balance sheet date are classified as long-term on the statements of financial position.

Contracts and Grants Receivable

Contracts and grants receivable are stated at their outstanding balances. Management reviews the collectibility of contracts and grants receivable on a periodic basis. No allowance was considered necessary at December 31, 2018 or 2017.

Contracts and grants due from King County, Washington Healthcare Authority, and the City of Seattle represent 32%, 32%, and 14%, respectively, of the total contracts and grants receivable balance at December 31, 2018. Contracts and grants due from King County, Washington Healthcare Authority, and the City of Seattle represent 40%, 17%, and 14%, respectively, of the total contracts and grants receivable balance at December 31, 2017.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost, if purchased, or fair value (based on estimated purchase price), if donated. Depreciation of equipment is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the estimated useful lives of the assets or the anticipated lease term, whichever is shorter. Crisis Connections' policy is to capitalize assets with a useful life of more than two years and a cost greater than \$1,000.

Donated Goods

Crisis Connections occasionally receives donations of supplies and equipment, which are recorded at fair value (based on estimated purchase price) on the date of donation. The value of supplies received was \$29,980 and \$14,931 in 2018 and 2017, respectively.

Donated Services

Crisis Connections recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not donated. Crisis Connections recognized no donated services for both of the years ended December 31, 2018 and 2017.

Other volunteers contributed approximately 39,000 and 44,000 hours of their time in 2018 and 2017, respectively, to help staff Crisis Connections' crisis intervention telephone line. Although Crisis Connections provides training to these individuals prior to their volunteering, their services do not meet the criteria for recognition and are not reflected in the accompanying financial statements.

Revenue Recognition

Crisis Connections recognizes contributions with or without donor restrictions when a gift is received or pledged.

Support from contracts and grants is recognized when certain conditions have been satisfied or for cost-reimbursable contracts, when eligible costs are incurred. Refundable advances represent contract and grant funds received before applicable conditions have been satisfied. Support from performance-based contracts (program service fees) is recognized when performance is completed. Performance-based contract funds received in advance of services performed are deferred until earned. Crisis Connections has received grants for specific purposes that are open to review and audit by the grantor agencies.

Crisis Connections received 50% of its total support and revenue from contracts and grants from King County during the year ended December 31, 2018. Crisis Connections received 47% and 11% of its total support and revenue from contracts and grants from King County and the City of Seattle, respectively, during the year ended December 31, 2017.

Crisis Connections' programs and operations would be significantly affected if there was a reduction in the level of support from the above-named entities or if there was a reduction in the level of support from the United Way.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses, professional fees and subcontracts, information technology, supplies, and printing and media are allocated based on the number of employees; occupancy is allocated based on square footage by department; and telephone expense is allocated based on the number of phones.

Advertising Costs

Advertising costs are expensed as incurred.

Federal Income Tax

Crisis Connections is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Recent Accounting Pronouncement Adopted

During the year ended December 31, 2018, Crisis Connections adopted the provisions of Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Crisis Connections has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability of resources note (see Note 2).

Reclassifications

Certain items from the December 31, 2017, financial statements have been reclassified to conform to the current-year presentation. These reclassifications had no impact on net assets or changes in net assets as previously reported.

Subsequent Events

Crisis Connections has evaluated subsequent events through the date these financial statements were available to be issued, which was July 31, 2019.

Note 2. Liquidity and Availability of Resources

Crisis Connections' practice is to invest temporarily available funds into certificate of deposits. The certificates of deposit are in Merrill Lynch in tranches of \$100,000 each, laddered to mature in three- to six-month increments. At maturity, certificates of deposit are rolled over unless the funds are needed to pay for expenses. Crisis Connections does not invest in stocks/securities.

Crisis Connections has a policy to maintain four to six months of cash needs as reserves in its bank accounts and receivable balances. Financial assets available for general expenditure at December 31, 2018, comprise the following:

Cash and cash equivalents	\$	2,122,641
Certificates of deposit		699,285
Contracts and grants receivable		1,213,459
Less: net assets with donor restrictions		<u>(152,993)</u>
	\$	<u>3,882,392</u>

Note 3. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	<u>2018</u>	<u>2017</u>
Telephone system	\$ 187,426	\$ 101,240
Computer equipment	168,171	129,635
Furniture and fixtures	90,129	90,129
Leasehold improvements	<u>22,503</u>	<u>22,503</u>
	468,229	343,507
Less: accumulated depreciation and amortization	<u>(276,301)</u>	<u>(244,374)</u>
	<u>\$ 191,928</u>	<u>\$ 99,133</u>

Note 4. Leases

Crisis Connections leases its facilities under an agreement that expires in March 2020. Rental expense for these facilities was \$411,533 and \$329,392 in 2018 and 2017, respectively. Accounting principles generally accepted in the United States require that rental expense on leases be recognized on a straight-line basis over the term of the lease. Due to this requirement, a deferred rent liability amounting to \$41,000 and \$66,713 at December 31, 2018 and 2017, respectively, has been recorded and represents rent expense recognized in excess of what was actually paid.

Minimum future lease payments are as follows for the years ending December 31:

2019	\$ 429,678
2020	<u>109,180</u>
	<u>\$ 538,858</u>

SUPPLEMENTARY REPORTS AND
SCHEDULES IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
AND THE UNIFORM GUIDANCE

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

To the Board of Trustees
Crisis Connections
Seattle, Washington

We have audited in accordance with the auditing standards generally accepted in the United States 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 Crisis Connections, which comprise the statement of financial position as of December 31, 2018, 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 July 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crisis Connections' internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crisis Connections' internal control. Accordingly, we do not express an opinion on the effectiveness of Crisis Connections' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Peterson Sullivan LLP

July 31, 2019

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

To the Board of Trustees
Crisis Connections
Seattle, Washington

Report on Compliance for Each Major Federal Program

We have audited Crisis Connections' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Crisis Connections' major federal programs for the year ended December 31, 2018. Crisis Connections' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Crisis Connections' 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; 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 Crisis Connections' 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 the major federal program. However, our audit does not provide a legal determination of Crisis Connections' compliance.

Opinion on Each Major Federal Program

In our opinion, Crisis Connections 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, 2018.

Report on Internal Control over Compliance

Management of Crisis Connections 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 Crisis Connections' 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 purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crisis Connections' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Peterson Sullivan LLP

July 31, 2019

CRISIS CONNECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

Federal Grantor/Program Title	Award Number	CFDA Number	Federal Expenditures
Department of Health and Human Services			
Passed through from Washington State Department of Social and Health Services			
Block Grants for Prevention and Treatment of Substance Abuse*	1113-29737 Amendment #8	93.959	\$ 203,777
Block Grants for Prevention and Treatment of Substance Abuse*	1113-29737 Amendment #9	93.959	45,000
Block Grants for Prevention and Treatment of Substance Abuse*	1113-29737 Amendment #10	93.959	203,545
Block Grants for Prevention and Treatment of Substance Abuse*	1113-29737 Amendment #11	93.959	221,636
Block Grants for Prevention and Treatment of Substance Abuse*	1113-29737 Amendment #12	93.959	<u>45,000</u>
Total Block Grants for Prevention and Treatment of Substance Abuse			718,958
Passed through from King County Behavioral and Recovery Division			
Block Grants for Community Mental Health Services	5893230 Amendment #6	93.958	<u>255,547</u>
<i>Medicaid Cluster</i>			
Passed through from City of Seattle			
Medical Assistance Program	DA17-1552	93.778	32,140
Medical Assistance Program	DA18-1552	93.778	<u>43,770</u>
Total Medicaid Cluster			75,910
<i>Aging Cluster</i>			
Passed through from City of Seattle			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	DA17-1552	93.044	25,855
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	DA18-1552	93.044	<u>35,153</u>
Total Aging Cluster			61,008
Passed through from City of Seattle			
National Family Caregiver Support, Title III, Part E	DA17-7220	93.052	16,916
National Family Caregiver Support, Title III, Part E	DA18-7220	93.052	<u>26,456</u>
Total National Family Caregiver Support, Title III, Part E			<u>43,372</u>
Total Department of Health and Human Services			1,154,795

* Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards

CRISIS CONNECTIONS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

For the Year Ended December 31, 2018

Federal Grantor/Program Title	Award Number	CFDA Number	Federal Expenditures
Department of Housing and Urban Development			
Passed through from City of Seattle			
Continuum of Care	5897664 Amendment #2	14.267	\$ 124,300
Total Department of Housing and Urban Development			124,300
Department of Agriculture			
<i>SNAP Cluster</i>			
Passed through from WithinReach			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1613-75655-07	10.561	29,403
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1712-15506-07	10.561	55,267
Total SNAP Cluster and Department of Agriculture			84,670
Total federal expenditures			\$ 1,363,765

* Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Crisis Connections under programs of the federal government for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Crisis Connections, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Crisis Connections.

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 the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

Crisis Connections has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

CRISIS CONNECTIONS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

A. Summary of Audit Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal Control over Financial Reporting:

Material weaknesses identified: None reported

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

Noncompliance material to financial statements noted: None reported

Federal Awards:

Material weaknesses identified: None reported

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

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

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

Identification of Major Programs:

<u>Program Title</u>	<u>CFDA Number</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959

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

Auditee qualified as low-risk auditee: No

B. Findings – Financial Statement Audit None reported

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