

**METROPOLITAN DEVELOPMENT  
COUNCIL AND RELATED ENTITIES**

Audited Consolidated Financial Statements,  
Supplementary Information and  
Reports on Compliance and Internal Control

December 31, 2023 and 2022

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1501 Regents Blvd., Suite 100  
Fircrest, WA 98466-6060

## Independent Auditor's Report

Board of Directors  
Metropolitan Development Council and Related Entities  
Tacoma, Washington

### ***Opinion***

We have audited the accompanying consolidated financial statements of Metropolitan Development Council and Related Entities ("MDC"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of revenues, expenditures and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Development Council and Related Entities as of December 31, 2023 and 2022, 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 ("U.S. GAAP").

### ***Emphasis of a Matter***

As discussed in Note 2 to the financial statements, MDC adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"): *Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023, using the modified retrospective approach. Our conclusion is not modified with respect to this matter.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

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

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

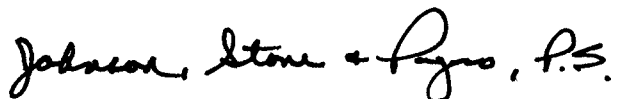
## **Other Matters**

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 26-33, as of and for the years ended December 31, 2023 and 2022, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2023 on pages 32 - 33, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 16, 2024 on our consideration of MDC'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 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 MDC'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 Metropolitan Development Council and Related Entities' internal control over financial reporting and compliance.



**JOHNSON, STONE & PAGANO, P.S.**

July 16, 2024

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
<b><u>ASSETS</u></b>		
Cash	\$ 1,806,353	\$ 2,883,747
Grants and contracts receivable, net	2,718,112	3,706,775
Deposits, advances and prepaid expenses	237,784	228,740
Inventory	5,241	8,806
Reserves	335,353	357,380
Land	2,387,600	2,387,600
Buildings, net of accumulated depreciation	15,472,194	15,921,993
Equipment, net of accumulated depreciation	265,816	851
Operating right-of-use asset, net	199,942	248,497
<b>TOTAL ASSETS</b>	<b>\$ 23,428,395</b>	<b>\$ 25,744,389</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,151,238	\$ 1,003,365
Accrued payroll and taxes	278,355	275,436
Funding source advance	521,913	955,265
Rental deposits	70,062	47,773
Accrued annual leave	252,215	293,269
Mortgages payable	4,259,175	4,339,326
Mortgages and loans payable, low income housing, net of debt issuance of \$66,143 for 2023 and \$70,412 for 2022	12,411,106	12,208,646
Operating lease liability	202,126	251,841
<b>Total Liabilities</b>	19,146,190	19,374,921
<b>NET ASSETS (DEFICIT)</b>		
Without donor restrictions		
Education	(19,351)	156,311
Housing	1,871,992	2,416,235
Healthcare	2,183,212	3,555,304
Development	246,352	241,618
<b>Total Net Assets without Donor Restrictions</b>	4,282,205	6,369,468
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,428,395</b>	<b>\$ 25,744,389</b>

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

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

CONSOLIDATED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	<u>Education</u>	<u>Housing</u>	<u>Healthcare</u>	<u>Total Programs</u>	<u>Development</u>	<u>Administration</u>	<u>Total</u>
<b>REVENUE</b>							
Grants and contracts	\$ 2,605,984	\$ 13,823,298	\$ 774,917	\$ 17,204,199			\$ 17,204,199
Donations		3,193	75,000	78,193	\$ 85,247		163,440
Service fees and match		651,983	2,749,183	3,401,166			3,401,166
Rent income		2,086,685		2,086,685			2,086,685
Interest income		71	15,641	15,712		\$ 876	16,588
In-kind contributions	372,462			372,462	2,375	449	375,286
Other income		155,757		155,757			155,757
<b>Total Revenue</b>	<b>2,978,446</b>	<b>16,720,987</b>	<b>3,614,741</b>	<b>23,314,174</b>	<b>87,622</b>	<b>1,325</b>	<b>23,403,121</b>
<b>EXPENDITURES</b>							
Personnel	1,410,252	4,076,423	3,231,016	8,717,691	32,073	1,503,614	10,253,378
Travel and transportation	91,706	32,939	138	124,783		403	125,186
Facility costs	73,561	687,480	347,388	1,108,429	6,140	301,964	1,416,533
Interest		150,105		150,105		18,561	168,666
Depreciation		652,002		652,002			652,002
Supplies	436,413	296,943	429,643	1,162,999	1,179	84,404	1,248,582
Materials and direct payments	136,955	8,885,974	6,585	9,029,514			9,029,514
Tools and equipment	708	2,623	1,970	5,301		3,838	9,139
Other direct costs	214,443	1,176,748	428,344	1,819,535	41,121	398,547	2,259,203
In-kind	372,462	2,895		375,357	2,375	449	378,181
Indirect and direct administrative	417,608	1,351,098	541,749	2,310,455		(2,310,455)	
<b>Total Expenditures</b>	<b>3,154,108</b>	<b>17,315,230</b>	<b>4,986,833</b>	<b>25,456,171</b>	<b>82,888</b>	<b>1,325</b>	<b>25,540,384</b>
<b>CHANGE IN NET ASSETS</b>	<b>(175,662)</b>	<b>(594,243)</b>	<b>(1,372,092)</b>	<b>(2,141,997)</b>	<b>4,734</b>		<b>(2,137,263)</b>
<b>Net Assets at Beginning of Year</b>	<b>156,311</b>	<b>2,416,235</b>	<b>3,555,304</b>	<b>6,127,850</b>	<b>241,618</b>		<b>6,369,468</b>
Capital contribution		50,000		50,000			50,000
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ (19,351)</b>	<b>\$ 1,871,992</b>	<b>\$ 2,183,212</b>	<b>\$ 4,035,853</b>	<b>\$ 246,352</b>	<b>\$</b>	<b>\$ 4,282,205</b>

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



**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

CONSOLIDATED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS (Continued)

Year Ended December 31, 2022

	<u>Education</u>	<u>Housing</u>	<u>Healthcare</u>	<u>Total Programs</u>	<u>Development</u>	<u>Administration</u>	<u>Total</u>
<b>REVENUE</b>							
Grants and contracts	\$ 1,940,605	\$ 13,027,946	\$ 714,015	\$ 15,682,566	\$ 14,000		\$ 15,696,566
Donations		58,919		58,919	8,084		67,003
Service fees and match		408,806	6,422,744	6,831,550		\$ 2,310	6,833,860
Rent income		2,083,862		2,083,862			2,083,862
Interest income		5,226		5,226			5,226
In-kind contributions	399,276	1,604		400,880			400,880
Other income		1,241,187	100	1,241,287		135	1,241,422
<b>Total Revenue</b>	<b>2,339,881</b>	<b>16,827,550</b>	<b>7,136,859</b>	<b>26,304,290</b>	<b>22,084</b>	<b>2,445</b>	<b>26,328,819</b>
<b>EXPENDITURES</b>							
Personnel	1,020,834	2,781,363	5,276,266	9,078,463	7,216	1,511,418	10,597,097
Travel and transportation	50,467	250,767	1,184	302,418		1,192	303,610
Facility costs	49,659	882,536	525,623	1,457,818	275	170,077	1,628,170
Interest		169,710		169,710		15,823	185,533
Depreciation		647,728		647,728			647,728
Supplies	274,018	214,068	628,472	1,116,558	59	90,736	1,207,353
Materials and direct payments	220,779	8,389,074	7,266	8,617,119			8,617,119
Tools and equipment	2,483	1	87	2,571		7,348	9,919
Other direct costs	194,584	1,705,312	310,231	2,210,127	41,913	234,453	2,486,493
In-kind	399,276	1,604		400,880			400,880
Indirect and direct administrative	126,571	1,062,774	839,257	2,028,602		(2,028,602)	
<b>Total Expenditures</b>	<b>2,338,671</b>	<b>16,104,937</b>	<b>7,588,386</b>	<b>26,031,994</b>	<b>49,463</b>	<b>2,445</b>	<b>26,083,902</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,210</b>	<b>722,613</b>	<b>(451,527)</b>	<b>272,296</b>	<b>(27,379)</b>		<b>244,917</b>
<b>Net Assets at Beginning of Year</b>	<b>155,101</b>	<b>1,713,622</b>	<b>4,006,831</b>	<b>5,875,554</b>	<b>268,997</b>		<b>6,144,551</b>
Net asset adjustment for capitalized costs		(20,000)		(20,000)			(20,000)
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 156,311</b>	<b>\$ 2,416,235</b>	<b>\$ 3,555,304</b>	<b>\$ 6,127,850</b>	<b>\$ 241,618</b>	<b>\$</b>	<b>\$ 6,369,468</b>

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

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,137,263)	\$ 244,917
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	652,002	647,728
Debt issuance costs	4,269	4,269
Gain on disposal of fixed assets		(863,820)
Amortization of right-of-use, asset	48,555	177,246
Net change in operating assets and liabilities	<u>654,171</u>	<u>(987,640)</u>
<b>Net Cash Used by Operating Activities</b>	(778,266)	(777,300)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings and equipment	(204,962)	(112,143)
Proceeds from sale of land, buildings and equipment		<u>1,474,230</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	(204,962)	1,362,087
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit		(450,000)
Payments of principal on mortgages and loans	(144,166)	(389,996)
Capital contribution	<u>50,000</u>	
<b>Net Cash Used by Financing Activities</b>	<u>(94,166)</u>	<u>(839,996)</u>
<b>NET DECREASE IN CASH</b>	(1,077,394)	(255,209)
<b>Cash at Beginning of Year</b>	<u>2,883,747</u>	<u>3,138,956</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,806,353</u>	<u>\$ 2,883,747</u>

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

## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
(Increase) decrease in assets		
Grants and contracts receivable, net	\$ 988,663	\$ (839,316)
Deposits, advances and prepaid expenses	(9,044)	(138,901)
Inventory	3,565	(8,806)
Reserves	22,027	
Increase (decrease) in liabilities		
Accounts payable	147,873	(6,513)
Payroll, taxes and accrued annual leave payable	(38,135)	42,556
Funding source advance	(433,352)	141,845
Rental deposits	22,289	(4,603)
Operating lease liability	<u>(49,715)</u>	<u>(173,902)</u>
<b>NET CHANGE IN OPERATING ASSETS AND LIABILITIES</b>	<b>\$ <u>654,171</u></b>	<b>\$ <u>(987,640)</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ <u>164,397</u>	\$ <u>181,264</u>
Net asset adjustment for capitalized costs	\$ <u>          </u>	\$ <u>20,000</u>
Noncash acquisition of fixed assets included in mortgages and loans	\$ <u>262,206</u>	\$ <u>          </u>

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

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 1 - ORGANIZATIONS**

Metropolitan Development Council, doing business as MDC ("MDC"), is a nonprofit organization incorporated in the state of Washington, with administrative offices located in Tacoma, Washington. MDC is a community action agency with the mission to educate our community to change the perception of poverty and deliver innovative services that equip individuals and families to thrive; MDC helps people and changes lives. MDC helps people get through difficult times and become self-reliant members of our community by providing services in housing, healthcare, employment and education. MDC's promise is to help in times of crisis, to care in times of need and to provide guidance in times of opportunity.

MDC is an acknowledged leader in developing and implementing innovative strategies and services to help low-income families and individuals become more self-sufficient. MDC began in 1964 in Tacoma, Washington. MDC continued to expand in response to the needs of communities in all of Pierce County, adding a wide range of services as the needs of the community have changed. Today, MDC is one of the largest private nonprofit human service agencies in the Puget Sound area. MDC's services include:

#### **Education**

##### ***Employment and Education***

The Child and Adult Care Food Program ("CACFP") provides oversight and reimbursement dollars for nutritious meals served to children attending licensed in-home daycare centers. Providers receive nutrition education and support services that help them serve nutritious meals and create a positive eating environment for children. The quality of childcare provided in our community is improved due to educational and financial resources available to caregivers through the CACFP, and the cost of that care in lower income neighborhoods stays affordable.

The Educational Opportunity Centers provide free educational navigation support to adults through career advising and exploration, education planning, assistance with financial aid forms and college applications and student loan default advocacy.

The Upward Bound program helps low-income, first-generation students graduate high school and enroll in college. Through specialized programs, students in grades 9-12 learn the skills they need in order to access opportunities that allow for their growth and achievement.

#### **Healthcare**

##### ***Acute Medical Withdrawal Management (Detox)***

MDC provides inpatient acute medical withdrawal management (detoxification) to adults experiencing physical withdrawal from alcohol and other drugs. 16 beds are available at any given time.

##### ***Outpatient Chemical Dependency***

MDC provides assessment, outpatient and intensive outpatient services to individuals who meet medical necessity criteria to recover from addiction to alcohol and other drugs.

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 1 - ORGANIZATIONS (Continued)**

##### **Housing**

MDC operates a continuum of affordable housing options for individuals and families who are coming out of homelessness or have lower incomes, many of whom experience disabilities. Apartments, duplexes, group homes and single-family dwellings comprise 223 units of rental housing available from MDC. MDC provides many specialized services to help stabilize these individuals and families.

MDC's continuum of care provides clients with housing placement and ongoing services that best meet their needs. Professional care management services are tailored to fit the needs of each tenant in reducing barriers to permanent housing and self-sufficiency.

Homeless prevention programs include utility assistance through the Low-income Housing Energy and Assistance Program ("LIHEAP") in partnership with the state and local utility companies and conservation of energy use through small repair and weatherization measures added to homes in the city of Tacoma.

##### **MDC Housing**

MDC Housing owns an apartment complex that has been renovated and operates as the Randall Townsend Apartments. The project was funded with debt agreements detailed in Note 8.

##### **Parkland Family Vista LLC**

Parkland Family Vista ("Parkland") is an entity created by MDC to obtain investment capital and long-term subsidized financing for the construction of a 40-unit low-income housing complex. The purpose of the project is to provide affordable housing facilities for low income and homeless individuals. As of December 31, 2023 and 2022, Parkland (formerly Parkland Vista LLC) is a wholly owned LLC of MDC.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Presentation and Principles of Consolidation***

MDC's financial statements have been prepared in accordance with Accounting Principles Generally Accepted in The United States of America ("U.S. GAAP") and include the entities identified in Note 1. All material intercompany accounts and transactions have been eliminated in consolidation. The accounts of various contracts are also maintained on the Budgeting, Accounting and Reporting System ("BARS") as prescribed by Pierce County and the State of Washington. All activity is accounted for on the accrual basis of accounting.

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Contracts and Grants***

MDC receives grants and contracts from federal, state and local agencies, as well as from private organizations, to be used for specific programs. Unconditional grant awards are recorded as grant revenue in the period which they are awarded. Grant awards, having the existence of a condition, but lacking in both the existence of a barrier and right of return to the resource provider, are classified as restricted grant revenue until conditions of the award are met. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as refundable advances when received as a cash advance and are recognized as revenue when the awards are expended for the purpose of the grant, or other conditions are satisfied. Advances and deferred revenue, including refundable advances, totaled \$521,913 at December 31, 2023 and \$955,265 at December 31, 2022.

##### ***Revenues and Receivables***

In-kind contributions (donations to MDC of materials or services) are recorded as revenue at their estimated fair value when received. Rents are recorded for unsubsidized rents when earned. Registration and other receipts related to fundraising events are not recognized as revenue until the event occurs. Donations of merchandise for special events are recorded as revenue at the time of the event. Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses for accounts receivable held at December 31, 2023 and 2022 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages. Additionally, management determined that the current and reasonably supportable forecasted economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes.

An allowance for credit losses has been established for contracts and rents owed to MDC, which may not be paid. The allowance for credit losses totaled \$88,884 at December 31, 2023 and \$16,172 at December 31, 2022.

##### ***Central Administration Costs***

MDC records costs of central administration, planning, personnel and accounting not attributable to specific grants or programs in an administrative cost pool. These costs are allocated directly to grants and contracts by means of an indirect cost rate negotiated with the U.S. Department of Education and other small contracts which are charged at negotiated or flat rates.

##### ***Cash***

For the purpose of the statements of cash flows, MDC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. MDC maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Federal Deposit Insurance Corporation ("FDIC") insures bank accounts with the basic coverage up to \$250,000. The cash balances at December 31, 2023 exceeded the insured amount by a total of \$1,782,524.

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Equipment***

Equipment is recorded at cost for purchased and donated equipment at the estimated fair value at the date of receipt. Depreciation of equipment purchased with grant funds is not a generally accepted accounting policy for grant accounting, as equipment purchases are reported as grant expenditures in the year of acquisition, and the grantor retains a reversionary interest in equipment purchases over certain dollar amounts. Equipment with a unit cost of \$5,000 or more is capitalized.

Equipment purchased by MDC and Parkland without the use of grant funds is depreciated over estimated useful lives using the straight-line method. Equipment depreciation expense for MDC totaled \$10,742 for the year ended December 31, 2023 and \$15,992 for the year ended December 31, 2022. As of the years ended December 31, 2023 and 2022, Parkland equipment was fully depreciated.

##### ***Land, Buildings and Improvements***

Land, buildings and improvements are recorded at cost. MDC and Parkland housing and buildings are depreciated over their estimated useful lives (generally 40 years) using the straight-line method from the date the properties are placed in service. Parkland improvements were capitalized and depreciated over their estimated useful lives (generally 15 years) using the straight-line method from the date the improvements are complete. Expenditures for maintenance and repairs are expensed as incurred. MDC's depreciation expense for buildings totaled \$487,627 at December 31, 2023 and \$477,726 at December 31, 2022. Parkland's depreciation expense for buildings and improvements totaled \$153,633 at December 31, 2023 and \$154,010 at December 31, 2022.

MDC and Parkland review their investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such properties may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real property is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized at December 31, 2023 and 2022.

##### ***Debt Issuance Costs***

Debt issuance costs are amortized over the term of the mortgage loan using the straight-line method. Interest expense associated with the debt issuance costs for MDC housing totaled \$767 at December 31, 2023 and 2022. The estimated annual aggregate amortization expense for MDC housing for each of the next five years is \$767. Interest expense associated with the debt issuance costs for Parkland totaled \$3,502 at December 31, 2023 and 2022.

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Federal Income Taxes***

MDC has been granted exemption from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

##### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Net Assets without Donor Restrictions***

Net assets without donor restrictions are those assets and resources over which MDC has discretion for the use in carrying out its programs. All net assets are considered to be without restrictions unless specifically restricted by the donor. There were no net assets with donor restrictions at December 31, 2023 or 2022.

##### ***Rental Income***

Rental income is recognized for apartment rentals as it accrues. Unsubsidized rental income is recognized when earned. MDC contracts provide that tenants cannot be evicted for failure to pay unsubsidized rents in units with subsidized rents. Advance receipts of subsidized rental income are deferred and classified as a liability until earned.

##### ***Adoption of New Accounting Standard***

As of January 1, 2023, MDC adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"): *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables. Pledges, grants and other contributions receivable are excluded from the standard. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. MDC adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

##### ***Subsequent Events***

MDC evaluated for subsequent events through July 16, 2024, the date the statements were available to be issued.



## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

#### NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,806,353	\$ 2,883,747
Grants and contracts receivable	2,718,112	3,706,775
Reserves	<u>335,353</u>	<u>357,380</u>
Total Financial Assets	4,859,818	6,947,902
Less reserves with restrictions for use	<u>334,486</u>	<u>356,513</u>
Total Financial Assets Available	\$ <u>4,525,332</u>	\$ <u>6,591,389</u>

The financial assets of MDC are available for qualifying expenses as incurred. Reserves represent cash accounts that are held to meet certain requirements or specific expenditures and are not available other than to meet specific purposes. As such, the reserve assets have not been included above in the net financial assets available for expenditure.

#### NOTE 4 - CONTINGENCIES AND COMMITMENTS

Administrative costs for management of most grants and contracts were charged using a negotiated provisional or predetermined indirect cost rate established by the U.S. Department of Education. This rate is subject to re-negotiation and finalization by the U.S. Department of Health and Human Services. The established provisional rate was 8% for both the years ended December 31, 2023 and 2022.

#### NOTE 5 - RETIREMENT PLAN

Metropolitan Development Council provides a 403(b) retirement plan. The retirement plan provides coverage for all employees with no minimum age or service requirements and immediate vesting of employer contributions. MDC contributes 4% of employees' gross wages and matches 100% of any additional employee contributions up to the next 4% of employees' gross wages. Detailed plan provisions are available in the plan trust agreement. Retirement plan contributions totaled \$382,907 at December 31, 2023 and \$428,831 at December 31, 2022.

# METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

### NOTE 6 - RENT AGREEMENTS

As part of MDC's affordable housing continuum, MDC rents various properties on a month-to-month basis. MDC in turn rents these properties out to individuals and families who are coming out of homelessness or have lower incomes at discounted or no cost to the renters. Rental expenses incurred by MDC to facilitate affordable housing totaled \$2,294,353 and \$1,148,965 for the years ended December 31, 2023 and 2022, respectively.

MDC also facilitates the affordable housing continuum by renting out properties it owns. Rental income earned as a result of facilitating affordable housing totaled \$1,699,622 and \$1,612,528 for the years ended December 31, 2023 and 2022, respectively.

### NOTE 7 - LINE OF CREDIT

In October 2023, MDC opened a \$400,000 revolving line of credit. The line of credit expires in October 2024. The line of credit is collateralized by assets and grantee reimbursements related to a grant agreement, wherein MDC is the grantee, and a governmental entity is the grantor. Interest on the line of credit is calculated using the prime rate, plus 0.50% (9.00% as of December 31, 2023), and is payable monthly. The line of credit agreement contains a covenant to maintain a debt service coverage ratio of 1.25, which was not met as of December 31, 2023. There was no outstanding balance as of December 31, 2023.

### NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING

Project loans payable are all secured by deeds of trust on the subject properties, assignment of rents, security agreements and personal property of MDC located on the premises. MDC is required to comply with certain financial covenants as a condition to certain credit facilities, including the maintenance of a debt service coverage ratio of 1.15 required by the loan agreement with the Tacoma Housing Authority in care of Northeast Bank. MDC was not in compliance with the debt service coverage ratio requirement as of the date of the financial statements. In addition, they all contain covenants requiring the properties be rented to low-income persons as determined by the United States Department of Housing and Urban Development for the terms of the loans.

	<u>2023</u>	<u>2022</u>
Washington State Department of Commerce, 50-year loan with interest at 1.0%, payable at \$3,428 per year, with a balloon payment of \$230,409, due December 2046. Payment deferred for 2023 and 2022.	\$ 308,160	\$ 308,160

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING**

(Continued)

	<u>2023</u>	<u>2022</u>
Tacoma Community Redevelopment Authority ("TCRA"), 30-year no-interest loan, forgivable if terms and conditions of the loan agreement are met, due in 2024. Payment deferred for 2023 and 2022.	\$ 143,000	\$ 143,000
Washington State Department of Commerce, 50-year loan with interest at 1.0%, payable at \$766 each June 12th for 50-years, due December 2044. Payment deferred for 2023 and 2022.	17,849	17,849
Washington State Department of Commerce, 50-year no-interest loan, payable at \$3,151 per year, due January 2046. Payment deferred for 2023 and 2022.	85,064	85,064
Washington State Department of Commerce, 50-year no-interest loan, payable at \$1,600 per year commencing in 2002, due January 2048. Payment deferred for 2023 and 2022.	46,400	46,400
Washington State Department of Commerce, 50-year no-interest loan, payable at \$2,776 per year, due in 2048. Payment deferred for 2023 and 2022.	79,479	79,479
Pierce County DC, no-interest loan, payable at \$5,000 per year, due December 2031. Payment deferred for 2023 and 2022.	60,000	60,000
Pierce County DC, 20-year no-interest loan, payable in annual payments of \$8,307, due in August 2024. Payment deferred for 2023 and 2022.	41,532	41,532
Pierce County DC, no-interest loan, payable at \$3,665 per year, due September 2027. Payment deferred for 2023 and 2022.	65,979	65,979
Washington State Department of Commerce, 50-year no-interest loan, payable at \$2,800 per year, due in 2051. Payment deferred for 2023 and 2022.	92,400	92,400

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING**

(Continued)

	<u>2023</u>	<u>2022</u>
Washington State Department of Commerce, 50-year no-interest loan, convertible to a grant in 2051.	\$ 125,000	\$ 125,000
Pierce County DC, 30-year no-interest loan, payable at \$667 per year, due June 2031. Payment deferred for 2023 and 2022.	7,984	7,984
Pierce County DC, 30-year no-interest loan, payable at \$667 per year, due June 2031. Payment deferred for 2023 and 2022.	7,984	7,984
Housing Trust Fund ("HTF") Home Program, 40-year loan with interest at 1.0%, payable at \$3,944 per quarter, due September 2043. Payment deferred for 2023 and 2022.	347,969	347,969
HTF Home Program, 40-year loan with interest at 1.0%, payable at \$3,647 per quarter, due September 2043. Payment deferred for 2023 and 2022.	321,641	321,641
TCRA, interest at 0.5% per annum, payable at \$2,358 per month, due November 2032.	248,640	275,627
Washington State Department of Commerce, 10-year no-interest loan, convertible to a grant in 2024.	1,320,000	1,320,000
Pierce County Human Services, 30-year no-interest loan, convertible to a grant in 2052.	200,000	200,000
Verkada note payable with interest at 8.25%, payable at \$5,308 per month, due November 2028.	<u>258,481</u>	<u>3,546,068</u>
	<u>3,777,562</u>	<u>3,546,068</u>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING**  
(Continued)

	<u>2023</u>	<u>2022</u>
<b><u>MDC Housing</u></b>		
The first deed of trust is held by the Washington State Department of Commerce in the original amount of \$1,175,000. The note bears interest at 1.5% with annual payments of \$37,000. The loan is collateralized by the subject property and is subject to performance under Housing Assistance Contract Number 5-94-491-11B, due January 2046. Payment deferred for 2023 and 2022.	\$ 1,087,838	\$ 1,087,838
Second deeds of trust are as follows:		
Pierce County Community Connections, 30-year no interest loan, forgivable if terms and conditions are met through June 2043.	703,500	703,500
Pierce County Community Connections, \$287,268, 20-year no-interest U.S. Department of Housing and Urban Development ("HUD") financing, forgivable if terms and conditions are met, due in June 2033.	287,268	287,268
Pierce County Community Connections \$1,581,925, 30-year no-interest loan, secured by a deed of trust, forgivable if terms and conditions are met through June 2043.	1,581,925	1,581,925
Washington State Department of Commerce Housing Trust, \$1,733,000, 40-year no-interest mortgage, secured by a deed of trust, forgivable if terms and conditions are met through June 2053.	1,733,000	1,733,000
Pierce County Community Connections, \$341,025, 29-year no-interest loan, secured by a deed of trust, forgivable if terms and conditions are met through May 2043.	<u>341,025</u>	<u>341,025</u>
	5,734,556	5,734,556
Less unamortized debt issuance costs	<u>4,638</u>	<u>5,405</u>
Mortgages and loans payable, net of unamortized debt issuance costs	<u>5,729,918</u>	<u>5,729,151</u>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING**  
(Continued)

	<u>2023</u>	<u>2022</u>
<b><u>Parkland Family Vista LLC</u></b>		
Promissory note, Tacoma Housing Authority for \$1,050,000 in care of Northeast Bank. Interest is at 5.2%. This is the permanent portion of long-term bond financing. Principal and interest payments are due in monthly installments that are necessary to amortize the outstanding principal balance as of June 30, 2007, and interest thereon, with final payment due June 2037. Monthly required payments are \$5,815.	\$ 673,978	\$ 707,281
A second deed of trust is held by Washington State Department of Commerce, in the original amount of \$1,500,000. The note is without interest, due in November 2045, and requires quarterly payments of \$9,615. Parkland has requested deferral of the payment since 2012.	1,346,153	1,346,153
Pierce County Community Redevelopment Authority in the original amount of \$1,050,000. The note is without interest, due in 2046 and payable at \$26,250 annually. Parkland has requested deferral of the payment since 2020.	<u>945,000</u> 2,965,131	<u>945,000</u> 2,998,434
Less unamortized debt issuance costs	<u>61,505</u>	<u>65,007</u>
Mortgages and loans payable, net of unamortized debt issuance costs	<u>2,903,626</u>	<u>2,933,427</u>
Total Mortgages and Loans Payable, Low-Income Housing	\$ <u>12,411,106</u>	\$ <u>12,208,646</u>

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 8 - MORTGAGES AND LOANS PAYABLE, LOW-INCOME HOUSING**

(Continued)

MDC has the following obligations, which have been recognized in prior years as revenue without donor restrictions as MDC expects to continue to maintain the underlying properties in accordance with the related agreements:

A no-interest obligation with Pierce County in the amounts of \$683,163 and \$400,000, and maturity date of August 2024, which are forgivable in 2024 as long as the buildings are kept and maintained per the conditions of the obligation.

A no-interest obligation, supportive housing program Substitute House Build ("SHB") loan with TCRA in the amount of \$297,119, and maturity date of September 2037, forgivable as long as the building is kept and maintained per the conditions of the loan.

A no-interest obligation, forgivable SHB loan with TCRA in the amount of \$82,587, and maturity date April 2046, forgivable as long as the funds are used per the conditions of the loan.

A no-interest obligation, forgivable SHB loan with TCRA in the amount of \$92,976, and maturity date April 2047, forgivable as long as the funds are used per the conditions of the loan.

A no-interest obligation 50-year, recoverable grant with the Washington State Department of Commerce for \$4,800, and maturity date January 2048, is forgivable as long as the building is kept and maintained per the conditions of the grant.

#### **NOTE 9 - MORTGAGES PAYABLE**

In December of 1994, MDC purchased the building it had been leasing at 721 South Fawcett and extensively remodeled it during 1995 and 1996.

MDC further developed this property with the addition of approximately 6,000 square feet of space for agency administration and service staff and the addition of 15 units of low-income housing apartments. The approximate cost of this development was \$5,277,555. Commercial bank financing was obtained in December of 2004 in the amount of \$2,800,000, including the refinancing of previous mortgages. Additional financing was obtained from low-interest government loans and a HUD grant. Costs incurred through December 31, 2005 were \$2,690,814, and undisbursed loan and grant funds in the amount of \$1,496,391 were held in escrow. Major construction started in May of 2005 and was substantially completed in April of 2006. Financing is as follows:

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

**NOTE 9 - MORTGAGES PAYABLE (Continued)**

	<u>2023</u>	<u>2022</u>
Payable to Heritage Bank, interest at 4.50%, monthly payments of \$11,814 through February 2025.	\$ 1,626,627	\$ 1,690,831
Payable to Heritage Bank, interest at 4.99%, 119 payments of \$3,488 per month commencing on September 5, 2017. Balloon payment of \$442,681 due on August 5, 2027.	503,273	519,220
No-interest loans payable to the following government agencies, completely forgivable if terms and conditions of agreement are satisfied:		
DCTED, forgivable on May 30, 2046	1,300,815	1,300,815
TCRA - HOME Funds, forgivable on March 15, 2035	284,983	284,983
TCRA - SPG Funds, forgivable on March 15, 2035	343,477	343,477
Pierce County - SHB 2060 Funds, forgivable November 2035	<u>200,000</u>	<u>200,000</u>
Total Mortgages Payable	<u>\$ 4,259,175</u>	<u>\$ 4,339,326</u>

At December 31, 2023, maturities on mortgages and loans payable, low-income housing and mortgages for each year through the dates are as follows:

	<u>Payments</u>	<u>Loan Forgiveness</u>	<u>Total</u>
2024	\$ 361,984	\$ 1,463,000	\$ 1,824,984
2025	1,834,404		1,834,404
2026	285,294		285,294
2027	759,104		759,104
2028	269,805		269,805
Thereafter	<u>4,661,840</u>	<u>7,100,993</u>	<u>11,762,833</u>
	<u>\$ 8,172,431</u>	<u>\$ 8,563,993</u>	<u>\$ 16,736,424</u>



## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

#### NOTE 10 - RESERVES

MDC has established an operating reserve. According to the Parkland agreement, Parkland is required to maintain escrow deposits and reserves. The reserves at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
<b><u>MDC</u></b>		
Operating reserve	\$ 867	\$ 867
<b><u>Parkland Family Vista LLC</u></b>		
Funded operating debt and replacement reserves	<u>334,486</u>	<u>356,513</u>
Total Reserves, All Entities	\$ <u>335,353</u>	\$ <u>357,380</u>

#### NOTE 11 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,387,600	\$ 2,387,600
Buildings	25,546,822	25,356,123
Less accumulated depreciation	<u>(10,074,628)</u>	<u>(9,434,130)</u>
	17,859,794	18,309,593
Equipment	1,025,058	749,352
Less accumulated depreciation	<u>(759,242)</u>	<u>(748,501)</u>
	<u>265,816</u>	<u>851</u>
Total Land, Buildings and Equipment	\$ <u>18,125,610</u>	\$ <u>18,310,444</u>

During 2022, MDC sold three properties for proceeds of \$1,474,230, resulting in a net gain of \$863,820.

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2023 and 2022

#### **NOTE 12 - FUNCTIONALIZED EXPENSES**

The consolidated 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. The expenses that are allocated include facility costs, which are allocated on a square footage basis, as well as personnel, travel and transportation, supplies, interest and other, which are allocated on the basis of estimates of time and effort.

#### **NOTE 13 - LEASES**

Effective January 1, 2022, MDC adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* ("ASC Topic 842"). MDC elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The standard requires the recognition of right-of-use assets ("ROU") and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of revenues, expenses and other changes in net assets without donor restrictions as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. MDC exclusively has operating leases. MDC elected the package of practical expedients permitted in ASC Topic 842. Accordingly, MDC accounted for its existing leases as either a finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842 and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

ROU assets represent MDC's right to use an underlying asset for the lease term, and lease liabilities represent MDC's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit lease rate, MDC uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

MDC's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a result of the adoption of the new lease accounting guidance, MDC recognized on January 1, 2022, the beginning of the adoption period, operating lease liability of \$425,743 and an operating right-of-use asset of \$425,743. The adoption of the new standard did not materially impact MDC's consolidated statement of revenue, expenditures and changes in net assets or statements of cash flows.

## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

#### NOTE 13 - LEASES (Continued)

MDC leases an office facility and equipment for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2027. The leased office facility has an option to renew for five years. MDC included in the determination of the ROU assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The leased office facility provides for increases in future minimum annual rental payments based on fixed rates defined in the lease agreement. Also, the lease agreements generally require MDC to pay applicable taxes, insurance and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, MDC estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using MDC's applicable borrowing rates and the contractual lease term.

Total lease costs for the years ended December 31, were as follows:

	<u>2023</u>	<u>2022</u>
Total Lease Cost	\$ <u>205,011</u>	\$ <u>203,527</u>

The following summarizes the supplemental cash flow information for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating Cash Flows from Operating Leases	\$ <u>205,011</u>	\$ <u>187,536</u>
Right-of-use assets obtained in exchange for lease liabilities		
Operating Leases	\$ <u>84,225</u>	\$ <u>425,743</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Weighted-average remaining lease term		
Operating leases	2.49 years	1.68 years
Weighted-average discount rate		
Operating leases	6.88%	5.62%

## METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

#### NOTE 13 - LEASES (Continued)

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

	<u>Operating</u>
2024	\$ 123,581
2025	30,237
2026	30,237
2027	29,252
2028	<u>4,074</u>
Total Lease Payments	217,381
Less amount representing interest	<u>(15,255)</u>
Present Value of Lease Liabilities	\$ <u>202,126</u>

#### NOTE 14 - COMMITMENTS

In May 2023, MDC entered into an agreement with a third-party to become a non-managing member in an LLC. MDC has executed an agreement to perform development services for the LLC with respect to a low income housing project. There is an option to buy-in to the project and MDC did not exercise this option when the agreement was signed.

#### NOTE 15 - SUBSEQUENT EVENTS

In February 2024, MDC sold the building located at 730 Fawcett Avenue. The proceeds from the sale were \$935,000.

SUPPLEMENTARY INFORMATION

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

SCHEDULES OF FINANCIAL POSITION

December 31, 2023

	MDC	MDC Housing	Parkland	Totals	Eliminations	Consolidated
<b>ASSETS</b>						
Cash	\$ 1,695,906	\$ 80,789	\$ 29,658	\$ 1,806,353		\$ 1,806,353
Grants and contracts receivable, net	2,563,948	6,547	147,617	2,718,112		2,718,112
Deposits, advances and prepaid expenses	187,437		50,347	237,784		237,784
Inventory	5,241			5,241		5,241
Receivable	3,562,335			3,562,335	\$ (3,562,335)	
Investment, Parkland Street Limited Partnership	1,033,831			1,033,831	(1,033,831)	
Reserves	867		334,486	335,353		335,353
Land	1,444,700	683,000	259,900	2,387,600		2,387,600
Buildings, net of accumulated depreciation	7,521,209	4,408,798	3,542,187	15,472,194		15,472,194
Equipment, net of accumulated depreciation	265,816			265,816		265,816
Operating right-of-use asset, net	199,942			199,942		199,942
<b>TOTAL ASSETS</b>	<b>\$ 18,481,232</b>	<b>\$ 5,179,134</b>	<b>\$ 4,364,195</b>	<b>\$ 28,024,561</b>	<b>\$ (4,596,166)</b>	<b>\$ 23,428,395</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,079,144	\$ (8,042)	\$ 80,136	\$ 1,151,238		\$ 1,151,238
Due to MDC		2,485,788	1,076,547	3,562,335	\$ (3,562,335)	
Accrued payroll and taxes	278,106	114	135	278,355		278,355
Funding source advance	521,913			521,913		521,913
Rental deposits	38,667	18,413	12,982	70,062		70,062
Accrued annual leave	252,215			252,215		252,215
Mortgages payable	4,259,175			4,259,175		4,259,175
Mortgages and loans payable, low income housing, net of debt issuance of \$66,143	3,777,562	5,729,918	2,903,626	12,411,106		12,411,106
Loan, MDC			1,033,831	1,033,831	(1,033,831)	
Operating lease liability	202,126			202,126		202,126
<b>Total Liabilities</b>	<b>10,408,908</b>	<b>8,226,191</b>	<b>5,107,257</b>	<b>23,742,356</b>	<b>(4,596,166)</b>	<b>19,146,190</b>
<b>NET ASSETS (DEFICIT)</b>						
Without donor restrictions						
Education	(19,351)			(19,351)		(19,351)
Housing	5,662,111	(3,047,057)	(743,062)	1,871,992		1,871,992
Healthcare	2,183,212			2,183,212		2,183,212
Development	246,352			246,352		246,352
<b>Total Net Assets (Deficit) without Donor Restrictions</b>	<b>8,072,324</b>	<b>(3,047,057)</b>	<b>(743,062)</b>	<b>4,282,205</b>		<b>4,282,205</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,481,232</b>	<b>\$ 5,179,134</b>	<b>\$ 4,364,195</b>	<b>\$ 28,024,561</b>	<b>\$ (4,596,166)</b>	<b>\$ 23,428,395</b>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

SCHEDULES OF FINANCIAL POSITION (Continued)

December 31, 2022

	MDC	MDC Housing	Parkland	Totals	Eliminations	Consolidated
<b>ASSETS</b>						
Cash	\$ 2,386,797	\$ 387,751	\$ 109,199	\$ 2,883,747		\$ 2,883,747
Grants and contracts receivable, net	3,600,584	35,829	70,362	3,706,775		3,706,775
Deposits, advances and prepaid expenses	228,046	694		228,740		228,740
Inventory	8,806			8,806		8,806
Receivable	3,567,747			3,567,747	\$ (3,567,747)	
Investment, Parkland Street Limited Partnership	1,033,831			1,033,831	(1,033,831)	
Reserves	867		356,513	357,380		357,380
Land	1,444,700	683,000	259,900	2,387,600		2,387,600
Buildings, net of accumulated depreciation	7,783,207	4,442,966	3,695,820	15,921,993		15,921,993
Equipment, net of accumulated depreciation	851			851		851
Operating right-of-use asset, net	248,497			248,497		248,497
<b>TOTAL ASSETS</b>	<b>\$ 20,303,933</b>	<b>\$ 5,550,240</b>	<b>\$ 4,491,794</b>	<b>\$ 30,345,967</b>	<b>\$ (4,601,578)</b>	<b>\$ 25,744,389</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 986,103	\$ 7,065	\$ 10,197	\$ 1,003,365		\$ 1,003,365
Due to MDC		2,556,546	1,011,201	3,567,747	\$ (3,567,747)	
Accrued payroll and taxes	275,399		37	275,436		275,436
Funding source advance	955,265			955,265		955,265
Rental deposits	25,654	9,244	12,875	47,773		47,773
Accrued annual leave	293,269			293,269		293,269
Mortgages payable	4,339,326			4,339,326		4,339,326
Mortgages and loans payable, low income housing, net of debt issuance of \$70,412	3,546,068	5,729,151	2,933,427	12,208,646		12,208,646
Loan, MDC			1,033,831	1,033,831	(1,033,831)	
Operating lease liability	251,841			251,841		251,841
<b>Total Liabilities</b>	<b>10,672,925</b>	<b>8,302,006</b>	<b>5,001,568</b>	<b>23,976,499</b>	<b>(4,601,578)</b>	<b>19,374,921</b>
<b>NET ASSETS</b>						
Without donor restrictions						
Education	156,311			156,311		156,311
Housing	5,677,775	(2,751,766)	(509,774)	2,416,235		2,416,235
Healthcare	3,555,304			3,555,304		3,555,304
Development	241,618			241,618		241,618
<b>Total Net Assets (Deficit) without Donor Restrictions</b>	<b>9,631,008</b>	<b>(2,751,766)</b>	<b>(509,774)</b>	<b>6,369,468</b>		<b>6,369,468</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,303,933</b>	<b>\$ 5,550,240</b>	<b>\$ 4,491,794</b>	<b>\$ 30,345,967</b>	<b>\$ (4,601,578)</b>	<b>\$ 25,744,389</b>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2023

	<u>MDC</u>	<u>MDC Housing</u>	<u>Parkland</u>	<u>Total</u>	<u>Administration</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>REVENUE</b>							
Grants and contracts	\$ 17,050,630	\$ 153,569		\$ 17,204,199			\$ 17,204,199
Donations	162,965	475		163,440			163,440
Service fee and match	3,401,166			3,401,166			3,401,166
Rent income	1,171,181	518,408	\$ 397,096	2,086,685			2,086,685
Interest income	15,712			15,712	\$ 876		16,588
In-kind contributions	374,837			374,837	449		375,286
Other income	150,394	3,605	1,758	155,757			155,757
<b>Total Revenue</b>	<u>22,326,885</u>	<u>676,057</u>	<u>398,854</u>	<u>23,401,796</u>	<u>1,325</u>		<u>23,403,121</u>
<b>EXPENDITURES</b>							
Personnel	8,300,174	399,638	49,952	8,749,764	1,503,614		10,253,378
Travel and transportation	121,748	2,082	953	124,783	403		125,186
Facility costs	626,524	227,389	260,656	1,114,569	301,964		1,416,533
Interest	109,353	767	39,985	150,105	18,561		168,666
Depreciation	353,090	145,279	153,633	652,002			652,002
Supplies	1,126,468	30,815	6,895	1,164,178	84,404		1,248,582
Materials and direct payments	9,028,830	684		9,029,514			9,029,514
Tools and equipment	4,642		659	5,301	3,838		9,139
Other direct costs	1,542,934	148,313	169,409	1,860,656	398,547		2,259,203
In-kind	377,257	475		377,732	449		378,181
Indirect and direct administrative	2,294,549	15,906		2,310,455	(2,310,455)		
<b>Total Expenditures</b>	<u>23,885,569</u>	<u>971,348</u>	<u>682,142</u>	<u>25,539,059</u>	<u>1,325</u>		<u>25,540,384</u>
<b>Change in Net Assets</b>	(1,558,684)	(295,291)	(283,288)	(2,137,263)			(2,137,263)
<b>Net Assets (Deficit) at Beginning of Year</b>	<u>9,631,008</u>	<u>(2,751,766)</u>	<u>(509,774)</u>	<u>6,369,468</u>			<u>6,369,468</u>
Capital Contribution			50,000	50,000			50,000
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<u>\$ 8,072,324</u>	<u>\$ (3,047,057)</u>	<u>\$ (743,062)</u>	<u>\$ 4,282,205</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,282,205</u>



**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS (Continued)

Year Ended December 31, 2022

	MDC	MDC Housing	Parkland	Total	Administration	Eliminations	Consolidated
<b>REVENUE</b>							
Grants and contracts	\$ 15,411,492	\$ 285,074		\$ 15,696,566			\$ 15,696,566
Donations	67,003			67,003			67,003
Service fee and match	6,831,550			6,831,550	\$ 2,310		6,833,860
Rent income	1,144,991	467,537	\$ 471,334	2,083,862			2,083,862
Interest income	5,226			5,226			5,226
In-kind contributions	400,880			400,880			400,880
Other income	1,238,844	130	2,313	1,241,287	135		1,241,422
<b>Total Revenue</b>	<b>25,099,986</b>	<b>752,741</b>	<b>473,647</b>	<b>26,326,374</b>	<b>2,445</b>		<b>26,328,819</b>
<b>EXPENDITURES</b>							
Personnel	8,605,454	445,243	34,982	9,085,679	1,511,418		10,597,097
Travel and transportation	297,804	4,044	570	302,418	1,192		303,610
Facility costs	964,421	254,508	239,164	1,458,093	170,077		1,628,170
Interest	127,246	769	41,695	169,710	15,823		185,533
Depreciation	350,544	143,174	154,010	647,728			647,728
Supplies	1,074,540	33,584	8,493	1,116,617	90,736		1,207,353
Materials and direct payments	8,617,119			8,617,119			8,617,119
Tools and equipment	2,571			2,571	7,348		9,919
Other direct costs	1,942,982	158,748	150,310	2,252,040	234,453		2,486,493
In-kind	400,880			400,880			400,880
Indirect and direct administrative	2,005,257	23,345		2,028,602	(2,028,602)		
<b>Total Expenditures</b>	<b>24,388,818</b>	<b>1,063,415</b>	<b>629,224</b>	<b>26,081,457</b>	<b>2,445</b>		<b>26,083,902</b>
<b>Change in Net Assets</b>	<b>711,168</b>	<b>(310,674)</b>	<b>(155,577)</b>	<b>244,917</b>			<b>244,917</b>
<b>Net Assets (Deficit) at Beginning of Year</b>	<b>8,919,840</b>	<b>(2,441,092)</b>	<b>(334,197)</b>	<b>6,144,551</b>			<b>6,144,551</b>
Net asset adjustment for capitalized costs			(20,000)	(20,000)			(20,000)
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 9,631,008</b>	<b>\$ (2,751,766)</b>	<b>\$ (509,774)</b>	<b>\$ 6,369,468</b>	<b>\$</b>	<b>\$</b>	<b>\$ 6,369,468</b>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

SCHEDULES OF CASH FLOWS

Year Ended December 31, 2023

	<u>MDC</u>	<u>MDC Housing</u>	<u>Parkland</u>	<u>Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ (1,558,684)	\$ (295,291)	\$ (283,288)	\$ (2,137,263)
Adjustments to reconcile change in net assets to net cash used by operating activities				
Depreciation	353,090	145,279	153,633	652,002
Debt issuance costs		767	3,502	4,269
Amortization of right-of-use asset	48,555			48,555
Change in operating assets and liabilities				
(Increase) decrease in grants and contracts receivable	1,036,636	29,282	(77,255)	988,663
(Increase) decrease in deposits, advances and prepaid expenses	40,609	694	(50,347)	(9,044)
Decrease in inventory	3,565			3,565
(Increase) decrease in receivables	5,412	(70,758)	65,346	
Decrease in reserve			22,027	22,027
Increase (decrease) in accounts payable	93,041	(15,107)	69,939	147,873
Increase (decrease) in payroll, taxes and accrued annual leave payable	(38,347)	114	98	(38,135)
Decrease in funding source advance	(433,352)			(433,352)
Increase in rental deposits	13,013	9,169	107	22,289
Decrease in operating lease liability	(49,715)			(49,715)
<b>Net Cash Used by Operating Activities</b>	<u>(486,177)</u>	<u>(195,851)</u>	<u>(96,238)</u>	<u>(778,266)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(93,851)	(111,111)		(204,962)
<b>Net Cash Used by Investing Activities</b>	<u>(93,851)</u>	<u>(111,111)</u>		<u>(204,962)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of principal on mortgages and loans	(110,863)		(33,303)	(144,166)
Capital contribution			50,000	50,000
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(110,863)</u>		<u>16,697</u>	<u>(94,166)</u>
<b>NET DECREASE IN CASH</b>	(690,891)	(306,962)	(79,541)	(1,077,394)
<b>Cash at Beginning of Year</b>	<u>2,386,797</u>	<u>387,751</u>	<u>109,199</u>	<u>2,883,747</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 1,695,906</u>	<u>\$ 80,789</u>	<u>\$ 29,658</u>	<u>\$ 1,806,353</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid during the year for interest	\$ 127,914	\$	\$ 36,483	\$ 164,397
Noncash acquisition of fixed assets included in mortgages and loans	\$ 262,206	\$	\$	\$ 262,206

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

SCHEDULES OF CASH FLOWS (Continued)

Year Ended December 31, 2022

	<u>MDC</u>	<u>MDC Housing</u>	<u>Parkland</u>	<u>Consolidated</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets	\$ 711,168	\$ (310,674)	\$ (155,577)	\$ 244,917
Adjustments to reconcile change in net assets to net cash used by operating activities				
Depreciation	350,544	143,174	154,010	647,728
Debt issuance costs		767	3,502	4,269
Gain on disposal of fixed assets	(863,820)			(863,820)
Amortization of right-of-use asset	177,246			177,246
Change in operating assets and liabilities				
Increase in grants and contracts receivable, net	(763,982)	(32,808)	(42,526)	(839,316)
(Increase) decrease in deposits, advances and prepaid expenses	(139,813)	88	824	(138,901)
Increase in inventory	(8,806)			(8,806)
(Increase) decrease in receivables	(532,019)	454,786	77,233	
Increase (decrease) in accounts payable	9,233	6,670	(22,416)	(6,513)
Increase in payroll, taxes and accrued annual leave payable	42,519		37	42,556
Increase in funding source advance	141,845			141,845
Increase (decrease) in rental deposits	(3,053)	2,168	(3,718)	(4,603)
Decrease in operating lease liability	(173,902)			(173,902)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(1,052,840)</u>	<u>264,171</u>	<u>11,369</u>	<u>(777,300)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(100,143)	(12,000)		(112,143)
Cash proceeds from sale of fixed assets	1,474,230			1,474,230
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,374,087</u>	<u>(12,000)</u>		<u>1,362,087</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from line of credit	(450,000)			(450,000)
Payments of principal on mortgages and loans	(357,221)	(1,182)	(31,593)	(389,996)
<b>Net Cash Used by Financing Activities</b>	<u>(807,221)</u>	<u>(1,182)</u>	<u>(31,593)</u>	<u>(839,996)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(485,974)	250,989	(20,224)	(255,209)
<b>Cash at Beginning of Year</b>	<u>2,872,771</u>	<u>136,762</u>	<u>129,423</u>	<u>3,138,956</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 2,386,797</u>	<u>\$ 387,751</u>	<u>\$ 109,199</u>	<u>\$ 2,883,747</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid during the year for interest	<u>\$ 143,069</u>	<u>\$ 2</u>	<u>\$ 38,193</u>	<u>\$ 181,264</u>
Net asset adjustment for capitalized costs	<u>\$</u>	<u>\$</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2023

<u>Agency</u>	<u>Program Title</u>	<u>Federal ALN</u>	<u>Pass-through Grantor</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
HHS	LIHEAP	93.568	WA DOC	43101-418, 32606-070, 3260I-070, 326CR-070, 24-32607-070, 21-3260A-070, 22-32607-070, F21-5310C-418, F23-5310S-418	\$ 4,667,969
	Community Services Block Grant (477 Cluster)	93.569	WA DOC	32101-016	303,553
	Substance Abuse - Healthcare Authority	93.958			4,166
	Substance Abuse - Healthcare Authority	93.959			4,167
	<b>Total Department of Health and Human Services</b>				<u>4,979,855</u>
DOT	COVID-19 - Coronavirus Relief Fund	21.027	WA DOC	SC 109369	<u>209,533</u>
	<b>Total COVID-19 Department of Treasury</b>				<u>209,533</u>
DOE	Talent Search (TRIO Cluster)	84.047M			62,018
	Upward Bound (TRIO Cluster)	84.047A			1,242,443
	Education EOC (TRIO Cluster)	84.066A			894,649
	<b>Total Department of Education and TRIO Cluster</b>				<u>2,199,110</u>
	Continuum of Care Program	14.267	Pierce County	SC-109643, SC-110347 , SC-109644, SC-110354, SC-109642 , SC-110357	<u>1,362,980</u>
	<b>Total Department of Housing and Urban Development</b>				<u>1,362,980</u>
DOE	Weatherization	81.042	WA DOC	43103-418	324,125
	Weatherization	81.999	WA DOC	F21-53104-418	205,622
	Weatherization	81.042	WA DOC	F22-92401F-418	115,509
	<b>Total Department of Energy</b>				<u>645,256</u>
DOA	Child Care Food Program	10.558	OSPI	27020201	<u>1,917,521</u>
	<b>Total Department of Agriculture</b>				<u>1,917,521</u>
	<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				\$ <u><u>11,314,255</u></u>

## **METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2023

#### **NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of MDC under programs of the federal government for the year ended December 31, 2023. 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 MDC, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of MDC.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) 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 allowable or are limited as to reimbursement.
- 2) MDC has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance on programs that did not approve the use of the approved indirect cost rate.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



1501 Regents Blvd., Suite 100  
Fircrest, WA 98466-6060

Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Board of Directors  
Metropolitan Development Council  
Tacoma, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Development Council ("MDC"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of revenues, expenditures and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 16, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered MDC'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MDC's internal control. Accordingly, we do not express an opinion on the effectiveness of MDC's internal control.

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

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

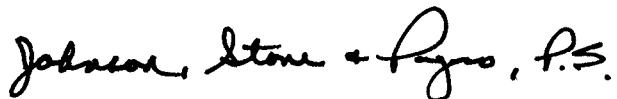
Board of Directors  
Metropolitan Development Council

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether MDC's consolidated 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 consolidated 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 compliance and internal control and the results of that testing, and not to provide an opinion on the effectiveness of MDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDC's compliance and internal control. Accordingly, this communication is not suitable for any other purpose.



JOHNSON, STONE & PAGANO, P.S.

July 16, 2024





1501 Regents Blvd., Suite 100  
Fircrest, WA 98466-6060

Independent Auditor's Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance

Board of Directors  
Metropolitan Development Council  
Tacoma, Washington

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Metropolitan Development Council's ("MDC") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of MDC's major federal programs for the year ended December 31, 2023. MDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MDC 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, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MDC's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about MDC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

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

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

**Report on Internal Control over Compliance**

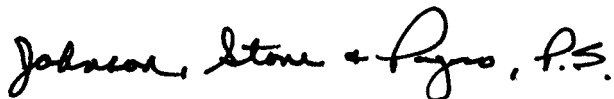
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

Board of Directors  
Metropolitan Development Council

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

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

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.



**JOHNSON, STONE & PAGANO, P.S.**

July 16, 2024

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND PRIOR  
YEAR AUDIT FINDINGS**

Year Ended December 31, 2023

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings reported in the Schedule that are required to be reported in accordance with 2CFR Section 200.516(a)?	No

**Identification of Major Programs**

<u>CFDA's</u>	<u>Federal Program or Cluster</u>	
14.267	Continuum of Care Program	
84.047A	TRIO Cluster - Talent Search	
84.047M	TRIO Cluster - Upward Bound	
84.066A	TRIO Cluster - Educational Opportunity Centers	
93.569	Community Services Block Grant (477 Cluster)	
93.958	Substance Abuse - Healthcare Authority	
Dollar threshold used to distinguish between type A and type B programs		\$750,000
Auditee qualified as a low-risk auditee?		Yes

**METROPOLITAN DEVELOPMENT COUNCIL AND RELATED ENTITIES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND PRIOR  
YEAR AUDIT FINDINGS (Continued)**

Year Ended December 31, 2023

**Section II - Financial Statement Findings**

No matters reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters reported.

**Section IV – Prior Year Audit Findings**

**2022-001 Account Reconciliations**

Balance sheet accounts were not reconciled by year-end, necessitating 15 adjustments to correct 14 account balances during fieldwork. This finding was corrected during 2023.

**2022-002 Preparation of Schedule of Expenditures of Federal Awards ("SEFA")**

The SEFA did not accurately reflect the proper amount of federal expenditures. This finding was corrected during 2023.