



**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**

Consolidated Financial Statements

For the Year Ended December 31, 2015

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## Independent Auditor's Report

**Board of Directors  
Senior Services of Snohomish County  
Everett, Washington**

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Senior Services of Snohomish County and Subsidiaries (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net asset and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1700  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Emphasis-of-Matter**

During the year ended December 31, 2014, the Organization decided to discontinue its low income senior housing operations. Disclosures related to the discontinued operations and related assets and liabilities held for sale are described in Note 9. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of functional expenses - continued operations on page 19 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 audit 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 June 23, 2016 on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.



Certified Public Accountants  
June 23, 2016

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Financial Position - Assets  
 December 31, 2015  
 (With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,987,273	\$ 3,731,619
Grants, contracts and other receivables	1,395,857	1,226,716
Notes receivable	300,000	300,000
Pledges receivable	31,894	24,815
Inventory	27,211	18,397
Prepaid expenses and other assets	277,882	259,893
Current discontinued assets	<u>298,434</u>	<u>367,725</u>
<b>Total Current Assets</b>	<b>7,318,551</b>	<b>5,929,165</b>
Assets restricted to the acquisition of long-term assets	87,642	47,642
<b>Property and Equipment:</b>		
Leasehold improvements	654,554	654,554
Automotive equipment	1,257,287	1,257,287
Furnishings and equipment	433,383	388,810
Less accumulated depreciation	<u>(2,117,187)</u>	<u>(2,010,084)</u>
<b>Total Property and Equipment, Net</b>	<b>228,037</b>	<b>290,567</b>
Long-term discontinued assets	<u>26,465,151</u>	<u>36,593,369</u>
<b>Total Assets</b>	<b><u>\$ 34,099,381</u></b>	<b><u>\$ 42,860,743</u></b>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Financial Position - Liabilities and Net Assets  
 December 31, 2015  
 (With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 265,017	\$ 262,039
Accrued employee salaries and benefits	524,678	485,978
Other accrued liabilities	175,988	133,664
Current discontinued liabilities	<u>352,553</u>	<u>604,055</u>
<b>Total Current Liabilities</b>	<b>1,318,236</b>	<b>1,485,736</b>
Long-term debt, net of current portion		349,000
Long-term discontinued liabilities	<u>4,428,277</u>	<u>10,697,576</u>
<b>Total Liabilities</b>	<b>5,746,513</b>	<b>12,532,312</b>
<b>Net Assets:</b>		
Unrestricted-		
Controlling interest	7,661,508	8,015,917
Noncontrolling interest	<u>493,779</u>	<u>529,581</u>
Total unrestricted	8,155,287	8,545,498
Temporarily restricted	<u>20,197,581</u>	<u>21,782,933</u>
<b>Total Net Assets</b>	<b><u>28,352,868</u></b>	<b><u>30,328,431</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 34,099,381</u></b>	<b><u>\$ 42,860,743</u></b>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Consolidated Statement of Activities  
For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)**

	Unrestricted	Temporarily Restricted	2015	2014
<b>Operating Support and Revenue:</b>				
United Way	\$ 140,517	\$ -	\$ 140,517	\$ 140,517
Contributions	1,977,415		1,977,415	1,961,643
Professional fees	308,215		308,215	197,470
Government grants and contracts	10,543,809		10,543,809	10,126,342
Interest income	17,612		17,612	1,086
Sales, special event, advertising and other income	937,866		937,866	888,152
Net assets released from restriction	270,837	(270,837)		
<b>Total Operating Support and Revenue</b>	<b>14,196,271</b>	<b>(270,837)</b>	<b>13,925,434</b>	<b>13,315,210</b>
<b>Operating Expenses:</b>				
Program services-				
Social services	2,704,248		2,704,248	2,454,630
Nutrition services	2,123,141		2,123,141	1,937,644
Transportation services	6,364,043		6,364,043	6,077,453
Minor home repair	1,070,741		1,070,741	988,249
Total program services	12,262,173		12,262,173	11,457,976
Supporting services-				
Administration	1,051,340		1,051,340	1,104,429
Fundraising and public relations	774,568		774,568	759,646
Total supporting services	1,825,908		1,825,908	1,864,075
<b>Total Operating Expenses</b>	<b>14,088,081</b>		<b>14,088,081</b>	<b>13,322,051</b>
<b>Change in Net Assets From Operating Activities</b>	<b>108,190</b>	<b>(270,837)</b>	<b>(162,647)</b>	<b>(6,841)</b>
<b>Nonoperating Activities:</b>				
Contributions restricted for the purchase of long-term assets		40,000	40,000	
(Loss) gain on sale of housing subsidiaries	(1,163,973)		(1,163,973)	23,609
<b>Total Change in Net Assets From Nonoperating Activities</b>	<b>(1,163,973)</b>	<b>40,000</b>	<b>(1,123,973)</b>	<b>23,609</b>
<b>Total Change in Net Assets From Continuing Operations</b>	<b>(1,055,783)</b>	<b>(230,837)</b>	<b>(1,286,620)</b>	<b>16,768</b>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)  
 For the Year Ended December 31, 2015  
 (With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	2015	2014
<b>Discontinued Operations:</b>				
Net assets released from restriction	1,354,515	(1,354,515)		
Loss from operations of discontinued housing subsidiaries	(688,943)		(688,943)	(1,648,933)
<b>Total Change in Net Assets</b>	<b>(390,211)</b>	<b>(1,585,352)</b>	<b>(1,975,563)</b>	<b>(1,632,165)</b>
Noncontrolling interest in net losses of discontinued subsidiaries				
Noncontrolling interest in net losses of subsidiaries	35,802		35,802	56,669
<b>Total Change in Net Assets Excluding Noncontrolling Interest</b>	<b>\$ (354,409)</b>	<b>\$ (1,585,352)</b>	<b>\$ (1,939,761)</b>	<b>\$ (1,575,496)</b>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets  
 For the Year Ended December 31, 2015  
 (With Comparative Totals for 2014)

	Unrestricted			Temporarily Restricted	2015 Total	2014 Total
	Controlling Interest	Noncontrolling Interest	Total			
Net assets, beginning of year	\$ 8,015,917	\$ 529,581	\$ 8,545,498	\$ 21,782,933	\$ 30,328,431	\$ 31,960,596
Change in net assets excluding noncontrolling interest	(354,409)		(354,409)	(1,585,352)	(1,939,761)	(1,575,496)
Change in net assets from noncontrolling interests		(35,802)	(35,802)		(35,802)	(56,669)
<b>Total Change in Net Assets</b>	<b>(354,409)</b>	<b>(35,802)</b>	<b>(390,211)</b>	<b>(1,585,352)</b>	<b>(1,975,563)</b>	<b>(1,632,165)</b>
<b>Net Assets, End of Year</b>	<b>\$ 7,661,508</b>	<b>\$ 493,779</b>	<b>\$ 8,155,287</b>	<b>\$ 20,197,581</b>	<b>\$ 28,352,868</b>	<b>\$ 30,328,431</b>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015**  
**(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (1,975,563)	\$ (1,632,165)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Contributions restricted for acquisition of long-term assets	(40,000)	
Loss on extinguishment of debt from discontinued assets	159,652	
Debt forgiveness	(349,000)	
Loss (gain) on sale of tax credit properties	1,163,973	(23,609)
Depreciation and amortization	107,103	161,576
Depreciation and amortization from discontinued assets	1,002,174	1,366,468
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(169,141)	399,311
Notes receivable		(300,000)
Pledges receivable	(7,079)	21,479
Inventory	(8,814)	2,634
Prepaid expenses and other assets	(17,989)	(3,875)
Discontinued assets	(385,114)	(120,544)
Accounts payable	2,978	47,952
Accrued employee salaries and benefits	38,700	31,240
Tenant security deposits		(115)
Accrued interest		1,690
Discontinued liabilities	452,582	243,705
Other accrued liabilities	42,324	(38,077)
<b>Cash Provided by Operating Activities</b>	<b>16,786</b>	<b>157,670</b>
<b>Cash Flows From Investing Activities:</b>		
Decrease (increase) of cash set aside for the investment in long-term assets	(40,000)	43,999
Change in restricted cash		(10,104)
Change in restricted cash for discontinued assets	521,001	(138,876)
Proceeds from sold discontinued equipment		2,250
Purchase of property and equipment for discontinued assets	(206,440)	(269,478)
Purchase of property and equipment	(44,573)	(136,875)
Proceeds from sale of tax credit properties	1,071,959	6,586,286
<b>Cash Provided by Investing Activities</b>	<b>1,301,947</b>	<b>6,077,202</b>
<b>Cash Flows From Financing Activities:</b>		
Receipts of contributions restricted for acquisition of long-term assets	40,000	
Payments on long-term debt for discontinued assets	(67,695)	(2,968,770)
Loan fees paid for discontinued assets	(35,384)	
Payments on long-term debt		(467,064)
<b>Cash Used by Financing Activities</b>	<b>(63,079)</b>	<b>(3,435,834)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,255,654</b>	<b>2,799,038</b>
Cash and cash equivalents, beginning of year	3,731,619	932,581
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,987,273</b>	<b>\$ 3,731,619</b>
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 404,952	\$ 614,316
Debt forgiveness	\$ 446,800	\$ -

See accompanying notes.

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 1 - Nature of the Organization

**Principles of Consolidation** - The consolidated financial statements of Senior Services of Snohomish County consolidate the financial statements of Senior Services of Snohomish County and its subsidiaries (collectively, the Organization), in which Senior Services of Snohomish County controls and has an economic interest. Inter-organization accounts and transactions have been eliminated in the consolidation.

Senior Services of Snohomish County (Senior Services) is a Washington nonprofit corporation formed in 1973.

The following is a listing of the consolidated subsidiaries of Senior Services of Snohomish County:

- Broadway Meadows Not-for-Profit (Broadway Meadows) is a 501(c)(3) nonprofit corporation that was formed in 1996. Broadway Meadows has a 0.10% general partner interest in Broadway Meadows Limited Partnership, The Meadows II Limited Partnership, and The Meadows III Limited Partnership, and a 0.01% interest in Pepperwood Limited Partnership.
- Lake Woods II Not-for-Profit is a 501(c)(3) nonprofit corporation that was formed in 1994. Lake Woods II has a 1.0% general partner interest in the Lake Woods II Seniors Limited Partnership.
- Silver Lake Cottages LLC is a Washington State limited liability company that was formed in 2008 to own and operate low-income housing.

Members of the board of directors of the Organization have also formed eleven nonprofit corporations funded by the United States Department of Housing and Urban Development (HUD) and five tax credit limited partnerships to build and own apartment buildings specifically for low-income senior citizens and handicapped individuals which have been consolidated into the financial statements of Senior Services of Snohomish County.

The nonprofit corporations, which have been awarded contracts with HUD, are as follows:

- Evergreen Court Senior Housing Association
- Evergreen Village Senior Housing Association
- Hawkins House
- Lake Woods Senior Housing Association of Snohomish County
- Lynn Crest Senior Housing Association
- Lynn Woods Senior Housing Association of Snohomish County
- Meadow Park Senior Housing Association
- Scriber Pointe Senior Housing Association
- Silver Lake Senior Housing Association
- Silver View Senior Housing Association
- Village East Senior Housing Association

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 1 - Continued

The limited partnerships, which have been awarded low-income housing tax credits through the Washington State Housing Finance Commission, are as follows:

- Broadway Meadows Limited Partnership (sold during the year ended December 31, 2014)
- Lake Woods II Seniors Limited Partnership (sold during the year ended December 31, 2014)
- The Meadows II Limited Partnership (sold during the year ended December 31, 2014)
- The Meadows III Limited Partnership (sold during the year ended December 31, 2015)
- Pepperwood Limited Partnership

As of December 31, 2013, Senior Services became the limited partner of Broadway Meadows Limited Partnership and Lake Woods II Seniors Limited Partnership. As of June 30, 2014, Senior Services became the limited partner of the Meadows II Limited Partnership and the Meadows III Limited Partnership. The noncontrolling interest in each entity was transferred to Senior Services upon becoming the limited partner. On November 12, 2014, Broadway Meadows Limited Partnership, Lake Woods II Seniors Limited Partnership and the Meadows II Limited Partnership were sold to a third party. The changes in net assets of those three entities for the ten months and twelve days ended November 12, 2014 have been included in the consolidated statement of activities and the consolidated statement of changes in net assets for the year ending December 31, 2014.

On February 12, 2015, Meadows III Limited Partnership was sold to a third party. On June 16, 2015, Evergreen Cottages was sold to a third party. On June 30, 2015, Tall Firs was sold to a third party. The changes in net assets of those three properties for the time period leading up to each sale have been included in the consolidated statement of activities and the consolidated statement of changes in net assets for the year ending December 31, 2015.

#### Programs of the Organization

The organization is dedicated to providing services that improve the health and well-being of older adults and people with disabilities in Snohomish County through the following programs:

**Social and Information Services** - helps people find the right service at the right time.

Aging and Disability Resources provides a central source of information on services throughout the region.

The Senior Focus Newspaper educates and informs readers by presenting information that reflects the diverse interests and needs of the senior community.

The Senior Source Resource Guide is an annual directory of services for older adults and people with disabilities.

Statewide Health Insurance Benefits Advisors helps people find insurance that fits their individual needs.

Family Caregiver Program provides information and counseling to families and friends caring for a loved one with dementia or other chronic illness or disability.

Housing Social Services provides advocacy and support to older adults living in affordable senior housing.

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 1 - Continued

The Multicultural Senior Center provides nutritious meals, activities and supportive services for ethnic elders at the Center for Healthy Living in Lynnwood.

**Food and Nutrition** - helps people with food and friendship.

Meals on Wheels delivers nutritious meals to frail homebound seniors.

Senior Dining provides hot nutritious meals to seniors at thirteen senior activity centers throughout Snohomish County.

Farmers Market provides vouchers to low income seniors for fresh fruits and vegetables at local farmer's markets.

**Health and Wellness** - helps people take better care of themselves.

Care Coordination provides advocacy and support to people with complex health needs.

Chronic Disease Self-Management provides classes that help people live with and manage chronic conditions.

Mental Health Services provides education, screening, counseling, and referral for older adults experiencing depression, chemical dependency, and other mental health problems.

The Dental Clinic at the Center for Healthy Living provides free dental care to low income seniors.

**Transportation** - helps people get where they need to go.

Dial-A-Ride Transportation (DART) provides accessible transportation for people with disabilities through a contract with Community Transit.

Transportation Assistance Program (TAP) provides accessible transportation to seniors and people with disabilities who are not eligible for DART.

**Home Repair** -

Minor Home Repair provides health and safety repairs for low income senior homeowners.

**Social Enterprise** -

The Opportunity Shoppe is a 2nd hand thrift store that features clothing, furniture, home décor and collectibles.

Home Solutions offers handyman services to the general public on a fee for service basis.

#### Note 2 - Summary of Significant Accounting Policies

**Basis of Accounting** - The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 2 - Continued

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. As of December 31, 2015, the Organization had no permanently restricted net assets.

**Restricted and Unrestricted Revenue and Support** - Contributions are recognized as revenue in the period the gift or the promise to give is received and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

**Cash and Cash Equivalents** - For the purpose of the consolidated statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents held by financial institutions at times exceed federally insured limits.

**Receivables** - Grants, contracts, pledges, and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Based on prior experience, management has determined that expected losses on balances outstanding are immaterial at December 31, 2015. Accordingly, no allowance for doubtful accounts has been recorded.

**Inventory** - Inventory consists of food and supplies and is stated at the lower of cost (determined on the first in, first out method) or market.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2015**

**Note 2 - Continued**

**Property and Equipment** - Property and equipment are recorded at cost, or if donated, at the approximate fair value at the date of donation. Fixed assets with a useful life of more than one year and a cost or donated fair value greater than \$1,000 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is calculated on a straight-line basis as follows.

	<u>Senior Services</u>	<u>HUD Properties</u>	<u>Tax Credit Partnerships</u>
Rental property - buildings	40 years	40 years	40 years
Rental property - building improvements		20 years	10 - 20 years
Land improvements		20 years	20 years
Furniture and equipment	3 - 10 years	7 - 10 years	5 - 10 years
Automotive equipment	5 years		

Leasehold improvements have been amortized over the shorter of the assets' useful lives or the lease term.

**Functional Allocation of Expenses** - The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function for continuing and discontinued operations were as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Program services	\$ 14,803,717	\$ 16,472,437
Administrative services	1,978,732	2,462,623
Fundraising and public relations	<u>774,568</u>	<u>759,646</u>
<b>Total Functional Expenses</b>	<b><u>\$ 17,557,017</u></b>	<b><u>\$ 19,694,706</u></b>

**Advertising Costs** - The Organization uses advertising to communicate information about services available to the populations needing those services. Advertising costs are expensed as they are incurred.

**In-Kind Donations** - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In-kind contributions of \$116,406 and \$224,939 were received during the years ended December 31, 2015 and 2014, respectively, which consisted primarily of donated food, inventory for the Opportunity Shoppe, supplies and advertising. In-kind donations are included in contributions on the consolidated statement of activities. No amounts have been reflected in the financial statements for donated services, as they do not meet the recognition criteria outlined in U.S. GAAP; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and fundraising efforts.

**Operating and Nonoperating Activities** - All activities of the Organization are considered operating except for contributions restricted for the purchase of long-term assets and related releases, loss on sale of housing subsidiaries, and revenues and loss from operations of discontinued housing subsidiaries.

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 2 - Continued

**Federal Income Tax** - Senior Services, Broadway Meadows Not-For-Profit, Lake Woods II Not-For-Profit, Evergreen Court Senior Housing Association, Evergreen Village Senior Housing Association, Hawkins House, Lake Woods Senior Housing Association of Snohomish County, Lynn Crest Senior Housing Association, Lynn Woods Senior Housing Association of Snohomish County, Meadow Park Senior Housing Association, Scriber Pointe Senior Housing Association, Silver Lake Senior Housing Association, Silver View Senior Housing Association and Village East Senior Housing Association have been notified by the Internal Revenue Service they are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Silver Lake Cottages LLC is treated as a disregarded entity for federal income tax purposes and therefore income or loss is included in Senior Services' tax return. The Meadows III Limited Partnership and Pepperwood Limited Partnership have no provision or benefit for income taxes included in these consolidated financial statements since taxable income or loss passes through to, and is reportable by, each partner or member individually.

**Impairment of Real Estate** - The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the net assets to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the real estate is considered impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from the appraisal, discounted cash flows analysis, or other valuation technique. There was no impairment loss recognized for the years ended December 31, 2015 or 2014.

**Use of Estimates** - The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - Certain items presented on the financial statements for the prior year have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the change in net assets or net asset balances as previously reported.

**Comparative Amounts for 2014** - For comparative purposes, the consolidated financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Subsequent Events** - The Organization has evaluated subsequent events through June 23, 2016, the date on which the consolidated financial statements were issued.

#### Note 3 - Notes Receivable

As part of the sales of Broadway Meadows Limited Partnership, Lake Woods II Seniors Limited Partnership and The Meadows II Limited Partnership, the Organization entered into three notes receivable from the Everett Housing Authority. Each note is \$100,000 with 4.0% interest due at maturity on October 4, 2016.

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 4 - Long-Term Debt

Broadway Meadows Non-for-Profit held one note payable to Snohomish County under the Federal HOME program in conjunction with the Broadway Meadows III low-income housing project. The note bears no interest as long as the Organization is not in default of note covenants; collateralized by a deed of trust on the Broadway Meadows III property; due at maturity, in 2039. The note was forgiven as part of the sale of the Meadows III Limited Partnership during the year ended December 31, 2015.

Interest expense totaled \$63,174 and \$62,799 for the years ended December 31, 2015 and 2014, respectively. Interest has not been imputed on any of the above loans for which the interest rates are set by governmental entities and carry legal restrictions.

The Organization has a \$500,000 line of credit, which expires in October 2016; however, there are no outstanding balances as of December 31, 2015 or 2014.

#### Note 5 - Temporarily Restricted Net Assets

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Meals on Wheels	\$ 24,715	\$ 142,039
Transportation	40,000	
Center for Healthy Living		153,513
Capital campaign	47,641	47,641
Affordable housing for low-income seniors and disabled individuals - discontinued operations (Note 9)	<u>20,085,225</u>	<u>21,439,740</u>
<b>Total Temporarily Restricted Net Assets</b>	<b><u>\$ 20,197,581</u></b>	<b><u>\$ 21,782,933</u></b>

Temporarily restricted net assets totaling \$270,837 and \$246,812 were released from purpose restrictions for the years ended December 31, 2015 and 2014, respectively. \$777,474 was released from time restrictions during the years ended December 31, 2015 and 2014. Additionally, \$577,041 was released due to the sale of Evergreen Cottages during the year ended December 31, 2015.

The assets restricted to the capital campaign, the Meals on Wheels vehicle fund, and the TAP Vehicles Fund are shown in the statement of financial position as assets restricted for the acquisition of long-term assets, which is made up of \$62,782 of cash and \$24,860 of pledges receivable as of December 31, 2015 and 2014.

#### Note 6 - Profit Sharing Plan

The Organization has a qualified defined-contribution profit sharing plan (the Plan). The Organization may elect to make contributions to the Plan in an amount determined by the Board of Directors. Organization contributions made are allocated to eligible participants on a pro rata basis in proportion to each participant's total annual compensation. All contributions made to the Plan are invested under the direction of the participants. All regular employees who have completed 900 hours of service during the allocation period are eligible to receive the employer contribution. There were no employer contributions for the years ended December 31, 2015 and 2014.

## SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Year Ended December 31, 2015

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#### Note 7 - Lease Commitments

The Organization has entered into certain noncancelable operating leases for office space and equipment through 2019. The minimum future rental commitment under the operating leases is as follows:

For the Year Ending December 31,

2016	\$ 438,275
2017	365,794
2018	269,137
2019	<u>35,237</u>
<b>Total Lease Commitment</b>	<b><u>\$ 1,108,443</u></b>

Certain leases require the Organization to pay taxes and other expenses. Rental expense incurred totaled \$591,104 and \$472,214 for the years ended December 31, 2015 and 2014, respectively.

#### Note 8 - Commitments, Contingencies and Concentrations

The Organization receives a substantial amount of its support from local, state and federal governmental agencies. For the years ended December 31, 2015 and 2014, support from local, state and federal governmental agencies totaled 76% of total operating support and revenue. Receivables related to local, state and federal government agencies accounted for 94% and 73% of the Organization's total grants, contracts and other receivables at December 31, 2015 and 2014. Amounts received are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures that may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification by the governmental agency. During the year ended December 31, 2015 and 2014, no adjustments were made.

Approximately 39% of the Organization's labor force is covered by a collective bargaining agreement. The current agreement is in effect through September 30, 2016.

#### Note 9 - Discontinued Operations

During the year ended December 31, 2014, the Organization decided to discontinue its low income senior housing operations. As a result, the Organization sold three of its properties: Broadway Meadows Limited Partnership, Meadows II Limited Partnership and Lake Woods II Seniors Limited Partnership during the year ended December 31, 2014. During the year ended December 31, 2015, the organization sold three additional properties: Meadows III Limited Partnership, Tall Firs, and Evergreen Cottages. Pepperwood Limited Partnership and the HUD properties are shown as available for sale on the consolidated statement of financial position at December 31, 2015. Subsequent to year end, on April 1, 2016, the Organization transferred the control of the eleven HUD properties to a separate legal entity.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2015

**Note 9 - Continued**

Reconciliation of the major asset and liability classes that are classified as held for sale on the statement of financial position:

	<u>2015</u>	<u>2014</u>
<b>Current Discontinued Assets:</b>		
Cash	\$ 209,151	\$ 214,545
Accounts receivable	26,995	73,212
Other assets	<u>62,288</u>	<u>79,968</u>
<b>Total Current Discontinued Assets</b>	<b>298,434</b>	<b>367,725</b>
<b>Long-Term Discontinued Assets:</b>		
Restricted cash	2,030,954	2,551,955
Capitalized loan fees	60,815	407,331
Property and equipment	<u>24,373,382</u>	<u>33,634,083</u>
<b>Total Long-Term Discontinued Assets</b>	<b>26,465,151</b>	<b>36,593,369</b>
<b>Total Assets Classified as Discontinued</b>	<b><u>\$ 26,763,585</u></b>	<b><u>\$ 36,961,094</u></b>
<b>Current Discontinued Liabilities:</b>		
Accounts payable	\$ 87,990	\$ 157,398
Accrued liabilities	71,109	214,692
Tenant security deposits and pre-paid rent	113,397	142,879
Current portion of long-term debt	<u>80,057</u>	<u>89,086</u>
<b>Total Current Discontinued Liabilities</b>	<b>352,553</b>	<b>604,055</b>
<b>Long-Term Discontinued Assets:</b>		
Debt and accrued interest	<u>4,428,277</u>	<u>10,697,576</u>
<b>Total Liabilities Classified as Discontinued</b>	<b><u>\$ 4,780,830</u></b>	<b><u>\$ 11,301,631</u></b>

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2015

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**Note 9 - Continued**

**Debt** - Included in debt and accrued interest from discontinued operations are eight notes payable secured by the respective properties with interest rates ranging from interest free to 7 percent and maturities ranging from 2018 through 2054.

Aggregate principal maturities of the debt are as follows:

For the Year Ending December 31,

2016	\$ 80,057
2017	84,171
2018	88,508
2019	93,081
2020	108,521
Thereafter	<u>4,053,996</u>

**Total Long-Term Debt** \$ 4,508,334

**Forgivable Loans** - Included in discontinued operations are eighteen forgivable loans with maturity dates ranging from 2032 through 2053. Under terms of the agreements the proceeds must be used for the specific purpose intended in the loan documents. As management believes the conditions related to the loans are being met and are likely to continue to be met, the proceeds from the forgivable loans have been recognized as temporarily restricted revenues (Note 5). The restricted balances are being released over the terms of the agreements. The original loan balances are due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the HUD entities sell the property or fall out of compliance with the specified use restriction. As of December 31, 2015, the HUD entities are in compliance with the restrictions. The forgivable loans have specific agreements and covenants surrounding the use of the property and the terms of forgiveness depend upon adherence to the terms.

Forgivable loans that represent contingent liabilities consist of the following at December 31, 2015:

Forgivable loans - original balance	\$ 31,298,257
Less cumulative amounts released from restriction	<u>(11,213,032)</u>

**Forgivable Loans Included in**  
**Temporarily Restricted Net Assets** \$ 20,085,225

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2015

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**Note 9 - Continued**

Reconciliation of the major revenue and expense classes that are classified as held for sale on the statement of activities:

	<u>2015</u>	<u>2014</u>
Rental income	\$ 2,749,148	\$ 4,682,523
Other income	<u>30,845</u>	<u>41,199</u>
Total revenue	2,779,993	4,723,722
Program expenses	2,541,544	5,014,461
Supporting services expenses	<u>927,392</u>	<u>1,358,194</u>
Total expenses	<u>3,468,936</u>	<u>6,372,655</u>
<b>Change in Net Assets From Discontinued Housing Subsidiaries Operations</b>	<b><u><u>\$ (688,943)</u></u></b>	<b><u><u>\$ (1,648,933)</u></u></b>

**SUPPLEMENTARY INFORMATION**

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**

**Schedule of Functional Expenses – Continued Operations\*  
For the Year Ended December 31, 2015**

	Program Services					Supporting Services			2015 Total Expenses
	Social Services	Nutrition Services	Transportation Services	Minor Home Repair	Total Program Services	Administration	Fundraising and Public Relations	Total Operating Supporting Services	
Salaries	\$ 1,522,100	\$ 533,623	\$ 3,838,177	\$ 534,854	\$ 6,428,754	\$ 623,050	\$ 237,173	\$ 860,223	\$ 7,288,977
Payroll taxes	141,324	58,195	534,947	87,360	821,826	54,905	21,765	76,670	898,496
Employee benefits	179,953	39,980	536,654	50,106	806,693	51,266	25,571	76,837	883,530
<b>Salaries and Benefits</b>	<b>1,843,377</b>	<b>631,798</b>	<b>4,909,778</b>	<b>672,320</b>	<b>8,057,273</b>	<b>729,221</b>	<b>284,509</b>	<b>1,013,730</b>	<b>9,071,003</b>
Office and operating supplies	32,361	1,152,317	145,833	200,306	1,530,817	23,628	5,317	28,945	1,559,762
Small tools and minor equipment	7,498	1,896	3,629	2,649	15,672	4,514	627	5,141	20,813
<b>Supplies and Equipment</b>	<b>39,859</b>	<b>1,154,213</b>	<b>149,462</b>	<b>202,955</b>	<b>1,546,489</b>	<b>28,142</b>	<b>5,944</b>	<b>34,086</b>	<b>1,580,575</b>
Professional services	212,861	94,234	115,582	37,573	460,250	125,123	192,144	317,267	777,517
In-kind inventory					-		105,236	105,236	105,236
Communications	72,300	15,690	41,220	52,454	181,664	18,220	8,953	27,173	208,837
Travel, mileage and contracted services	42,161	11,083	23,528	3,003	79,775	4,732	533	5,265	85,040
Advertising	2,117	1,291	1,969	330	5,707	272	3,976	4,248	9,955
Operating rentals and leases	264,869	49,480	126,008	16,938	457,295	59,686	74,123	133,809	591,104
Insurance	6,651	16,694	246,786	16,691	286,822	16,304	918	17,222	304,044
Public utility service	16,196	4,140	3,924	6,745	31,005	4,069	6,749	10,818	41,823
Repair and maintenance	72,351	23,128	673,020	48,977	817,476	14,037	1,222	15,259	832,735
Bad debt	345				345		9,377	9,377	9,722
Dues, printing, training and and other services	80,428	89,790	14,828	8,897	193,943	26,775	79,496	106,271	300,214
<b>Other Services</b>	<b>770,279</b>	<b>305,530</b>	<b>1,246,865</b>	<b>191,608</b>	<b>2,514,282</b>	<b>269,218</b>	<b>482,727</b>	<b>751,945</b>	<b>3,266,227</b>
Debt service - interest		83	38,257	80	38,420	24,754		24,754	63,174
<b>Total Expenses Before Depreciation</b>	<b>2,653,515</b>	<b>2,091,624</b>	<b>6,344,362</b>	<b>1,066,963</b>	<b>12,156,464</b>	<b>1,051,335</b>	<b>773,180</b>	<b>1,824,515</b>	<b>13,980,979</b>
Depreciation and amortization	50,733	31,517	19,681	3,778	105,709	5	1,388	1,393	107,102
<b>Total Expenses</b>	<b>\$ 2,704,248</b>	<b>\$ 2,123,141</b>	<b>\$ 6,364,043</b>	<b>\$ 1,070,741</b>	<b>\$ 12,262,173</b>	<b>\$ 1,051,340</b>	<b>\$ 774,568</b>	<b>\$ 1,825,908</b>	<b>\$ 14,088,081</b>

\* This schedule does not include the expenses from discontinued operations.

See independent auditor's report.