



SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended December 31, 2016

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Independent Auditor's Report

To the 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, 2016, 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, 2016, 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.



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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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 dated July 20, 2017 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
July 20, 2017

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Financial Position - Assets
 December 31, 2016
 (With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 5,700,000	\$ 4,987,273
Grants, contracts and other receivables	1,647,516	1,395,857
Notes receivable		300,000
Pledges receivable	27,712	31,894
Inventory	27,211	27,211
Prepaid expenses and other assets	273,757	277,882
Current discontinued assets	<u>811</u>	<u>298,434</u>
Total Current Assets	7,677,007	7,318,551
Assets restricted to the acquisition of long-term assets	22,782	87,642
Property and Equipment:		
Leasehold improvements	654,554	654,554
Automotive equipment	1,402,105	1,257,287
Furnishings and equipment	559,464	433,383
Less accumulated depreciation	<u>(2,282,941)</u>	<u>(2,117,187)</u>
Property and equipment, net	333,182	228,037
Automotive equipment - non-owned	76,129	
Less accumulated depreciation - non-owned		
Automotive equipment - non-owned, net	<u>76,129</u>	
Total Property and Equipment, Net	409,311	228,037
Long-term discontinued assets	<u>2,064,397</u>	<u>26,404,336</u>
Total Assets	\$ 10,173,497	\$ 34,038,566

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Financial Position - Liabilities and Net Assets
 December 31, 2016
 (With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Accounts payable	\$ 403,620	\$ 265,017
Accrued employee salaries and benefits	531,092	524,678
Other accrued liabilities	52,326	175,988
Current discontinued liabilities	<u>36,560</u>	<u>352,553</u>
Total Current Liabilities	1,023,598	1,318,236
Long-term discontinued liabilities	<u>1,371,718</u>	<u>4,367,462</u>
Total Liabilities	2,395,316	5,685,698
Net Assets:		
Unrestricted-		
Controlling interest	6,991,140	7,661,508
Noncontrolling interest	<u>452,631</u>	<u>493,779</u>
Total unrestricted	7,443,771	8,155,287
Temporarily restricted	<u>334,410</u>	<u>20,197,581</u>
Total Net Assets	<u>7,778,181</u>	<u>28,352,868</u>
Total Liabilities and Net Assets	<u>\$ 10,173,497</u>	<u>\$ 34,038,566</u>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016	2015
Operating Support and Revenue:				
Government grants and contracts	\$ 11,203,017	\$ -	\$ 11,203,017	\$ 10,543,809
Contributions	2,072,398	137,312	2,209,710	1,977,415
United Way	84,008		84,008	140,517
Sales, special event, advertising and other income	955,016		955,016	937,866
Professional fees	407,946		407,946	308,215
Interest income	7,332		7,332	17,612
Net assets released from restriction	64,860	(64,860)		
Total Operating Support and Revenue	14,794,577	72,452	14,867,029	13,925,434
Operating Expenses:				
Program services-				
Social and information services	2,743,946		2,743,946	2,704,248
Nutrition services	1,863,451		1,863,451	2,123,141
Transportation services	6,431,976		6,431,976	6,364,043
Home repair services	1,231,628		1,231,628	1,070,741
Total program services	12,271,001		12,271,001	12,262,173
Supporting services-				
Administration	1,439,666		1,439,666	1,051,340
Fundraising and public relations	736,584		736,584	774,568
Total supporting services	2,176,250		2,176,250	1,825,908
Total Operating Expenses	14,447,251		14,447,251	14,088,081
Change in Net Assets From Operating Activities	347,326	72,452	419,778	(162,647)
Nonoperating Activities:				
Contributions restricted for the purchase of long-term assets		149,602	149,602	40,000
Loss on transfer or sale of housing subsidiaries	(963,258)	(20,085,225)	(21,048,483)	(1,163,973)
Total Change in Net Assets From Nonoperating Activities	(963,258)	(19,935,623)	(20,898,881)	(1,123,973)
Total Change in Net Assets From Continuing Operations	(615,932)	(19,863,171)	(20,479,103)	(1,286,620)

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended December 31, 2016
 (With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
Discontinued Operations:				
Loss from operations of discontinued housing subsidiaries	<u>(95,584)</u>		<u>(95,584)</u>	<u>(688,943)</u>
Total Change in Net Assets	(711,516)	(19,863,171)	(20,574,687)	(1,975,563)
Noncontrolling interest in net losses of discontinued subsidiaries	<u>41,148</u>		<u>41,148</u>	<u>35,802</u>
Total Change in Net Assets Excluding Noncontrolling Interest	<u>\$ (670,368)</u>	<u>\$ (19,863,171)</u>	<u>\$ (20,533,539)</u>	<u>\$ (1,939,761)</u>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted			Temporarily Restricted	2016 Total	2015 Total
	Controlling Interest	Noncontrolling Interest	Total			
Net assets, beginning of year	\$ 7,661,508	\$ 493,779	\$ 8,155,287	\$ 20,197,581	\$ 28,352,868	\$ 30,328,431
Change in net assets excluding noncontrolling interest	(670,368)		(670,368)	(19,863,171)	(20,533,539)	(1,939,761)
Change in net assets from noncontrolling interests: Net loss		(41,148)	(41,148)		(41,148)	(35,802)
Total Change in Net Assets	(670,368)	(41,148)	(711,516)	(19,863,171)	(20,574,687)	(1,975,563)
Net Assets, End of Year	\$ 6,991,140	\$ 452,631	\$ 7,443,771	\$ 334,410	\$ 7,778,181	\$ 28,352,868

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ (20,574,687)	\$ (1,975,563)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Contributions restricted for acquisition of long-term assets	(149,602)	(40,000)
Loss on extinguishment of debt from discontinued assets		159,652
Debt forgiveness		(349,000)
Loss on transfer or sale of housing subsidiaries	21,048,483	1,163,973
Depreciation and amortization	165,757	107,103
Depreciation and amortization from discontinued assets	68,588	1,002,174
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(175,530)	(169,141)
Notes receivable	300,000	
Pledges receivable	4,182	(7,079)
Inventory		(8,814)
Prepaid expenses and other assets	4,125	(17,989)
Discontinued assets	(1,954,949)	(385,114)
Accounts payable	62,474	2,978
Accrued employee salaries and benefits	6,414	38,700
Discontinued liabilities	262,960	452,582
Other accrued liabilities	(123,662)	42,324
Cash (Used in) Provided by Operating Activities	(1,055,447)	16,786
Cash Flows From Investing Activities:		
Increase (decrease) of cash set aside for the investment in long-term assets	64,860	(40,000)
Change in restricted cash for discontinued assets	1,912,261	521,001
Purchase of property and equipment for discontinued assets		(206,440)
Purchase of property and equipment	(270,902)	(44,573)
Proceeds from sale of tax credit properties		1,071,959
Cash Provided by Investing Activities	1,706,219	1,301,947
Cash Flows From Financing Activities:		
Receipts of contributions restricted for acquisition of long-term assets	73,473	40,000
Capital contributions from discontinued operations	9,800	
Payments on long-term debt for discontinued assets	(21,318)	(67,695)
Loan fees paid for discontinued assets		(35,384)
Cash Provided by (Used in) Financing Activities	61,955	(63,079)
Net Change in Cash and Cash Equivalents	712,727	1,255,654
Cash and cash equivalents, beginning of year	4,987,273	3,731,619
Cash and Cash Equivalents, End of Year	\$ 5,700,000	\$ 4,987,273
Supplementary Cash Flow Information:		
Cash paid during the year for interest	\$ 61,301	\$ 404,952
Vehicle purchase included in accounts payable	\$ 76,129	\$ -
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, 2016

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. Subsequent to year end Senior Services began doing business as Homage Senior Services.

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 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 to become the general partner in a tax credit entity which has since been sold.

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 two 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

During the year ending December 31, 2016, the Organization transferred control of the eleven HUD properties to a separate legal entity as of the following effective dates:

- May 1, 2016: Lake Woods Senior Housing Association of Snohomish County
- June 1, 2016: Evergreen Court Senior Housing Association, Evergreen Village Senior Housing Association, Meadow Park Senior Housing Association, Silver Lake Senior Housing Association, Silver View Senior Housing Association
- July 1, 2016: Hawkins House, Lynn Crest Senior Housing Association, Lynn Woods Senior Housing Association of Snohomish County, Scriber Pointe 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, 2016

Note 1 - Continued

The changes in net assets of those properties for the time period leading up to each transfer have been included in the consolidated statement of activities and the consolidated statement of changes in net assets for the year ended December 31, 2016.

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

- The Meadows III Limited Partnership (sold during the year ended December 31, 2015)
- Pepperwood Limited Partnership

On February 12, 2015, Meadows III Limited Partnership was sold to a third party. On June 16, 2015, the Evergreen Cottages property was sold to a third party. On June 30, 2015, the Tall Firs property 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.

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

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016

Note 1 - Continued

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.

Health and wellness expenditures are included in social and information services program expenses on the consolidated statement of activities.

Nutrition Services - 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.

Transportation Services - 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 Services -

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

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

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016

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).

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, 2016, 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, 2016. 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.

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 \$5,000, formerly \$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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016**

Note 2 - Continued

	<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.

The Organization's transportation program has the use of vehicles owned by the State. The title of these vehicles is transferred to the Organization after five years of service. To provide a more informative presentation of these assets in the consolidated financial statements, the Organization records such equipment and any accumulated depreciation as "non-owned" temporarily restricted net assets. At such time that title passes and no further restrictions are in effect, the equipment is transferred from the "non-owned" classification to the "owned" classification.

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>2016</u>	<u>2015</u>
Program services	\$ 13,119,005	\$ 14,803,717
Administrative services	2,123,398	1,978,732
Fundraising and public relations	<u>736,584</u>	<u>774,568</u>
Total Functional Expenses	<u>\$ 15,978,987</u>	<u>\$ 17,557,017</u>

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 \$154,793 and \$116,406 were received during the year ended December 31, 2016 and 2015, 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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016

Note 2 - Continued

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.

Federal Income Tax - Senior Services, Broadway Meadows Not-For-Profit, Lake Woods II Not-For-Profit, 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. Pepperwood Limited Partnership has 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, 2016 or 2015.

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.

Comparative Amounts for 2015 - 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, 2015, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through July 20, 2017, the date on which the consolidated financial statements were available to be 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 was \$100,000 with 4.0% interest due at maturity, which were received on the maturity date, October 4, 2016.

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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended December 31, 2016

Note 4 - Continued

Interest expense totaled \$454 and \$63,174 for the years ended December 31, 2016 and 2015, respectively. Interest has not been imputed on the above loan 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 January 2018; however, there are no outstanding balances as of December 31, 2016 or 2015.

Note 5 - Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Meals on Wheels	\$ 235,500	\$ 24,715
Transportation, non-owned vehicles	76,129	
Transportation		40,000
Capital campaign	22,781	47,641
Affordable housing for low-income seniors and disabled individuals - discontinued operations (Note 9)		<u>20,085,225</u>
Total Temporarily Restricted Net Assets	<u>\$ 334,410</u>	<u>\$ 20,197,581</u>

Temporarily restricted net assets totaling \$64,860 and \$270,837 were released from purpose restrictions for the years ended December 31, 2016 and 2015, respectively. Additionally, \$20,085,225 was released due to the transfer of control of the eleven HUD properties and \$577,041 was released due to the sale of Evergreen Cottages during the years ended December 31, 2016 and 2015, respectively.

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, 2016 and 2015.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016**

Note 7 - Lease Commitments

The Organization has entered into certain noncancelable operating leases for office space and equipment through 2022. The minimum future rental commitment under the operating leases is as follows:

For the Year Ending December 31,

2017	\$	405,929
2018		313,795
2019		140,960
2020		134,965
2021		115,711
Thereafter		<u>1,800</u>
Total Lease Commitment	\$	<u>1,113,160</u>

Certain leases require the Organization to pay taxes and other expenses. Rental expense incurred totaled \$587,750 and \$591,104 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015, support from local, state and federal governmental agencies totaled 75% and 76% of total operating support and revenue, respectively. Receivables related to local, state and federal government agencies accounted for 82% and 94% of the Organization's total grants, contracts and other receivables at December 31, 2016 and 2015, respectively. 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, 2016 and 2015, 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. Subsequent to year end, a new agreement was approved that will be in effect through September 30, 2019.

Note 9 - Discontinued Operations

During the year ended December 31, 2014, the Organization decided to discontinue its low income senior housing operations. During the year ended December 31, 2015, the organization sold three properties: Meadows III Limited Partnership, Tall Firs, and Evergreen Cottages. During the year ending December 31, 2016, the Organization transferred the control of the eleven HUD properties to a separate legal entity. Pepperwood Limited Partnership is shown as available for sale on the consolidated statement of financial position at December 31, 2016.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016

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>2016</u>	<u>2015</u>
Current Discontinued Assets:		
Cash	\$ -	\$ 209,151
Accounts receivable	500	26,995
Other assets	<u>311</u>	<u>62,288</u>
Total Current Discontinued Assets	811	298,434
Long-Term Discontinued Assets:		
Restricted cash	118,693	2,030,954
Property and equipment	<u>1,945,704</u>	<u>24,373,382</u>
Total Long-Term Discontinued Assets	<u>2,064,397</u>	<u>26,404,336</u>
Total Assets Classified as Discontinued	<u>\$ 2,065,208</u>	<u>\$ 26,702,770</u>
Current Discontinued Liabilities:		
Accounts payable	\$ 4,091	\$ 87,990
Accrued liabilities	5,815	71,109
Tenant security deposits and pre-paid rent	5,615	113,397
Current portion of long-term debt	<u>21,039</u>	<u>80,057</u>
Total Current Discontinued Liabilities	36,560	352,553
Long-Term Discontinued Liabilities:		
Debt and accrued interest, net of deferred loan fees and current portion	<u>1,371,718</u>	<u>4,367,462</u>
Total Liabilities Classified as Discontinued	<u>\$ 1,408,278</u>	<u>\$ 4,720,015</u>

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016**

Note 9 - Continued

Debt - Included in debt and accrued interest from discontinued operations as of December 31, 2016, are three notes payable secured by the respective property with interest rates ranging from interest free to 7 % and maturities ranging from 2035 through 2054.

Aggregate principal maturities of the debt are as follows:

For the Year Ending December 31,

2017	\$ 21,039
2018	22,560
2019	24,191
2020	36,558
2021	88,433
Thereafter	<u>1,219,548</u>
	1,412,329
Less unamortized financing costs	<u>(19,572)</u>
Total Long-Term Debt	<u>\$ 1,392,757</u>

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

	<u>2016</u>	<u>2015</u>
Rental income	\$ 1,416,402	\$ 2,749,148
Other income	<u>19,750</u>	<u>30,845</u>
Total revenue	1,436,152	2,779,993
Program expenses	848,004	2,541,544
Supporting services expenses	<u>683,732</u>	<u>927,392</u>
Total expenses	<u>1,531,736</u>	<u>3,468,936</u>
Change in Net Assets From Discontinued Housing Subsidiaries Operations	<u>\$ (95,584)</u>	<u>\$ (688,943)</u>

Note 10 - Subsequent Event

Subsequent to yearend on April 5, 2017, the Organization purchased a building for administrative offices in Lynnwood, Washington for \$5,800,000. The purchase was financed with a promissory note issued by Umpqua Bank. The promissory note is broken out into two tranches with varying terms in the amounts of \$3,000,000 with a 1.99% interest rate maturing on April 1, 2019 and \$2,800,000 with interest based on the prime rate (currently 4.00%) maturing on April 1, 2019.

SUPPLEMENTARY INFORMATION

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES

**Schedule of Functional Expenses - Continued Operations
For the Year Ended December 31, 2016**

	Program Services					Supporting Services			2016 Total Expenses*
	Social and Information Services	Nutrition Services	Transportation Services	Home Repair Services	Total Program Services	Administration	Fundraising and Public Relations	Total Operating Supporting Services	
Salaries	\$ 1,502,888	\$ 542,923	\$ 4,040,628	\$ 613,345	\$ 6,699,784	\$ 794,098	\$ 191,433	\$ 985,531	\$ 7,685,315
Payroll taxes	141,712	58,678	579,452	93,378	873,220	70,634	18,033	88,667	961,887
Employee benefits	177,697	40,799	528,074	50,000	796,570	68,824	19,705	88,529	885,099
Salaries and Benefits	1,822,297	642,400	5,148,154	756,723	8,369,574	933,556	229,171	1,162,727	9,532,301
Office and operating supplies	76,063	1,006,277	169,784	284,393	1,536,517	22,276	4,065	26,341	1,562,858
Small tools and minor equipment	8,757	832	44,926	3,313	57,828	9,825		9,825	67,653
Supplies and Equipment	84,820	1,007,109	214,710	287,706	1,594,345	32,101	4,065	36,166	1,630,511
Professional services	249,638	65,750	96,433	27,562	439,383	145,571	190,777	336,348	775,731
Operating rentals and leases	281,370	39,723	131,665	12,566	465,324	45,008	77,418	122,426	587,750
Repair and maintenance	26,567	13,366	444,547	75,966	560,446	30,560	3,503	34,063	594,509
Dues, printing, training and and other services	48,894	21,511	51,957	8,880	131,242	177,926	101,245	279,171	410,413
Insurance	5,461	16,360	236,861	34,393	293,075	10,274	1,240	11,514	304,589
Communications	87,975	14,755	43,586	16,113	162,429	15,826	8,574	24,400	186,829
Donated Opportunity Shoppe goods							111,689	111,689	111,689
Travel and mileage	45,577	7,011	16,327	2,019	70,934	3,178	555	3,733	74,667
Public utility service	21,967	2,652	4,617	6,251	35,487	4,828	6,953	11,781	47,268
Advertising	2,632	937	15,537	142	19,248	508	134	642	19,890
Bad debt	1,069				1,069	3,824		3,824	4,893
Other Services	771,150	182,065	1,041,530	183,892	2,178,637	437,503	502,088	939,591	3,118,228
Debt service - interest						454		454	454
Total Expenses Before Depreciation	2,678,267	1,831,574	6,404,394	1,228,321	12,142,556	1,403,614	735,324	2,138,938	14,281,494
Depreciation and amortization	65,679	31,877	27,582	3,307	128,445	36,052	1,260	37,312	165,757
Total Expenses	\$ 2,743,946	\$ 1,863,451	\$ 6,431,976	\$ 1,231,628	\$ 12,271,001	\$ 1,439,666	\$ 736,584	\$ 2,176,250	\$ 14,447,251

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

See independent auditor's report.