



**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES**

Consolidated Financial Statements

For the Year Ended December 31, 2017

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Independent Auditor's Report

To the Board of Directors
Senior Services of Snohomish County
dba Homage Senior Services
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Senior Services of Snohomish County and Subsidiaries, dba Homage Senior Services (collectively the Organization), which comprise the consolidated statement of financial position as of December 31, 2017, 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, 2017, 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 8. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 June 28, 2018 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.

Clark Nuber P.S.

Certified Public Accountants
June 28, 2018

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Consolidated Statement of Financial Position - Assets
December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 2,162,854	\$ 5,700,000
Restricted cash	3,000,000	
Grants, contracts and other receivables	1,920,931	1,647,516
Pledges receivable	42,735	27,712
Prepaid expenses and other assets	333,474	300,968
Current discontinued assets	<u>16,916</u>	<u>811</u>
Total Current Assets	7,476,910	7,677,007
Assets restricted to the acquisition of long-term assets		22,782
Property and Equipment:		
Land	2,844,000	
Leasehold improvements	654,554	654,554
Automotive equipment	777,743	1,402,105
Furnishings and equipment	584,151	559,464
Construction in progress	3,778,679	
Less accumulated depreciation	<u>(1,838,040)</u>	<u>(2,282,941)</u>
Owned property and equipment, net	6,801,087	333,182
Automotive equipment - non-owned	576,344	76,129
Less accumulated depreciation - non-owned	<u>(78,774)</u>	
Automotive equipment - non-owned, net	<u>497,570</u>	<u>76,129</u>
Total Property and Equipment, Net	7,298,657	409,311
Long-term discontinued assets	<u>2,004,302</u>	<u>2,064,397</u>
Total Assets	\$ 16,779,869	\$ 10,173,497

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
 DBA HOMAGE SENIOR SERVICES
 Consolidated Statement of Financial Position - Liabilities and Net Assets
 December 31, 2017
 (With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts payable	\$ 356,792	\$ 403,620
Construction payable	248,495	
Accrued employee salaries and benefits	716,667	531,092
Other accrued liabilities	13,209	52,326
Current discontinued liabilities	<u>40,945</u>	<u>36,560</u>
Total Current Liabilities	1,376,108	1,023,598
Long-term debt	5,800,000	
Long-term discontinued liabilities	<u>1,351,905</u>	<u>1,371,718</u>
Total Liabilities	8,528,013	2,395,316
Net Assets:		
Unrestricted-		
Controlling interest	6,712,612	6,991,141
Noncontrolling interest	<u>400,132</u>	<u>452,630</u>
Total unrestricted	7,112,744	7,443,771
Temporarily restricted	<u>1,139,112</u>	<u>334,410</u>
Total Net Assets	<u>8,251,856</u>	<u>7,778,181</u>
Total Liabilities and Net Assets	<u>\$ 16,779,869</u>	<u>\$ 10,173,497</u>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Consolidated Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017	2016
Operating Support and Revenue:				
Government grants and contracts	\$ 11,932,390	\$ -	\$ 11,932,390	\$ 11,064,997
Contributions	1,607,831	561,744	2,169,575	2,347,730
United Way	44,450		44,450	84,008
Sales, special event, advertising and other income	727,962		727,962	955,016
Professional fees	500,621		500,621	407,946
Interest income	4,257		4,257	7,332
Net assets released from restriction	112,319	(112,319)		
Total Operating Support and Revenue	14,929,830	449,425	15,379,255	14,867,029
Operating Expenses:				
Program services-				
Social and information services	2,676,768		2,676,768	2,743,946
Nutrition services	1,964,744		1,964,744	1,863,451
Transportation services	6,971,853		6,971,853	6,431,976
Home repair services	1,228,451		1,228,451	1,231,628
Total program services	12,841,816		12,841,816	12,271,001
Supporting services-				
Administration	1,871,450		1,871,450	1,439,666
Fundraising and public relations	503,788		503,788	736,584
Total supporting services	2,375,238		2,375,238	2,176,250
Total Operating Expenses	15,217,054		15,217,054	14,447,251
Change in Net Assets From Operating Activities	(287,224)	449,425	162,201	419,778
Nonoperating Activities:				
Contributions restricted for the purchase of long-term assets		355,277	355,277	149,602
Gain on sale of assets	8,700		8,700	
Loss on transfer or sale of housing subsidiaries				(21,048,483)
Total Change in Net Assets From Nonoperating Activities	8,700	355,277	363,977	(20,898,881)
Total Change in Net Assets From Continuing Operations	(278,524)	804,702	526,178	(20,479,103)

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Consolidated Statement of Activities (Continued)
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Discontinued Operations:				
Loss from operations of discontinued housing subsidiaries	(52,503)		(52,503)	(95,584)
Total Change in Net Assets	(331,027)	804,702	473,675	(20,574,687)
Noncontrolling interest in net losses of discontinued subsidiaries	52,498		52,498	41,149
Total Change in Net Assets Excluding Noncontrolling Interest	<u>\$ (278,529)</u>	<u>\$ 804,702</u>	<u>\$ 526,173</u>	<u>\$ (20,533,538)</u>

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Consolidated Statement of Changes in Net Assets
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	Unrestricted			Temporarily Restricted	2017 Total	2016 Total
	Controlling Interest	Noncontrolling Interest	Total			
Net assets, beginning of year	\$ 6,991,141	\$ 452,630	\$ 7,443,771	\$ 334,410	\$ 7,778,181	\$ 28,352,868
Change in net assets excluding noncontrolling interest	(278,529)		(278,529)	804,702	526,173	(20,533,538)
Change in net assets from noncontrolling interests: Net loss		(52,498)	(52,498)		(52,498)	(41,149)
Total Change in Net Assets	(278,529)	(52,498)	(331,027)	804,702	473,675	(20,574,687)
Net Assets, End of Year	\$ 6,712,612	\$ 400,132	\$ 7,112,744	\$ 1,139,112	\$ 8,251,856	\$ 7,778,181

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 473,675	\$ (20,574,687)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Contributions restricted for acquisition of long-term assets	(355,277)	(149,602)
Loss on transfer or sale of housing subsidiaries		21,048,483
Gain on sale of property and equipment	(8,700)	
Depreciation and amortization	186,131	165,757
Depreciation and amortization from discontinued assets	68,589	68,588
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(273,415)	(175,530)
Notes receivable		300,000
Pledges receivable	(15,023)	4,182
Prepaid expenses and other assets	(32,506)	4,125
Discontinued assets	(16,105)	(1,945,149)
Accounts payable	(46,828)	62,474
Accrued employee salaries and benefits	185,575	6,414
Discontinued liabilities	3,912	262,960
Other accrued liabilities	(39,117)	(123,662)
Cash Provided by (Used in) Operating Activities	130,911	(1,045,647)
Cash Flows From Investing Activities:		
Decrease of cash set aside for the investment in long-term assets	22,782	64,860
Change in restricted cash	(3,000,000)	
Change in restricted cash for discontinued assets	(8,494)	1,912,261
Purchase of property and equipment	(6,826,982)	(270,902)
Proceeds from sale of property and equipment	8,700	
Cash (Used in) Provided by Investing Activities	(9,803,994)	1,706,219
Cash Flows From Financing Activities:		
Receipts of contributions restricted for acquisition of long-term assets	355,277	73,473
Payments on long-term debt for discontinued assets	(19,340)	(21,318)
Proceeds from issuance of long-term debt	5,800,000	
Cash Provided by Financing Activities	6,135,937	52,155
Net Change in Cash and Cash Equivalents	(3,537,146)	712,727
Cash and cash equivalents, beginning of year	5,700,000	4,987,273
Cash and Cash Equivalents, End of Year	\$ 2,162,854	\$ 5,700,000
Supplementary Cash Flow Information:		
Cash paid during the year for interest	\$ 167,936	\$ 61,301
Construction payables at year end	\$ 248,495	\$ -
Vehicle purchase included in accounts payable	\$ -	\$ 76,129

See accompanying notes.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 1 - Nature of the Organization

Principles of Consolidation - The consolidated financial statements of Senior Services of Snohomish County, dba Homage Senior Services, 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 is a Washington nonprofit corporation formed in 1973. During 2017, Senior Services of Snohomish County began doing business as Homage Senior Services.

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

- Broadway Meadows Not-for-Profit (Broadway Meadows) is a 501(c)(3) nonprofit corporation that was formed in 1996. Broadway Meadows has 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 previously formed nonprofit corporations funded by the United States Department of Housing and Urban Development (HUD) and 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 Homage Senior Services.

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
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

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 Pepperwood Limited Partnership has been awarded low-income housing tax credits through the Washington State Housing Finance Commission.

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 Homage Newspaper, published once a month as an insert in the Daily Herald, provides a unique and valuable community resource to inspire, educate, and support older adults.

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.

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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 1 - Continued

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.

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, 2017 and 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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 2 - Continued

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.

Restricted Cash - Restricted cash consists of cash held as collateral to secure the Organization’s debt issuance during 2017.

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, 2017 and 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 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>Tax Credit Partnerships</u>
Buildings	40 years	
Rental property - buildings		40 years
Rental property - building improvements		10 - 20 years
Land improvements		20 years
Furniture and equipment	3 - 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. Construction in progress as of December 31, 2017 includes the purchase and continued renovations of a new administration building. The building was placed in service in June of 2018.

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.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 2 - Continued

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>2017</u>	<u>2016</u>
Program services	\$ 12,982,040	\$ 13,119,005
Administrative services	1,995,770	2,123,398
Fundraising and public relations	<u>503,788</u>	<u>736,584</u>
Total Functional Expenses	<u>\$ 15,481,598</u>	<u>\$ 15,978,987</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 \$48,012 and \$154,793 were received during the year ended December 31, 2017 and 2016, 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, gain on sale of asset, loss on sale of housing subsidiaries, and loss from operations of discontinued housing subsidiaries.

Federal Income Tax - Homage 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, 2017 or 2016.

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 2 - Continued

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 2016 - 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, 2016, from which the summarized information was derived.

Reclassification - Certain accounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2017 financial statements. The reclassifications have no effect on the previously reported change in net assets.

Subsequent Events - The Organization has evaluated subsequent events through June 28, 2018, the date on which the consolidated financial statements were available to be issued.

Note 3 - Long-Term Debt

During the year ended December 31, 2017, the Organization signed two note payables with Umpqua Bank to finance the purchase and construction of a new program and administration building in Lynnwood, Washington. The principal amounts of the notes payable are \$3,000,000 and \$2,800,000. The notes bear interest at 1.99% and the Prime Rate as published by the Wall Street Journal (4.50% as of December 31, 2017), respectively, per annum. Monthly interest-only payments are required under the terms of the agreements and commenced May 1, 2017 and continue through maturity, April 1, 2019. All outstanding principle and interest are due at maturity. The notes are secured by a deed of trust and collateralized by the new building purchase.

Long-term debt consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Note Payable, Umpqua Bank; interest-only fixed rate payments of 1.99% per annum; monthly interest payments commencing May 1, 2017 through maturity, April 1, 2019.	\$ 3,000,000	\$ -
Note Payable, Umpqua Bank; interest-only variable rate payments based Prime Rate (4.50% as of December 31, 2017) per annum; monthly payments commencing May 1, 2017 through maturity, April 1, 2019.	<u>2,800,000</u>	<u> </u>
Long-Term Debt	<u>\$ 5,800,000</u>	<u>\$ -</u>

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 3 - Continued

Future minimum principal payments on debt are as follows:

For the Year Ending December 31,

2018	\$ -
2019	<u>5,800,000</u>
	<u><u>\$ 5,800,000</u></u>

There was no interest expense for the years ended December 31, 2017 and 2016, respectively. Capitalized interest in 2017 totaled \$117,753.

The Organization had a \$500,000 line of credit which was terminated in November 2017. In July 2017, the Organization opened a separate \$500,000 line of credit, set to expire in August 2018. There were no outstanding amounts as of December 31, 2017 or 2016.

Note 4 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Meals on Wheels	\$ 666,944	\$ 235,500
Transportation, non-owned vehicles	352,889	76,129
Capital campaign		22,781
Other	<u>119,279</u>	
Total Temporarily Restricted Net Assets	<u>\$ 1,139,112</u>	<u>\$ 334,410</u>

Temporarily restricted net assets totaling \$112,319 and \$64,860 were released from purpose restrictions for the years ended December 31, 2017 and 2016, respectively. Additionally, \$20,085,225 was released during the year ended December 31, 2016 due to the transfer of control of the eleven HUD properties.

Note 5 - 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, 2017 and 2016.

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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 6 - Lease Commitments

The Organization has entered into certain noncancelable operating leases for office space and equipment through 2021. The minimum future rental commitment under the operating leases is as follows:

For the Year Ending December 31,

2018	\$	298,270
2019		13,690
2020		3,600
2021		3,600
2021		1,800
Total Lease Commitment	\$	320,960

Certain leases require the Organization to pay taxes and other expenses. Rental expense incurred totaled \$618,225 and \$587,750 for the years ended December 31, 2017 and 2016, respectively.

Note 7 - 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, 2017 and 2016, support from local, state and federal governmental agencies totaled 76% and 75% of total operating support and revenue, respectively. Receivables related to local, state and federal government agencies accounted for 86% and 82% of the Organization's total grants, contracts and other receivables at December 31, 2017 and 2016, 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, 2017 and 2016, no adjustments were made.

Approximately 32% of the Organization's labor force is covered by a collective bargaining agreement. The current agreement is in effect from October 1, 2016 through September 30, 2019.

During the year ended December 31, 2017, the Organization entered into a contract related to the remodel of the new program and administrative building. The total contract sum is \$2.1 million. As of December 31, 2017, estimated costs to complete the project are approximately \$1.5 million.

Note 8 - 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 discontinued and available for sale on the consolidated statement of financial position at December 31, 2017 and 2016.

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 Notes to Consolidated Financial Statements
 For the Year Ended December 31, 2017

Note 8 - Continued

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

	<u>2017</u>	<u>2016</u>
Current Discontinued Assets:		
Cash	\$ 13,437	\$ -
Accounts receivable		500
Other assets	<u>3,479</u>	<u>311</u>
Total Current Discontinued Assets	16,916	811
Long-Term Discontinued Assets:		
Restricted cash	127,187	118,693
Property and equipment	<u>1,877,115</u>	<u>1,945,704</u>
Total Long-Term Discontinued Assets	<u>2,004,302</u>	<u>2,064,397</u>
Total Assets Classified as Discontinued	<u>\$ 2,021,218</u>	<u>\$ 2,065,208</u>
Current Discontinued Liabilities:		
Accounts payable	\$ 6,473	\$ 4,091
Accrued liabilities	6,147	5,815
Tenant security deposits and pre-paid rent	5,765	5,615
Current portion of long-term debt	<u>22,560</u>	<u>21,039</u>
Total Current Discontinued Liabilities	40,945	36,560
Long-Term Discontinued Liabilities:		
Debt and accrued interest, net of deferred loan fees and current portion	<u>1,351,905</u>	<u>1,371,718</u>
Total Liabilities Classified as Discontinued	<u>\$ 1,392,850</u>	<u>\$ 1,408,278</u>

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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2017

Note 8 - Continued

Debt - Included in debt and accrued interest from discontinued operations as of December 31, 2017, 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,

2018	\$	22,560
2019		24,191
2020		36,558
2021		88,433
2022		40,444
Thereafter		<u>1,180,802</u>
		1,392,988
Less unamortized financing costs		<u>(18,523)</u>
Total Long-Term Debt	\$	<u>1,374,465</u>

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

Rental income	\$	210,351	\$	1,416,402
Other income		<u>1,690</u>		<u>19,750</u>
Total revenue		212,041		1,436,152
Program expenses		140,224		848,004
Supporting services expenses		<u>124,320</u>		<u>683,732</u>
Total expenses		<u>264,544</u>		<u>1,531,736</u>
Change in Net Assets From Discontinued Housing Subsidiaries Operations	\$	<u>(52,503)</u>	\$	<u>(95,584)</u>

SUPPLEMENTARY INFORMATION

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES
DBA HOMAGE SENIOR SERVICES**

**Schedule of Functional Expenses - Continued Operations
For the Year Ended December 31, 2017**

	Program Services					Supporting Services			2017 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	\$ 1,598,664	\$ 539,876	\$ 4,396,314	\$ 623,495	\$ 7,158,349	\$ 934,008	\$ 147,662	\$ 1,081,670	\$ 8,240,019
Payroll taxes	146,871	57,866	642,099	99,710	946,546	87,050	13,214	100,264	1,046,810
Employee benefits	187,628	58,321	486,488	67,596	800,033	122,837	17,662	140,499	940,532
Salaries and Benefits	1,933,163	656,063	5,524,901	790,801	8,904,928	1,143,895	178,538	1,322,433	10,227,361
Office and operating supplies	34,989	1,066,618	44,334	220,928	1,366,869	16,469	5,945	22,414	1,389,283
Small tools and minor equipment	3,622	4,257	1,837	9,222	18,938	76,481	16	76,497	95,435
Supplies and Equipment	38,611	1,070,875	46,171	230,150	1,385,807	92,950	5,961	98,911	1,484,718
Professional services	249,181	38,679	51,434	7,354	346,648	321,163	207,388	528,551	875,199
Repair and maintenance	3,513	47,209	687,253	86,938	824,913	6,790	3,041	9,831	834,744
Operating rentals and leases	287,093	48,680	194,643	34,161	564,577	47,258	6,656	53,914	618,491
Insurance	1,239	20,587	249,732	50,235	321,793	22,519	360	22,879	344,672
Dues, printing, training and other services	19,156	18,629	22,044	5,688	65,517	95,448	43,993	139,441	204,958
Telephone and postage	38,314	9,918	52,390	13,512	114,134	20,809	26,977	47,786	161,920
Travel and mileage	70,703	8,578	19,046	2,919	101,246	12,547	1,265	13,812	115,058
Advertising	10,701	4,176	21,836	1,095	37,808	10,088	587	10,675	48,483
Public utility service	276	930	5,724	3,823	10,753	34,775		34,775	45,528
Donated Opportunity Shoppe goods							25,515	25,515	25,515
Client assistance	12,753	12,753			25,506			-	25,506
Other miscellaneous	6,454	2,698	4,336	1,775	15,263	-	3,507	3,507	18,770
Other Services	699,383	212,837	1,308,438	207,500	2,428,158	571,397	319,289	890,686	3,318,844
Total Expenses Before Depreciation	2,671,157	1,939,775	6,879,510	1,228,451	12,718,893	1,808,242	503,788	2,312,030	15,030,923
Depreciation and amortization	5,611	24,969	92,343		122,923	63,208		63,208	186,131
Total Expenses	\$ 2,676,768	\$ 1,964,744	\$ 6,971,853	\$ 1,228,451	\$ 12,841,816	\$ 1,871,450	\$ 503,788	\$ 2,375,238	\$ 15,217,054

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

See independent auditor's report.