



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

Consolidated Financial Statements

For the Year Ended December 31, 2018

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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, 2018, and the related consolidated statements of activities, changes in net assets, functional expenses, 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.



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## **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, 2018, 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.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

## **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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Clark Nuber P.S.*

Certified Public Accountants  
May 30, 2019

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
 DBA HOMAGE SENIOR SERVICES  
 Consolidated Statement of Financial Position - Assets  
 December 31, 2018  
 (With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,140,950	\$ 2,162,854
Restricted cash		3,000,000
Grants, contracts and other receivables	1,538,131	1,920,931
Pledges receivable	58,308	42,735
Prepaid expenses and other assets	233,708	300,361
Current discontinued assets	<u>35,187</u>	<u>16,916</u>
<b>Total Current Assets</b>	<b>4,006,284</b>	<b>7,443,797</b>
Beneficial interest in assets held by others	105,031	33,113
<b>Property and Equipment:</b>		
Land	2,844,000	2,844,000
Leasehold improvements		654,554
Automotive equipment	532,980	777,743
Furnishings and equipment	601,802	584,151
Construction in progress		3,778,679
Building	6,320,806	
Software	54,494	
Less accumulated depreciation	<u>(767,512)</u>	<u>(1,838,040)</u>
Owned property and equipment, net	9,586,570	6,801,087
Automotive equipment - non-owned	576,344	576,344
Less accumulated depreciation - non-owned	<u>(194,043)</u>	<u>(78,774)</u>
Automotive equipment - non-owned, net	<u>382,301</u>	<u>497,570</u>
<b>Total Property and Equipment, Net</b>	<b>9,968,871</b>	<b>7,298,657</b>
Long-term discontinued assets	<u>1,945,657</u>	<u>2,004,302</u>
<b>Total Assets</b>	<b>\$ <u>16,025,843</u></b>	<b>\$ <u>16,779,869</u></b>

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, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 416,578	\$ 356,792
Construction payable		248,495
Accrued employee salaries and benefits	821,093	716,667
Other accrued liabilities		13,209
Current portion long-term debt	101,047	
Current discontinued liabilities	<u>37,309</u>	<u>40,945</u>
<b>Total Current Liabilities</b>	<b>1,376,027</b>	<b>1,376,108</b>
Long-term debt, net of current portion	6,302,394	5,800,000
Long-term discontinued liabilities	<u>1,328,763</u>	<u>1,351,905</u>
<b>Total Liabilities</b>	<b>9,007,184</b>	<b>8,528,013</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Controlling interest	6,135,146	7,127,953
Noncontrolling interest	<u>386,536</u>	<u>400,132</u>
Total without donor restrictions	6,521,682	7,528,085
With donor restrictions	<u>496,977</u>	<u>723,771</u>
<b>Total Net Assets</b>	<b>7,018,659</b>	<b>8,251,856</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 16,025,843</u></b>	<b><u>\$ 16,779,869</u></b>

See accompanying notes.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**  
**DBA HOMAGE SENIOR SERVICES**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018	2017
<b>Operating Support and Revenue:</b>				
Government grants and contracts	\$ 12,781,865	\$ -	\$ 12,781,865	\$ 12,384,567
Contributions	1,917,813	146,272	2,064,085	2,169,575
United Way				44,450
Sales, special event, advertising and other income	683,036		683,036	727,962
Professional fees	178,622		178,622	500,621
Investment return	(6,231)		(6,231)	4,257
Gain on sale of assets	5,000		5,000	8,700
Net assets released from restriction	373,066	(373,066)		
<b>Total Operating Support and Revenue</b>	<b>15,933,171</b>	<b>(226,794)</b>	<b>15,706,377</b>	<b>15,840,132</b>
<b>Operating Expenses:</b>				
Program services-				
Social and information services	2,904,014		2,904,014	2,676,768
Nutrition services	2,262,900		2,262,900	1,964,744
Transportation services	8,440,480		8,440,480	7,424,030
Home repair services	897,773		897,773	1,228,451
Total program services	14,505,167		14,505,167	13,293,993
Supporting services-				
Administration	1,861,968		1,861,968	1,871,450
Fundraising and public relations	558,843		558,843	503,788
Total supporting services	2,420,811		2,420,811	2,375,238
<b>Total Operating Expenses</b>	<b>16,925,978</b>		<b>16,925,978</b>	<b>15,669,231</b>
<b>Change in Net Assets From Operating Activities</b>	<b>(992,807)</b>	<b>(226,794)</b>	<b>(1,219,601)</b>	<b>170,901</b>
<b>Nonoperating Activities:</b>				
Contributions restricted for the purchase of long-term assets				355,277
<b>Total Change in Net Assets From Nonoperating Activities</b>				<b>355,277</b>
<b>Total Change in Net Assets From Continuing Operations</b>	<b>(992,807)</b>	<b>(226,794)</b>	<b>(1,219,601)</b>	<b>526,178</b>

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, 2018**  
**(With Comparative Totals for 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018	2017
<b>Discontinued Operations:</b>				
Loss from operations of discontinued housing subsidiaries	(13,596)		(13,596)	(52,503)
<b>Total Change in Net Assets</b>	<b>(1,006,403)</b>	<b>(226,794)</b>	<b>(1,233,197)</b>	<b>473,675</b>
Noncontrolling interest in net losses of discontinued subsidiaries	13,596		13,596	52,498
<b>Total Change in Net Assets Excluding Noncontrolling Interest</b>	<b>\$ (992,807)</b>	<b>\$ (226,794)</b>	<b>\$ (1,219,601)</b>	<b>\$ 526,173</b>

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, 2018  
 (With Comparative Totals for 2017)

	Controlling Interest	Noncontrolling Interest	Total	With Donor Restrictions	2018 Total	2017 Total
Net assets, beginning of year	\$ 7,127,953	\$ 400,132	\$ 7,528,085	\$ 723,771	\$ 8,251,856	\$ 7,778,181
Change in net assets excluding noncontrolling interest	(992,807)		(992,807)	(226,794)	(1,219,601)	526,173
Change in net assets from noncontrolling interests- Net loss		(13,596)	(13,596)		(13,596)	(52,498)
<b>Total Change in Net Assets</b>	<b>(992,807)</b>	<b>(13,596)</b>	<b>(1,006,403)</b>	<b>(226,794)</b>	<b>(1,233,197)</b>	<b>473,675</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,135,146</b>	<b>\$ 386,536</b>	<b>\$ 6,521,682</b>	<b>\$ 496,977</b>	<b>\$ 7,018,659</b>	<b>\$ 8,251,856</b>

See accompanying notes.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**  
**DBA HOMAGE SENIOR SERVICES**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	Program Services					Supporting Services			2018 Total Expenses	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	\$ 1,642,074	\$ 619,992	\$ 5,031,319	\$ 505,872	\$ 7,799,257	\$ 1,020,531	\$ 175,778	\$ 1,196,309	\$ 8,995,566	\$ 8,240,019
Payroll taxes	143,080	60,156	648,313	72,220	923,769	91,762	15,134	106,896	1,030,665	1,046,810
Employee benefits	202,618	75,260	513,416	58,707	850,001	128,003	20,833	148,836	998,837	940,532
<b>Salaries and Benefits</b>	<b>1,987,772</b>	<b>755,408</b>	<b>6,193,048</b>	<b>636,799</b>	<b>9,573,027</b>	<b>1,240,296</b>	<b>211,745</b>	<b>1,452,041</b>	<b>11,025,068</b>	<b>10,227,361</b>
Office and operating supplies	51,705	1,191,221	41,475	137,664	1,422,065	7,745	8,199	15,944	1,438,009	1,389,283
Small tools and minor equipment	29,432	15,448	20,114	1,804	66,798	124,514	51,316	175,830	242,628	95,435
<b>Supplies and Equipment</b>	<b>81,137</b>	<b>1,206,669</b>	<b>61,589</b>	<b>139,468</b>	<b>1,488,863</b>	<b>132,259</b>	<b>59,515</b>	<b>191,774</b>	<b>1,680,637</b>	<b>1,484,718</b>
Professional services	221,074	52,869	90,551	767	365,261	286,469	210,457	496,926	862,187	875,199
Telephone and postage expense	48,475	14,818	69,046	14,866	147,205	19,936	33,650	53,586	200,791	177,848
Travel, mileage and contracted services	94,771	11,376	29,312	2,607	138,066	19,638	1,244	20,882	158,948	115,058
Advertising	13,369	4,125	25,424	14	42,932	18,141	1,547	19,688	62,620	48,483
Operating rentals and leases	230,740	55,360	123,244	14,462	423,806	43,446	14,016	57,462	481,268	618,491
Insurance and other services	15,400	23,953	237,623	46,354	323,330	16,691	693	17,384	340,714	344,672
Public utility service	25,593	6,934	13,029	3,389	48,945	4,375	1,318	5,693	54,638	45,528
Repair and maintenance services	402	39,441	1,385,061	27,582	1,452,486	230	21	251	1,452,737	1,270,993
Dues, printing, training, etc.	15,932	21,163	26,850	3,907	67,852	8,140	18,114	26,254	94,106	204,958
Client assistance	47,277	10,050	2,500	330	60,157				60,157	25,506
Interest and other miscellaneous expenses	66,902	17,005	29,824	4,076	117,807	29,326	3,800	33,126	150,933	44,285
<b>Other Expenses</b>	<b>779,935</b>	<b>257,094</b>	<b>2,032,464</b>	<b>118,354</b>	<b>3,187,847</b>	<b>446,392</b>	<b>284,860</b>	<b>731,252</b>	<b>3,919,099</b>	<b>3,771,021</b>
<b>Total Expenses Before Depreciation</b>	<b>2,848,844</b>	<b>2,219,171</b>	<b>8,287,101</b>	<b>894,621</b>	<b>14,249,737</b>	<b>1,818,947</b>	<b>556,120</b>	<b>2,375,067</b>	<b>16,624,804</b>	<b>15,483,100</b>
Depreciation and amortization	55,170	43,729	153,379	3,152	255,430	43,021	2,723	45,744	301,174	186,131
<b>Total Operating Expenses</b>	<b>2,904,014</b>	<b>2,262,900</b>	<b>8,440,480</b>	<b>897,773</b>	<b>14,505,167</b>	<b>1,861,968</b>	<b>558,843</b>	<b>2,420,811</b>	<b>16,925,978</b>	<b>15,669,231</b>
Expenses from discontinued operations					122,967	122,800		122,800	245,767	264,544
<b>Total Expenses</b>	<b>\$ 2,904,014</b>	<b>\$ 2,262,900</b>	<b>\$ 8,440,480</b>	<b>\$ 897,773</b>	<b>\$ 14,628,134</b>	<b>\$ 1,984,768</b>	<b>\$ 558,843</b>	<b>\$ 2,543,611</b>	<b>\$ 17,171,745</b>	<b>\$ 15,933,775</b>

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, 2018**  
**(With Comparative Totals for 2017)**

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (1,233,197)	\$ 473,675
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Contributions restricted for acquisition of long-term assets		(355,277)
Gain on sale of property and equipment	(5,000)	(8,700)
Depreciation and amortization	301,174	186,131
Depreciation and amortization from discontinued assets	68,589	68,589
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	382,800	(273,415)
Pledges receivable	(15,573)	(15,023)
Prepaid expenses and other assets	(5,265)	(32,506)
Discontinued assets	(18,261)	(16,105)
Accounts payable	59,786	(46,828)
Accrued employee salaries and benefits	104,426	185,575
Discontinued liabilities	(7,438)	3,912
Construction payables	(248,495)	
Other accrued liabilities	(13,209)	(39,117)
<b>Cash (Used in) Provided by Operating Activities</b>	<b>(629,663)</b>	<b>130,911</b>
<b>Cash Flows From Investing Activities:</b>		
Decrease of cash set aside for the investment in long-term assets		22,782
Change in restricted cash	3,000,000	(3,000,000)
Change in restricted cash for discontinued assets	(9,954)	(8,494)
Purchase of property and equipment	(2,966,388)	(6,826,982)
Proceeds from sale of property and equipment		8,700
<b>Cash Provided by (Used in) Investing Activities</b>	<b>23,658</b>	<b>(9,803,994)</b>
<b>Cash Flows From Financing Activities:</b>		
Receipts of contributions restricted for acquisition of long-term assets		355,277
Payments on long-term debt for discontinued assets	(19,340)	(19,340)
Payments of loan fees	(146,212)	
Payments on long-term debt	(5,800,000)	
Proceeds from issuance of long-term debt	6,549,653	5,800,000
<b>Cash Provided by Financing Activities</b>	<b>584,101</b>	<b>6,135,937</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(21,904)</b>	<b>(3,537,146)</b>
Cash and cash equivalents, beginning of year	2,162,854	5,700,000
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,140,950</b>	<b>\$ 2,162,854</b>
<b>Supplementary Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 225,979	\$ 167,936
Construction payables at year end	\$ -	\$ 248,495

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, 2018**

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**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.

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.

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

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**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.

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** - helps people live safely in their own homes.

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).

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

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated funds be maintained in perpetuity. Earnings on donor restricted net assets are to be used for the purpose specified by the donor.

**Revenue and Support With and Without Donor Restrictions** - Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor-stipulation or by law. The Organization's policy is to record donor-restricted contributions received and expended in the same accounting period in net assets without donor restrictions.

**Adoption of New Accounting Pronouncement** - For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; and recognition of capital gifts as a net asset without donor restrictions when the associated long-lived asset is placed in service. The guidance also enhances disclosures for composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

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

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

**Note 2 - Continued**

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2018 is presented below:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented-			
Unrestricted	\$ 7,112,744	\$ -	\$ 7,112,744
Temporarily restricted		1,139,112	1,139,112
Permanently restricted			
Net assets as previously presented	7,112,744	1,139,112	8,251,856
Reclassifications to implement ASU 2016-14 capital gifts placed in service	415,341	(415,341)	
<b>Net Assets, as Reclassified, at December 31, 2017</b>	<b><u>\$ 7,528,085</u></b>	<b><u>\$ 723,771</u></b>	<b><u>\$ 8,251,856</u></b>

**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** - The Organization had no restricted cash at December 31, 2018. Restricted cash at December 31, 2017 consisted 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, 2018 and 2017. Accordingly, no allowance for doubtful accounts has been recorded.

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

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**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 \$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 and improvements	20 - 40 years	
Rental property - building and improvements		10 - 40 years
Land improvements		20 years
Furniture and equipment	3 - 10 years	5 - 10 years
Software	3 years or length of contract, whichever is less	
Servers	4 years	
Automotive equipment - vehicles	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 included the purchase and continued renovations of the Organization's 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" net assets with donor restrictions. 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. The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. These joint costs are prorated individually as direct cost to each category and to each award or other activity using a base most appropriate to the particular cost being prorated. The bases are established in accordance with reasonable criteria and supported by current data, they are founded on benefit received, such as hours worked, usage, or square footage. Administrative expenses are allocated based on percent of total direct expenses. Occupancy is allocated based on square feet. Computer services, printing costs, office supplies, postage, and other miscellaneous costs are allocated based on full time equivalents.

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DBA HOMAGE SENIOR SERVICES**

**Notes to Consolidated Financial Statements  
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**Note 2 - Continued**

**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 support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. In-kind contributions of \$43,113 and \$48,012 were received during the year ended December 31, 2018 and 2017, respectively, which consisted primarily of donated food, 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, other miscellaneous loss, and loss from operations of discontinued housing subsidiaries.

**Federal Income Tax** - Homage Senior Services and Broadway Meadows 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 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, 2018 or 2017.

**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 2017** - 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, 2017, from which the summarized information was derived.

**Reclassification** - Certain accounts in the 2017 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2018 financial statements. The reclassifications have no effect on the previously reported change in net assets.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
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**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**Note 2 - Continued**

**Subsequent Events** - The Organization has evaluated subsequent events through May 30, 2019, the date on which the consolidated financial statements were available to be issued.

**Note 3 - Long-Term Debt**

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

	<u>2018</u>	<u>2017</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. Paid in full during the year ended December 31, 2018.	\$ -	\$ 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. Paid in full during the year ended December 31, 2018.		2,800,000
Washington State Housing Finance Commission Nonprofit Revenue Bond, privately placed, payable to Homestreet Bank; interest of 3.48% per annum; monthly interest and principal payments commencing February 1, 2019 for \$28,099 and continuing through maturity, January 1, 2044.	6,225,000	
Line of credit; Homestreet Bank; limit of \$500,000. One payment of outstanding principal and unpaid accrued interest due on January 1, 2020.	<u>324,653</u>	
	6,549,653	5,800,000
Less current portion of long-term debt	(101,047)	
Less unamortized financing costs	<u>(146,212)</u>	
<b>Total Long-Term Debt, Net of Current Portion</b>	<b><u>\$ 6,302,394</u></b>	<b><u>\$ 5,800,000</u></b>

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**Notes to Consolidated Financial Statements  
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**Note 3 - Continued**

Future minimum principal payments on debt are as follows:

For the Year Ending December 31,

2019	\$ 101,047
2020	447,146
2021	127,492
2022	132,064
2023	136,800
Thereafter	<u>5,605,104</u>
	6,549,653
Less unamortized debt issuance costs	<u>(146,212)</u>
<b>Total Debt</b>	<b><u><u>\$ 6,403,441</u></u></b>

Interest expense totaled \$130,970 and \$0 for the years ended December 31, 2018 and 2017, respectively. Capitalized interest totaled \$95,009 and \$117,753 for the years ended December 31, 2018 and 2017, respectively.

**Note 4 - Net Assets With Donor Restrictions**

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purpose-		
Meals on Wheels	\$ 363,153	\$ 604,492
Other	<u>28,793</u>	<u>119,279</u>
	<b>391,946</b>	<b>723,771</b>
Not subject to appropriation or expenditure-		
Beneficial interest in assets held by others (Note 9)	<u>105,031</u>	<u></u>
<b>Total Assets With Donor Restrictions</b>	<b><u><u>\$ 496,977</u></u></b>	<b><u><u>\$ 723,771</u></u></b>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time were \$373,066 and \$415,351 for the years ended December 31, 2018 and 2017, respectively.

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**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**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, 2018 and 2017.

**Note 6 - Lease Commitments**

The Organization has entered into certain noncancelable operating leases for office space through 2019. The minimum future rental commitment under the operating leases is \$10,090 for 2019.

Certain leases require the Organization to pay taxes and other expenses. Rental expense incurred totaled \$491,225 and \$618,225 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017, support from local, state and federal governmental agencies totaled 81% and 76% of total operating support and revenue, respectively. Receivables related to local, state and federal government agencies accounted for 86% of the Organization's total grants, contracts and other receivables at December 31, 2018 and 2017. 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, 2018 and 2017, no adjustments were made.

Approximately 37% 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.

**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, 2018 and 2017.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
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**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**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>2018</u>	<u>2017</u>
<b>Current Discontinued Assets:</b>		
Cash	\$ 31,535	\$ 13,437
Accounts receivable	60	
Other assets	<u>3,592</u>	<u>3,479</u>
<b>Total Current Discontinued Assets</b>	<b>35,187</b>	<b>16,916</b>
<b>Long-Term Discontinued Assets:</b>		
Restricted cash	137,141	127,187
Property and equipment	<u>1,808,516</u>	<u>1,877,115</u>
<b>Total Long-Term Discontinued Assets</b>	<b><u>1,945,657</u></b>	<b><u>2,004,302</u></b>
<b>Total Assets Classified as Discontinued</b>	<b><u>\$ 1,980,844</u></b>	<b><u>\$ 2,021,218</u></b>
<b>Current Discontinued Liabilities:</b>		
Accounts payable	\$ 1,794	\$ 6,473
Accrued liabilities	5,924	6,147
Tenant security deposits and pre-paid rent	5,400	5,765
Current portion of long-term debt	<u>24,191</u>	<u>22,560</u>
<b>Total Current Discontinued Liabilities</b>	<b>37,309</b>	<b>40,945</b>
<b>Long-Term Discontinued Liabilities:</b>		
Debt and accrued interest, net of deferred loan fees and current portion	<u>1,328,763</u>	<u>1,351,905</u>
<b>Total Liabilities Classified as Discontinued</b>	<b><u>\$ 1,366,072</u></b>	<b><u>\$ 1,392,850</u></b>

**Debt** - Included in debt and accrued interest from discontinued operations as of December 31, 2018, are two notes payable secured by the respective property with interest rates ranging from interest free to 7% and maturities ranging from 2035 through 2054.

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
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**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2018**

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**Note 8 - Continued**

Aggregate principal maturities of the debt are as follows:

For the Year Ending December 31,

2019	\$ 24,191
2020	36,558
2021	88,433
2022	40,444
2023	42,600
Thereafter	<u>1,138,203</u>
	1,370,429
Less unamortized financing costs	<u>(17,475)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 1,352,954</u></b>

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

	<u>2018</u>	<u>2017</u>
Rental income	\$ 231,634	\$ 210,351
Other income	<u>2,365</u>	<u>1,690</u>
Total revenue	233,999	212,041
Program expenses	124,795	140,224
Supporting services expenses	<u>122,800</u>	<u>124,320</u>
Total expenses	<u>247,595</u>	<u>264,544</u>
<b>Change in Net Assets From Discontinued Housing Subsidiaries Operations</b>	<b><u>\$ (13,596)</u></b>	<b><u>\$ (52,503)</u></b>

**Note 9 - Beneficial Interest in Assets Held by the Community Foundation of Snohomish County**

During 2013, the Organization designated the Community Foundation of Snohomish County (CFSC), an unrelated nonprofit 501(c)(3) entity, to hold \$25,000 of funds for the benefit of the Organization. The fund is subject to the CFSC's investment and spending policies. Grant distributions may be requested by the CEO; however, the CFSC holds ultimate authority over the Fund and distributions from the Fund. The beneficial interest in assets held at CFSC has been valued at the net asset value of the Organization's share of assets held by the CFSC in the consolidated statement of financial position. Changes in the value of the Fund are reported as gains or losses with donor restriction.

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**Notes to Consolidated Financial Statements  
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**Note 9 - Continued**

During 2018, the Organization received endowed funds of \$78,000 from the Group Health Foundation. The distributed income from the fund is to be used for providing financial support for healthcare programs directed toward the senior population within Snohomish County. The Organization designated the Community Foundation of Snohomish County to hold the funds. CFSC holds the assets as an endowed component fund (Fund) for the benefit of the Organization. The fund is subject to the CFSC's investment and spending policies. Distributions will be made in a manner to ensure permanent endowment according to CFSC's spending policy. There is an emergency clause in the distribution policy which states that the Board of Directors, by an affirmative vote of two-thirds of the Directors, may recommend and request distribution to the Organization of all or any portion of the assets of the Fund; however, the CFSC holds ultimate authority over the Fund and distributions from the Fund. A grant allocation will be made annually. The first grant allocation is made in January and will be prorated based on the number of months the fund has been in existence. Thereafter, the amount of the grant allocation will be the average of the prior 12 quarters ending fund balances, multiplied by the payout that is specified in the fund agreement. The beneficial interest in assets held at CFSC has been valued at the net asset value of the Organization's share of assets held by the CFSC in the consolidated statement of financial position. Changes in the value of the Fund are reported as gains or losses with donor restrictions.

Balance, December 31, 2017	\$ 33,113
Contributions	78,000
Share of depreciation of fund	<u>(6,082)</u>
<b>Balance, December 31, 2018</b>	<b><u>\$ 105,031</u></b>

**Note 10 - Liquidity and Availability of Financial Assets**

The Organization's financial assets available within one year of the balance sheet date for general expenditure were as follows at December 31, 2018:

Cash and cash equivalents	\$ 2,140,950
Accounts receivable	1,538,131
Pledges receivable	<u>58,308</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 3,737,389</u></b>

Financial assets available to meeting cash needs for general expenditures within one year do not include amounts not available for general expenditures because of internal, contractual, or donor-imposed restrictions that limit the use of the financial assets to uses other than program expenditures to be incurred in the normal course of operations within one year of the consolidated statement of financial position.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Monthly cash outflows vary each year based on program activities and necessary upkeep and replacement of assets. To manage liquidity the Organization maintains a line of credit of \$500,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 3 for further description of this line.