



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

Consolidated Financial Statements

For the Year Ended December 31, 2019

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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, 2019, 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, 2019, 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.

## 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.

As discussed on Note 2 to the financial statements, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08 - *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 June 29, 2020 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

June 29, 2020

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES**  
**DBA HOMAGE SENIOR SERVICES**  
**Consolidated Statement of Financial Position - Assets**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Current Assets:</b>		
Cash and cash equivalents from continuing operations	\$ 1,253,032	\$ 2,140,950
Cash and cash equivalents from discontinued operations	112,955	31,535
Grants, contracts and other receivables	1,468,330	1,538,131
Pledges receivable	53,516	58,308
Prepaid expenses and other assets	326,422	233,708
Current discontinued assets	<u>4,293</u>	<u>3,652</u>
<b>Total Current Assets</b>	<b>3,218,548</b>	<b>4,006,284</b>
Beneficial interest in assets held by others	122,172	105,031
<b>Property and Equipment:</b>		
Land	2,844,000	2,844,000
Automotive equipment	549,813	532,980
Furnishings and equipment	672,740	601,802
Building	6,320,806	6,320,806
Software	86,975	54,494
Less accumulated depreciation	<u>(1,063,606)</u>	<u>(767,512)</u>
Owned property and equipment, net	9,410,728	9,586,570
Automotive equipment - non-owned	576,344	576,344
Less accumulated depreciation - non-owned	<u>(309,312)</u>	<u>(194,043)</u>
Automotive equipment - non-owned, net	<u>267,032</u>	<u>382,301</u>
<b>Total Property and Equipment, Net</b>	<b>9,677,760</b>	<b>9,968,871</b>
Restricted cash from discontinued operations	153,240	137,141
Long-term discontinued assets	<u>1,739,957</u>	<u>1,808,516</u>
<b>Total Long-Term Discontinued Assets</b>	<b>1,893,197</b>	<b>1,945,657</b>
<b>Total Assets</b>	<b><u>\$ 14,911,677</u></b>	<b><u>\$ 16,025,843</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, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 316,917	\$ 416,578
Accrued employee salaries and benefits	725,572	821,093
Other accrued liabilities	31,870	
Current portion long-term debt	622,493	101,047
Current discontinued liabilities	<u>53,920</u>	<u>37,309</u>
<b>Total Current Liabilities</b>	<b>1,750,772</b>	<b>1,376,027</b>
Long-term debt, net of current portion	5,860,611	6,302,394
Long-term discontinued liabilities	<u>1,293,254</u>	<u>1,328,763</u>
<b>Total Liabilities</b>	<b>8,904,637</b>	<b>9,007,184</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Controlling interest	5,454,903	6,135,146
Noncontrolling interest		<u>386,536</u>
Total without donor restrictions	5,454,903	6,521,682
With donor restrictions	<u>552,137</u>	<u>496,977</u>
<b>Total Net Assets</b>	<b>6,007,040</b>	<b>7,018,659</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 14,911,677</u></b>	<b><u>\$ 16,025,843</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, 2019**  
**(With Comparative Totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019	2018
<b>Operating Support and Revenue:</b>				
Government grants and contracts	\$ 13,612,960	\$ -	\$ 13,612,960	\$ 12,781,865
Contributions	2,199,091	137,617	2,336,708	2,064,085
Sales, special event, advertising and other income	670,750		670,750	683,036
Professional fees	142,648		142,648	178,622
Investment return				(6,231)
Gain on sale of assets	4,500		4,500	5,000
Net assets released from restriction	82,457	(82,457)		
<b>Total Operating Support and Revenue</b>	<b>16,712,406</b>	<b>55,160</b>	<b>16,767,566</b>	<b>15,706,377</b>
<b>Operating Expenses:</b>				
Program services-				
Social and information services	2,716,546		2,716,546	2,904,014
Nutrition services	2,178,989		2,178,989	2,262,900
Transportation services	8,741,067		8,741,067	8,440,480
Home repair services	1,194,455		1,194,455	897,773
Total program services	14,831,057		14,831,057	14,505,167
Supporting services-				
Administration	2,428,131		2,428,131	1,861,968
Fundraising and public relations	576,085		576,085	558,843
Total supporting services	3,004,217		3,004,217	2,420,811
<b>Total Operating Expenses</b>	<b>17,835,273</b>		<b>17,835,273</b>	<b>16,925,978</b>
<b>Total Change in Net Assets From Continuing Operations</b>	<b>(1,122,867)</b>	<b>55,160</b>	<b>(1,067,707)</b>	<b>(1,219,601)</b>
<b>Discontinued Operations:</b>				
Loss from operations of discontinued housing subsidiaries	(20,007)		(20,007)	(13,596)
Contribution from limited partner	76,095		76,095	
<b>Total Change in Net Assets</b>	<b>(1,066,779)</b>	<b>55,160</b>	<b>(1,011,619)</b>	<b>(1,233,197)</b>
Noncontrolling interest in net losses of discontinued subsidiaries	20,007		20,007	13,596
Noncontrolling interest in contribution from limited partner	(76,095)		(76,095)	
<b>Total Change in Net Assets Excluding Noncontrolling Interest</b>	<b>\$ (1,122,867)</b>	<b>\$ 55,160</b>	<b>\$ (1,067,707)</b>	<b>\$ (1,219,601)</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, 2019  
 (With Comparative Totals for 2018)

	Without donor restrictions			With Donor Restrictions	2019 Total	2018 Total
	Controlling Interest	Noncontrolling Interest	Total			
Net assets, beginning of year	\$ 6,135,146	\$ 386,536	\$ 6,521,682	\$ 496,977	\$ 7,018,659	\$ 8,251,856
Change in net assets excluding noncontrolling interest activity	(1,122,867)		(1,122,867)	55,160	(1,067,707)	(1,219,601)
Change in net assets from noncontrolling interests-						
Contribution from limited partner		76,095	76,095		76,095	
Net loss		(20,007)	(20,007)		(20,007)	(13,596)
Withdrawal of investor member	442,624	(442,624)				
<b>Total Change in Net Assets</b>	<b>(680,243)</b>	<b>(386,536)</b>	<b>(1,066,779)</b>	<b>55,160</b>	<b>(1,011,619)</b>	<b>(1,233,197)</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,454,903</b>	<b>\$ -</b>	<b>\$ 5,454,903</b>	<b>\$ 552,137</b>	<b>\$ 6,007,040</b>	<b>\$ 7,018,659</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, 2019**  
**(With Comparative Totals for 2018)**

	Program Services					Supporting Services			2019 Total Expenses	2018 Total Expenses
	Social and Information Services	Nutrition Services	Transportation Services	Home Repair Services	Total Program Services	Administration	Fundraising and Public Relations	Total Supporting Services		
Salaries	\$ 1,644,731	\$ 597,367	\$ 4,937,637	\$ 648,715	\$ 7,828,450	\$ 1,196,396	\$ 193,085	\$ 1,389,480	\$ 9,217,930	\$ 8,995,566
Payroll taxes	144,049	62,021	614,588	93,843	914,501	99,607	16,393	116,001	1,030,502	1,030,665
Employee benefits	189,448	55,519	608,012	60,776	913,755	158,034	15,226	173,261	1,087,016	998,837
<b>Salaries and Benefits</b>	<b>1,978,228</b>	<b>714,907</b>	<b>6,160,237</b>	<b>803,335</b>	<b>9,656,706</b>	<b>1,454,038</b>	<b>224,705</b>	<b>1,678,742</b>	<b>11,335,448</b>	<b>11,025,068</b>
Office and operating supplies	49,877	1,153,943	28,061	237,408	1,469,289	52,526	29,392	81,918	1,551,207	1,438,009
Small tools and minor equipment	9,451	10,773	27,598	15,088	62,910	171,962	16,147	188,108	251,019	242,628
<b>Supplies and Equipment</b>	<b>59,328</b>	<b>1,164,716</b>	<b>55,659</b>	<b>252,497</b>	<b>1,532,199</b>	<b>224,488</b>	<b>45,539</b>	<b>270,026</b>	<b>1,802,226</b>	<b>1,680,637</b>
Professional services	199,089	43,241	63,450	8,935	314,714	517,485	196,537	714,022	1,028,737	862,187
Telephone and postage expense	32,163	8,441	63,068	11,801	115,473	25,604	56,806	82,410	197,883	200,791
Travel, mileage and contracted services	102,602	14,653	25,690	3,879	146,823	26,606	8,162	34,768	181,591	158,948
Advertising	3,744			875	4,619	21,836	100	21,936	26,555	62,620
Recruitment	6,166	2,795	11,252	1,765	21,977	3,304	28	3,332	25,309	
Operating rentals and leases	42,535	16,980	46,730	4,507	110,752	13,893	3,144	17,037	127,789	481,268
Insurance and other services	20,113	28,260	239,076	47,267	334,715	14,432	507	14,939	349,654	340,714
Public utility service	28,832	11,614	19,042	5,090	64,578	4,776	722	5,498	70,076	54,638
Repair and maintenance services	31	47,982	1,774,389	22,604	1,845,006	6	21	27	1,845,032	1,452,737
Dues, printing, training, etc.	19,315	17,717	28,161	15,710	80,903	7,703	17,110	24,813	105,716	94,106
Client assistance	32,800				32,800	53	17,700	17,753	50,553	60,157
Interest and other miscellaneous expenses	101,962	38,508	61,985	8,393	210,848	43,993	2,799	46,792	257,640	150,933
<b>Other Expenses</b>	<b>589,352</b>	<b>230,191</b>	<b>2,332,842</b>	<b>130,824</b>	<b>3,283,208</b>	<b>679,692</b>	<b>303,635</b>	<b>983,327</b>	<b>4,266,535</b>	<b>3,919,099</b>
<b>Total Expenses Before Depreciation</b>	<b>2,626,908</b>	<b>2,109,813</b>	<b>8,548,738</b>	<b>1,186,655</b>	<b>14,472,114</b>	<b>2,358,217</b>	<b>573,878</b>	<b>2,932,096</b>	<b>17,404,209</b>	<b>16,624,804</b>
Depreciation and amortization	89,638	69,176	192,329	7,800	358,943	69,914	2,207	72,121	431,064	301,174
<b>Total Operating Expenses</b>	<b>2,716,546</b>	<b>2,178,989</b>	<b>8,741,067</b>	<b>1,194,455</b>	<b>14,831,057</b>	<b>2,428,131</b>	<b>576,085</b>	<b>3,004,217</b>	<b>17,835,273</b>	<b>16,925,978</b>
Expenses from discontinued operations					192,194	116,893		116,893	309,087	245,767
<b>Total Expenses</b>	<b>\$ 2,716,546</b>	<b>\$ 2,178,989</b>	<b>\$ 8,741,067</b>	<b>\$ 1,194,455</b>	<b>\$ 15,023,251</b>	<b>\$ 2,545,024</b>	<b>\$ 576,085</b>	<b>\$ 3,121,110</b>	<b>\$ 18,144,360</b>	<b>\$ 17,171,745</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, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets from continuing operations	\$ (1,011,619)	\$ (1,233,197)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Gain on sale of property and equipment	(4,500)	(5,000)
Depreciation and amortization	431,063	301,174
Depreciation and amortization from discontinued assets	68,589	68,589
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	69,801	382,800
Pledges receivable	4,792	(15,573)
Prepaid expenses and other assets	(109,855)	(5,265)
Discontinued assets	15,428	(3,959)
Accounts payable	(99,661)	59,786
Accrued employee salaries and benefits	(95,521)	104,426
Discontinued liabilities	442	(7,438)
Construction payables		(248,495)
Other accrued liabilities	31,870	(13,209)
<b>Cash Used in Operating Activities</b>	<b>(699,171)</b>	<b>(615,361)</b>
<b>Cash Flows From Investing Activities:</b>		
Change in restricted cash		3,000,000
Change in restricted cash for discontinued assets	(16,099)	(9,954)
Purchase of property and equipment	(130,091)	(2,966,388)
<b>Cash (Used In) Provided By Investing Activities</b>	<b>(146,190)</b>	<b>23,658</b>
<b>Cash Flows From Financing Activities:</b>		
Payments on long-term debt for discontinued assets	(19,340)	(19,340)
Payments of loan fees		(146,212)
Payments on long-term debt	(101,045)	(5,800,000)
Proceeds from issuance of long-term debt	175,347	6,549,653
<b>Cash Provided by Financing Activities</b>	<b>54,962</b>	<b>584,101</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(790,399)</b>	<b>(7,602)</b>
Cash and cash equivalents from continuing operations, beginning of year	2,140,950	2,162,854
Cash and cash equivalents from discontinued operations, beginning of year	31,535	127,187
Restricted cash from discontinued operations, beginning of year	137,141	27,187
<b>Total Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	<b>2,309,626</b>	<b>2,317,228</b>
Cash and cash equivalents from continuing operations, end of year	1,253,032	2,140,950
Cash and cash equivalents from discontinued operations, end of year	112,955	31,535
Restricted cash from discontinued operations, end of year	153,240	137,141
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 1,519,227</b>	<b>\$ 2,309,626</b>
<b>Supplementary Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 225,426	\$ 225,979

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, 2019  
(With Comparative Totals for 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 100% interest in Pepperwood Limited Partnership. Broadway Meadows is wholly controlled by the Organization.

The Pepperwood Limited Partnership has been awarded low-income housing tax credits through the Washington State Housing Finance Commission. During the year ending December 31, 2019, the investor member of Pepperwood Limited Partnership withdrew and assigned the remaining 99.99% ownership to Broadway Meadows.

**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 and assists with providing meals, activities and supportive services to encourage a healthy lifestyle.

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, 2019  
(With Comparative Totals for 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.

HomeAdvantage® provides non-medical services to individuals living with chronic conditions to support their health and wellness.

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, 2019  
(With Comparative Totals for 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.

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Organization's policy to record contributions with donor restrictions that are received and expended in the same accounting period as activity of net assets without donor restrictions.

**Revenue Recognition** - The Organization operates transportation services as described in Note 1. Revenue is recognized when the performance obligation of providing paratransit services to passengers is met when the passenger rides the route based on a predetermined rate per revenue hour. The rate per revenue hour is a combination of an overhead rate, which is a fixed amount of overhead allocated over budgeted service hours for the period, and a vehicle rate, which is a variable rate earned per service hour provided. Revenue is recognized over the life of the contract based on service hours multiplied by the rate per revenue hour, adjusted for certain predetermined metrics. Revenue recognized under this method totaled \$7,956,189 and \$7,829,264 for the years ended December 31, 2019 and 2018, respectively. Accounts receivable for transportation services totaled \$617,390 and \$647,878 at December 31, 2019 and 2018, respectively. There are no significant contract assets or liabilities recorded for the years ended December 31, 2019 and 2018.

The Organization provides nutrition and meal services. Revenue is recognized when the performance obligation of providing the meal is met based on a variable cost per meal. Revenue recognized for meal services provided totaled \$351,026 and \$355,640 for the years ended December 31, 2019 and 2018, respectively. There are no significant contract assets or liabilities recorded for the years ended December 31, 2019 and 2018.

Revenue recognized from contracts with customers totaled \$8,768,437 and \$8,688,807 for the years ended December 31, 2019 and 2018, respectively. All revenue from contracts with customers is recognized over the period of time specified per the terms of each contract.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. Government contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at December 31, 2019, conditional contributions approximating \$5,132,565, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements. Accounts receivable for government grants and contracts totaled \$624,745 at December 31, 2019. Accounts receivable are all due within one year.

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**Note 2 - Continued**

**New Accounting Standards** - During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* on a modified prospective basis. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 had no impact on current or historical financial position, results of operations, or cash flows. It is not anticipated that ASU 2018-08 will impact the timing or amount of future revenues recognized prospectively by the Organization.

During the year ended December 31, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)* and other related ASUs using the modified retrospective method. These ASUs replaced the existing revenue recognition guidance in U.S. GAAP and require entities to recognize revenues when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The adoption of ASU 2014-09 had no impact on current or historical financial position, results of operations, or cash flows. It is not anticipated that ASU 2014-09 will impact the timing or amount of future revenues recognized prospectively by the Organization.

For the year ended December 31, 2019, the Agency adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires the statement of cash flow to explain the change during the period in total cash, cash equivalents and restricted cash. The statements of cash flows reflect this change as of December 31, 2019 and 2018.

**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, 2019 and 2018. Accordingly, no allowance for doubtful accounts has been recorded.

Accounts receivable totaled \$1,521,846 with \$624,745 due from government grants and contracts as well as unconditional promises to give and \$877,113 due from contracts with customers at December 31, 2019. Additionally, pledges receivable totaled \$53,516 at December 31, 2019. Accounts receivable and pledges receivable are due within one year.

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DBA HOMAGE SENIOR SERVICES**

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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.

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.

Assets donated with explicit donor restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions and released when the donor restrictions are met. In accordance with U.S. GAAP, the Organization releases cash restricted for purchase of long-lived assets when the purchased asset is placed into service.

**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 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.

**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. Total advertising costs totaled \$26,555 and \$62,620 during the year ended December 31, 2019 and 2018, respectively.

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

**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 \$180,079 and \$43,113 were received during the year ended December 31, 2019 and 2018, 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, 2019 or 2018.

**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 2018** - 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, 2018, from which the summarized information was derived.

**Reclassification** - Certain accounts in the 2018 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2019 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  
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**Note 2 - Continued**

Effective February 17, 2020, the Organization entered into a settlement agreement to receive \$650,000 from Community Transit in order to compensate for losses incurred during the 2019 fiscal year related to repairs and maintenance expenses incurred for the DART vehicle fleet and to pay unfunded overhead. Additionally, the settlement agreement allows Community Transit to open the availability for bidding in fiscal year 2020 for the program.

**Note 3 - Long-Term Debt**

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

	<u>2019</u>	<u>2018</u>
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. The note is secured by real property owned by the Organization and located in Snohomish County, Washington.	\$ 6,123,955	\$ 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, 2021. The line of credit is secured by real property owned by the Organization and located in Snohomish County, Washington.	<u>500,000</u>	<u>324,653</u>
	6,623,955	6,549,653
Less current portion of long-term debt	(622,493)	(101,047)
Less unamortized financing costs	<u>(140,851)</u>	<u>(146,212)</u>
<b>Total Long-Term Debt, Net of Current Portion</b>	<b><u>\$ 5,860,611</u></b>	<b><u>\$ 6,302,394</u></b>

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**Note 3 - Continued**

Future minimum principal payments on debt are as follows:

For the Year Ending December 31,

2020	\$ 622,493
2021	127,492
2022	132,064
2023	136,799
2024	141,181
Thereafter	<u>5,463,926</u>
	6,623,955
Less unamortized debt issuance costs	<u>(140,851)</u>
<b>Total Debt</b>	<b><u>\$ 6,483,104</u></b>

Interest expense totaled \$225,426 and \$130,970 for the years ended December 31, 2019 and 2018, respectively. Capitalized interest totaled \$0 and \$95,009 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2019, the Organization was not in compliance with certain debt covenants. Dated June 19, 2020, the lender issued a waiver to the Organization in relation to this noncompliance.

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

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose-		
Meals on Wheels	\$ 341,647	\$ 363,153
Other	<u>108,286</u>	<u>28,793</u>
	<b>449,933</b>	<b>391,946</b>
Not subject to appropriation or expenditure-		
Beneficial interest in assets held by others (Note 9)	<u>102,204</u>	<u>105,031</u>
<b>Total Assets With Donor Restrictions</b>	<b><u>\$ 552,137</u></b>	<b><u>\$ 496,977</u></b>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time were \$82,457 and \$373,066 for the years ended December 31, 2019 and 2018, respectively.

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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, 2019 and 2018.

**Note 6 - Lease Commitments**

Certain month-to-month leases held by the Organization include requirements to pay taxes and other expenses. Rental expense incurred totaled \$133,029 and \$491,225 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, support from local, state and federal governmental agencies totaled 81% of total operating support and revenue. Receivables related to local, state and federal government agencies accounted for 83% and 86% of the Organization's total grants, contracts and other receivables at December 31, 2019 and 2018, 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, 2019 and 2018, no adjustments were made.

Approximately 38% of the Organization's labor force is covered by a collective bargaining agreement. The collective bargaining agreement expired September 30, 2019 and is in the process of being renewed.

**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, 2019 and 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>2019</u>	<u>2018</u>
<b>Current Discontinued Assets:</b>		
Cash	\$ 112,955	\$ 31,535
Accounts receivable	39	60
Other assets	4,210	3,592
	<u>117,204</u>	<u>35,187</u>
<b>Long-Term Discontinued Assets:</b>		
Restricted cash	153,240	137,141
Property and equipment	1,739,957	1,808,516
	<u>1,893,197</u>	<u>1,945,657</u>
<b>Total Assets Classified as Discontinued</b>	<u><b>\$ 2,010,401</b></u>	<u><b>\$ 1,980,844</b></u>
<b>Current Discontinued Liabilities:</b>		
Accounts payable	\$ 10,247	\$ 1,794
Accrued liabilities	1,740	5,924
Tenant security deposits and pre-paid rent	5,375	5,400
Current portion of long-term debt	36,558	24,191
	<u>53,920</u>	<u>37,309</u>
<b>Long-Term Discontinued Liabilities:</b>		
Debt and accrued interest, net of deferred loan fees and current portion	1,293,254	1,328,763
	<u>1,293,254</u>	<u>1,328,763</u>
<b>Total Liabilities Classified as Discontinued</b>	<u><b>\$ 1,347,174</b></u>	<u><b>\$ 1,366,072</b></u>

**Debt** - Included in debt and accrued interest from discontinued operations as of December 31, 2019, 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  
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**Note 8 - Continued**

Aggregate principal maturities of the debt are as follows:

For the Year Ending December 31,	
2020	\$ 36,558
2021	88,433
2022	40,444
2023	42,600
2024	36,558
Thereafter	<u>1,101,645</u>
	1,346,238
Less unamortized financing costs	<u>(16,426)</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 1,329,812</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>2019</u>	<u>2018</u>
Rental income	\$ 250,549	\$ 231,634
Other income	<u>38,531</u>	<u>2,365</u>
Total revenue	289,080	233,999
Program expenses	192,194	124,795
Supporting services expenses	<u>116,893</u>	<u>122,800</u>
Total expenses	<u>309,087</u>	<u>247,595</u>
<b>Change in Net Assets From Discontinued Housing Subsidiaries Operations</b>	<b>(20,007)</b>	<b>(13,596)</b>
Nonoperating activity- Limited partner contribution	<u>76,095</u>	<u></u>
<b>Change in Discontinued Net Assets</b>	<b><u>\$ 56,088</u></b>	<b><u>\$ (13,596)</u></b>

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**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.

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 CFSC 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, 2018	\$ 105,031
Change in value included in the change in net assets	<u>17,141</u>
<b>Balance, December 31, 2019</b>	<b><u><u>\$ 122,172</u></u></b>

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

The Organization's financial assets available within one year of the statement of financial position date for general expenditure were as follows at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents from continuing operations	\$ 1,253,032	\$ 2,140,950
Grants, contracts and other receivables	1,468,330	1,538,131
Pledges receivable	<u>53,516</u>	<u>58,308</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u><u>\$ 2,774,878</u></u></b>	<b><u><u>\$ 3,737,389</u></u></b>

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**Notes to Consolidated Financial Statements  
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**Note 10 - Continued**

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. The Organization also has excluded financial assets related to discontinued operations from the amounts available to meet cash needs for general expenditures within one year.

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.

**Note 11 - Subsequent Events**

The Organization evaluated its December 31, 2019 consolidated financial statements for subsequent events through June 29, 2020, which is the date the consolidated financial statements were available to be issued.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to year end, the World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, employees of the Organization are working remotely and eliminating non-essential business travel. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our funders, customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

In response to COVID-19, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 21, 2020, the Organization obtained a loan under the PPP with a principal balance of \$2,103,400 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning November 21, 2020 through maturity on April 21, 2022. All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met.