



*Well-being as we age*

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

Consolidated Financial Statements

For the Year Ended December 31, 2020

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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, 2020, 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, 2020, 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 sold 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 24, 2021 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 24, 2021

SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
 DBA HOMAGE SENIOR SERVICES  
 Consolidated Statement of Financial Position - Assets  
 December 31, 2020  
 (With Comparative Totals for 2019)

	2020	2019
<b>Current Assets:</b>		
Cash and cash equivalents from continuing operations	\$ 4,865,443	\$ 1,253,032
Cash and cash equivalents from discontinued operations		112,955
Grants, contracts and other receivables	1,599,393	1,468,330
Pledges receivable	43,961	53,516
Prepaid expenses and other assets	332,627	326,422
Current discontinued assets		4,293
<b>Total Current Assets</b>	<b>6,841,424</b>	<b>3,218,548</b>
Beneficial interest in assets held by others	134,582	122,172
<b>Property and Equipment:</b>		
Land	2,844,000	2,844,000
Automotive equipment	629,812	549,813
Furnishings and equipment	611,806	672,740
Building	6,439,755	6,320,806
Software	208,882	86,975
Less accumulated depreciation	(1,338,296)	(1,063,606)
Owned property and equipment, net	9,395,959	9,410,728
Automotive equipment - non-owned	576,344	576,344
Less accumulated depreciation - non-owned	(424,581)	(309,312)
Automotive equipment - non-owned, net	151,763	267,032
<b>Total Property and Equipment, Net</b>	<b>9,547,722</b>	<b>9,677,760</b>
Restricted cash from discontinued operations		153,240
Long-term discontinued assets		1,739,957
<b>Total Long-Term Discontinued Assets</b>		<b>1,893,197</b>
<b>Total Assets</b>	<b>\$ 16,523,728</b>	<b>\$ 14,911,677</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, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Current Liabilities:</b>		
Accounts payable	\$ 306,550	\$ 316,917
Accrued employee salaries and benefits	493,208	725,572
Other accrued liabilities	114,131	31,870
Current portion long-term debt	127,492	622,493
Current discontinued liabilities		53,920
	<u>1,041,381</u>	<u>1,750,772</u>
<b>Total Current Liabilities</b>	<b>1,041,381</b>	<b>1,750,772</b>
Long-term debt, net of current portion	5,738,980	5,860,611
Paycheck Protection Program loan	2,103,400	
Long-term discontinued liabilities		1,293,254
	<u>8,883,761</u>	<u>8,904,637</u>
<b>Total Liabilities</b>	<b>8,883,761</b>	<b>8,904,637</b>
<b>Net Assets:</b>		
Without donor restrictions-		
Controlling interest	6,355,061	5,454,903
	<u>6,355,061</u>	<u>5,454,903</u>
Total without donor restrictions	6,355,061	5,454,903
With donor restrictions	1,284,906	552,137
	<u>1,284,906</u>	<u>552,137</u>
<b>Total Net Assets</b>	<b>7,639,967</b>	<b>6,007,040</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 16,523,728</u></b>	<b><u>\$ 14,911,677</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, 2020**  
**(With Comparative Totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>Operating Support and Revenue:</b>				
Government grants and contracts	\$ 13,757,864	\$ -	\$ 13,757,864	\$ 13,612,960
Contributions	2,244,552	911,980	3,156,532	2,336,708
Sales, special event, advertising and other income	650,469		650,469	670,750
Professional fees	32,941		32,941	142,648
Investment (loss) return	(15,424)	14,471	(953)	
Gain on sale of assets	1,783		1,783	4,500
Net assets released from restriction	193,682	(193,682)		
<b>Total Operating Support and Revenue</b>	<b>16,865,867</b>	<b>732,769</b>	<b>17,598,636</b>	<b>16,767,566</b>
<b>Operating Expenses:</b>				
Program services-				
Social and information services	3,122,322		3,122,322	2,716,546
Nutrition services	2,355,708		2,355,708	2,178,989
Transportation services	5,636,897		5,636,897	8,741,067
Home repair services	1,077,435		1,077,435	1,194,455
Total program services	12,192,362		12,192,362	14,831,057
Supporting services-				
Administration	2,831,097		2,831,097	2,428,131
Fundraising and public relations	528,371		528,371	576,085
Total supporting services	3,359,468		3,359,468	3,004,216
<b>Total Operating Expenses</b>	<b>15,551,830</b>		<b>15,551,830</b>	<b>17,835,273</b>
<b>Total Change in Net Assets From Continuing Operations</b>	<b>1,314,037</b>	<b>732,769</b>	<b>2,046,806</b>	<b>(1,067,707)</b>
<b>Discontinued Operations:</b>				
Loss from operations of discontinued housing subsidiaries	(190,295)		(190,295)	(20,007)
Loss on sale of tax credit partnership	(792,075)		(792,075)	
Contribution from limited partner				76,095
<b>Total Change in Net Assets</b>	<b>331,667</b>	<b>732,769</b>	<b>1,064,436</b>	<b>(1,087,714)</b>
Noncontrolling interest in net losses of discontinued subsidiaries	190,295		190,295	20,007
Noncontrolling interest in contribution from limited partner				(76,095)
<b>Total Change in Net Assets Excluding Noncontrolling Interest</b>	<b>\$ 521,962</b>	<b>\$ 732,769</b>	<b>\$ 1,254,731</b>	<b>\$ (1,067,707)</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, 2020  
 (With Comparative Totals for 2019)

	Without donor restrictions			With Donor Restrictions	2020 Total	2019 Total
	Controlling Interest	Noncontrolling Interest	Total			
Net assets, beginning of year	\$ 5,454,903	\$ -	\$ 5,454,903	\$ 552,137	\$ 6,007,040	\$ 7,018,659
Change in net assets excluding noncontrolling interest activity	1,692,233		1,692,233	732,769	2,425,002	(1,067,707)
Change in net assets from noncontrolling interests-						
Contribution from limited partner						76,095
Net loss		(190,295)	(190,295)		(190,295)	(20,007)
Net assets released from tax credit entity		190,295	190,295		190,295	
Loss on sale of tax credit partnership	(792,075)		(792,075)		(792,075)	
<b>Total Change in Net Assets</b>	<b>900,158</b>		<b>900,158</b>	<b>732,769</b>	<b>1,632,927</b>	<b>(1,011,619)</b>
<b>Net Assets, End of Year</b>	<b>\$ 6,355,061</b>	<b>\$ -</b>	<b>\$ 6,355,061</b>	<b>\$ 1,284,906</b>	<b>\$ 7,639,967</b>	<b>\$ 6,007,040</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, 2020**  
**(With Comparative Totals for 2019)**

	Program Services					Supporting Services				2020 Total Expenses	2019 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	\$ 1,780,853	\$ 700,025	\$ 3,436,863	\$ 600,646	\$ 6,518,387	\$ 1,586,275	\$ 229,823	\$ 1,816,098	\$ 8,334,485	\$ 9,217,930	
Payroll taxes	154,136	66,991	372,272	71,932	665,331	142,301	19,048	161,349	826,680	1,030,502	
Employee benefits	194,926	46,464	401,963	61,191	704,544	248,106	15,827	263,933	968,477	1,087,016	
<b>Salaries and Benefits</b>	<b>2,129,915</b>	<b>813,480</b>	<b>4,211,098</b>	<b>733,769</b>	<b>7,888,262</b>	<b>1,976,682</b>	<b>264,698</b>	<b>2,241,380</b>	<b>10,129,642</b>	<b>11,335,448</b>	
Office and operating supplies	96,567	1,183,554	18,063	185,708	1,483,892	21,560	27,699	49,259	1,533,151	1,551,207	
Small tools and minor equipment	44,757	45,657	20,477	9,229	120,120	187,448	16,021	203,469	323,589	251,019	
<b>Supplies and Equipment</b>	<b>141,324</b>	<b>1,229,211</b>	<b>38,540</b>	<b>194,937</b>	<b>1,604,012</b>	<b>209,008</b>	<b>43,720</b>	<b>252,728</b>	<b>1,856,740</b>	<b>1,802,226</b>	
Professional services	253,795	63,305	86,285	8,338	411,723	319,928	130,744	450,672	862,395	1,028,737	
Telephone and postage expense	38,527	12,108	54,415	12,946	117,996	15,592	46,941	62,533	180,529	197,883	
Travel, mileage and contracted services	35,468	12,585	17,699	4,834	70,586	6,501	4,614	11,115	81,701	181,591	
Advertising	19,057	670		353	20,080	16,635	106	16,741	36,821	26,555	
Recruitment	4,850	492	1,931		7,273	187		187	7,460	25,309	
Operating rentals and leases	2,680	980	14,880	457	18,997	1,713	1,702	3,415	22,412	127,789	
Insurance and other services	46,768	36,382	221,866	56,091	361,107	19,113	677	19,790	380,897	349,654	
Public utility service	23,804	11,571	14,013	4,067	53,455	5,771	836	6,607	60,062	70,076	
Repair and maintenance services		35,187	716,015	28,178	779,380		14	14	779,394	1,845,032	
Dues, printing, training, etc.	27,409	14,111	19,280	11,644	72,444	16,373	27,365	43,738	116,182	105,716	
Client assistance	193,801				193,801	64		64	193,865	50,553	
Interest and other miscellaneous expenses	95,131	45,090	53,523	11,361	205,105	156,219	3,828	160,047	365,152	257,640	
<b>Other Expenses</b>	<b>741,290</b>	<b>232,481</b>	<b>1,199,907</b>	<b>138,269</b>	<b>2,311,947</b>	<b>558,096</b>	<b>216,827</b>	<b>774,923</b>	<b>3,086,870</b>	<b>4,266,535</b>	
<b>Total Expenses Before Depreciation</b>	<b>3,012,529</b>	<b>2,275,172</b>	<b>5,449,545</b>	<b>1,066,975</b>	<b>11,804,221</b>	<b>2,743,786</b>	<b>525,245</b>	<b>3,269,031</b>	<b>15,073,252</b>	<b>17,404,209</b>	
Depreciation and amortization	109,793	80,536	187,352	10,460	388,141	87,311	3,126	90,437	478,578	431,064	
<b>Total Operating Expenses</b>	<b>3,122,322</b>	<b>2,355,708</b>	<b>5,636,897</b>	<b>1,077,435</b>	<b>12,192,362</b>	<b>2,831,097</b>	<b>528,371</b>	<b>3,359,468</b>	<b>15,551,830</b>	<b>17,835,273</b>	
Expenses from discontinued operations					129,908			74,076	203,984	357,968	
<b>Total Expenses</b>	<b>\$ 3,122,322</b>	<b>\$ 2,355,708</b>	<b>\$ 5,636,897</b>	<b>\$ 1,077,435</b>	<b>\$ 12,322,270</b>	<b>\$ 2,831,097</b>	<b>\$ 528,371</b>	<b>\$ 3,433,544</b>	<b>\$ 15,755,814</b>	<b>\$ 18,193,241</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, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Total change in net assets, excluding noncontrolling interest	\$ 1,254,731	\$ (1,011,619)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities-		
Gain on sale of property and equipment	(1,783)	(4,500)
Transfer to controlling interest	378,196	
Depreciation and amortization	472,729	431,063
Depreciation and amortization from discontinued assets	68,589	68,589
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(131,063)	69,801
Pledges receivable	9,555	4,792
Prepaid expenses and other assets	(18,615)	(109,855)
Discontinued assets	1,675,661	15,428
Accounts payable	(10,367)	(99,661)
Accrued employee salaries and benefits	(232,364)	(95,521)
Discontinued liabilities	(1,327,834)	442
Other accrued liabilities	82,261	31,870
<b>Cash Provided by (Used in) Operating Activities</b>	<b>2,219,696</b>	<b>(699,171)</b>
<b>Cash Flows From Investing Activities:</b>		
Change in restricted cash for discontinued assets		(16,099)
Purchase of property and equipment	(335,059)	(130,091)
<b>Cash Used in Investing Activities</b>	<b>(335,059)</b>	<b>(146,190)</b>
<b>Cash Flows From Financing Activities:</b>		
Payments on long-term debt for discontinued assets	(19,340)	(19,340)
Payments on long-term debt	(622,481)	(101,045)
Proceeds from issuance of long-term debt		175,347
Proceeds from issuance of Paycheck Protection Program loan	2,103,400	
<b>Cash Provided by Financing Activities</b>	<b>1,461,579</b>	<b>54,962</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>3,346,216</b>	<b>(790,399)</b>
Cash and cash equivalents from continuing operations, beginning of year	1,253,032	2,140,950
Cash and cash equivalents from discontinued operations, beginning of year	112,955	31,535
Restricted cash from discontinued operations, beginning of year	153,240	137,141
<b>Total Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>	<b>1,519,227</b>	<b>2,309,626</b>
Cash and cash equivalents from continuing operations, end of year	4,865,443	1,253,032
Cash and cash equivalents from discontinued operations, end of year		112,955
Restricted cash from discontinued operations, end of year		153,240
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 4,865,443</b>	<b>\$ 1,519,227</b>
<b>Supplementary Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 219,151	\$ 225,426
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, 2020  
(With Comparative Totals for 2019)**

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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. Effective August 17, 2020, Pepperwood Limited Partnership was sold to the Housing Authority of City of Everett.

Effective March 20, 2020, Senior Services of Snohomish County entered into an LLC agreement to create Home Advantage, LLC. Home Advantage, LLC is a 501(c)(3) organization Senior Service of Snohomish County has a 50% interest in the LLC. HomeAdvantage, LLC incurred no transactions during the year ended December 31, 2020.

**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.

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

**Notes to Consolidated Financial Statements  
For the Year Ended December 31, 2020  
(With Comparative Totals for 2019)**

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**Note 1 - Continued**

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

**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.

TransDev 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 TransDev.

**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, 2020  
(With Comparative Totals for 2019)**

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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 \$7,168,176 and \$7,956,189 for the years ended December 31, 2020 and 2019, respectively. Accounts receivable for transportation services totaled \$65,073 and \$617,390 at December 31, 2020 and 2019, respectively. There are no significant contract assets or liabilities recorded for the years ended December 31, 2020 and 2019.

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 \$95,703 and \$351,026 for the years ended December 31, 2020 and 2019, respectively. There are no significant contract assets or liabilities recorded for the years ended December 31, 2020 and 2019.

Revenue recognized from contracts with customers totaled \$7,799,309 and \$8,768,437 for the years ended December 31, 2020 and 2019, 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, 2020, conditional contributions approximated \$2,590,966, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements. Conditions are expected to be met throughout the next three years.

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**Note 2 - Continued**

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

**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, 2020 and 2019. Accordingly, no allowance for doubtful accounts has been recorded.

Accounts receivable totaled \$1,599,393 with \$1,210,817 due from government grants and contracts as well as unconditional promises to give and \$362,871 due from contracts with customers at December 31, 2020. Additionally, pledges receivable totaled \$43,961 at December 31, 2020. Accounts receivable and pledges receivable are due within one year.

**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.

	Senior Services
Buildings and improvements	20 - 40 years
Furniture and equipment	3 - 10 years
Software	3 years or whichever length of contract
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.

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**Note 2 - Continued**

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 \$36,821 and \$26,555 during the year ended December 31, 2020 and 2019, respectively.

**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 \$112,226 and \$180,079 were received during the year ended December 31, 2020 and 2019, 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, 2020 or 2019.

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

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Amounts for 2019** - 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, 2019, from which the summarized information was derived.

**Recently Released Accounting Pronouncements** - During 2016, the FASB finalized the implementation timeframe of ASU 2016-02 Lease, which creates the requirement to bring leases extending beyond one year onto the balance sheet and is effective for fiscal years beginning after December 15, 2021. Management is currently in the process of evaluating the impact of implementing this ASU.

**Subsequent Events** - The Organization has evaluated subsequent events through June 24, 2021, the date on which the financial statements were available to be issued.

**Note 3 - Long-Term Debt**

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

	<u>2020</u>	<u>2019</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.	\$ 6,001,474	\$ 6,123,955
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>
	6,001,474	6,623,955
Less current portion of long-term debt	(127,492)	(622,493)
Less unamortized financing costs	<u>(135,002)</u>	<u>(140,851)</u>
<b>Total Long-Term Debt, Net of Current Portion</b>	<b><u>\$ 5,738,980</u></b>	<b><u>\$ 5,860,611</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,

2021	\$ 127,492
2022	132,065
2023	136,799
2024	141,151
2025	146,767
Thereafter	<u>5,317,200</u>
	6,001,474
Less unamortized debt issuance costs	<u>(135,002)</u>
<b>Total Debt</b>	<b><u>\$ 5,866,472</u></b>

Interest expense totaled \$219,151 and \$225,426 for the years ended December 31, 2020 and 2019, respectively. Capitalized interest totaled \$0 for both years ended December 31, 2020 and 2019.

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

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose-		
Meals on Wheels	\$ 960,955	\$ 341,647
Other	<u>221,747</u>	<u>108,286</u>
	<b>1,182,702</b>	<b>449,933</b>
Not subject to appropriation or expenditure-		
Beneficial interest in assets held by others (Note 9)	<u>102,204</u>	<u>102,204</u>
<b>Total Assets With Donor Restrictions</b>	<b><u>\$ 1,284,906</u></b>	<b><u>\$ 552,137</u></b>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time were \$193,682 and \$82,457 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

**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 \$68,558 and \$133,029 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, support from local, state and federal governmental agencies totaled 79% and 81% respectively of total operating support and revenue. Receivables related to local, state and federal government agencies accounted for 77% and 83% of the Organization's total grants, contracts and other receivables at December 31, 2020 and 2019, 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, 2020 and 2019, no adjustments were made.

**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. The Partnership was sold on August 17, 2020.

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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>2020</u>	<u>2019</u>
<b>Current Discontinued Assets:</b>		
Cash	\$ -	\$ 112,955
Accounts receivable		39
Other assets		4,254
	<u>                    </u>	<u>                    </u>
<b>Total Current Discontinued Assets</b>		<b>117,248</b>
<b>Long-Term Discontinued Assets:</b>		
Restricted cash		153,240
Property and equipment		1,739,957
	<u>                    </u>	<u>                    </u>
<b>Total Long-Term Discontinued Assets</b>		<b>1,893,197</b>
	<u>                    </u>	<u>                    </u>
<b>Total Assets Classified as Discontinued</b>	<b>\$ -</b>	<b>\$ 2,010,445</b>
<b>Current Discontinued Liabilities:</b>		
Accounts payable	\$ -	\$ 10,247
Accrued liabilities		1,740
Tenant security deposits and pre-paid rent		5,375
Current portion of long-term debt		36,558
	<u>                    </u>	<u>                    </u>
<b>Total Current Discontinued Liabilities</b>		<b>53,920</b>
<b>Long-Term Discontinued Liabilities:</b>		
Debt and accrued interest, net of deferred loan fees and current portion		1,293,254
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities Classified as Discontinued</b>	<b>\$ -</b>	<b>\$ 1,347,174</b>
	<u>                    </u>	<u>                    </u>

**SENIOR SERVICES OF SNOHOMISH COUNTY AND SUBSIDIARIES  
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**Notes to Consolidated Financial Statements  
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**Note 8 - Continued**

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

	<u>2020</u>	<u>2019</u>
Rental income	\$ 166,285	\$ 250,549
Other income	<u>1,388</u>	<u>38,531</u>
Total revenue	167,673	289,080
Program expenses	129,908	192,194
Supporting services expenses	<u>74,076</u>	<u>116,893</u>
Total expenses	<u>203,984</u>	<u>309,087</u>
<b>Change in Net Assets From Discontinued Housing Subsidiaries Operations</b>	<b>(36,311)</b>	<b>(20,007)</b>
Nonoperating activity-		
Loss on transfer on sale of assets	(153,984)	
Limited partner contribution		<u>76,095</u>
<b>Change in Discontinued Net Assets</b>	<b><u>\$ (190,295)</u></b>	<b><u>\$ 56,088</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 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, 2019	\$ 122,172
Change in value included in the change in net assets	<u>12,410</u>
<b>Balance, December 31, 2020</b>	<b><u><u>\$ 134,582</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>2020</u>	<u>2019</u>
Cash and cash equivalents from continuing operations	\$ 4,865,443	\$ 1,253,032
Grants, contracts and other receivables	1,599,393	1,468,330
Pledges receivable	<u>43,961</u>	<u>53,516</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u><u>\$ 6,508,797</u></u></b>	<b><u><u>\$ 2,774,878</u></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. 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.

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**Note 10 - Continued**

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 - COVID-19 Relief Programs**

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. In 2020, the World Health Organization 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. While the situation is expected to be temporary, 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, and the effect on the Organization's funders, employees and vendors, none of which can be reliably predicted at this time. Management continues to monitor events and conditions as they unfold and has established strategies to respond accordingly.

**Paycheck Protection Program Loan** - In response to the COVID-19 pandemic, 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 of \$117,783 beginning November 21, 2020 through maturity on April 21, 2022. However, monthly installments are deferred as the Organization has applied for forgiveness.

Future minimum principal payments on the PPP loan are as follows:

For the Year Ending December 31,

2021	\$ 1,402,267
2022	<u>701,133</u>
	<u><b>\$ 2,103,400</b></u>

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The Organization's accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the gain from forgiveness when the loan is forgiven by the lender. No such gain was recognized during the fiscal year ended December 31, 2020.