

SENIOR LIFE RESOURCES NORTHWEST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

**SENIOR LIFE RESOURCES NORTHWEST
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YEARS ENDED DECEMBER 31, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Senior Life Resources Northwest
Richland, Washington

We have audited the accompanying financial statements of Senior Life Resources Northwest, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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.

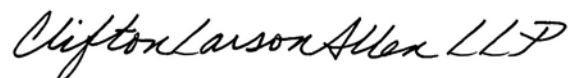
Board of Directors
Senior Life Resources Northwest

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Life Resources Northwest as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Senior Life Resources Northwest adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Yakima, Washington
July 21, 2017

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,502,515	\$ 3,385,946
Accounts Receivable, Net, Primarily from Contracting Agencies	1,570,237	1,369,593
Inventory	24,524	-
Prepaid Expenses	126,012	123,029
Total Current Assets	<u>4,223,288</u>	<u>4,878,568</u>
LAND, BUILDINGS, AND EQUIPMENT		
Land	150,398	150,398
Equipment	466,382	242,671
Furniture and Fixtures	2,668,341	-
Total	<u>3,285,121</u>	<u>393,069</u>
Less: Accumulated Depreciation	240,877	174,719
Total	<u>3,044,244</u>	<u>218,350</u>
Construction in Progress	-	218,673
Total Land, Buildings, and Equipment	<u>3,044,244</u>	<u>437,023</u>
OTHER ASSETS		
Investments	-	10,371
Cash Surrender Value of Life Insurance After Policy Loans of \$101,054 in 2016 and \$100,618 in 2015	70,985	63,789
Beneficial Interest in the Three Rivers Community Foundation	10,000	10,000
Total Other Assets	<u>80,985</u>	<u>84,160</u>
Total Assets	<u><u>\$ 7,348,517</u></u>	<u><u>\$ 5,399,751</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 171,191	\$ 165,058
Accrued Wages and Related Taxes Payable	634,006	592,272
Accrued Vacation	263,511	238,766
Other Accrued Liabilities	317,856	411,068
Current Maturities of Long-Term Debt	56,315	-
Total Current Liabilities	<u>1,442,879</u>	<u>1,407,164</u>
 LONG-TERM DEBT		
Note Payable, Less: Current Maturities and Unamortized Debt Issuance Costs	<u>1,379,550</u>	<u>-</u>
 Total Liabilities	 2,822,429	 1,407,164
 NET ASSETS		
Unrestricted	3,726,589	3,215,158
Unrestricted, Board Designated	799,499	732,575
Total Unrestricted Net Assets	<u>4,526,088</u>	<u>3,947,733</u>
Temporarily Restricted Net Assets	-	44,854
Total Net Assets	<u>4,526,088</u>	<u>3,992,587</u>
 Total Liabilities and Net Assets	 <u>\$ 7,348,517</u>	 <u>\$ 5,399,751</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees and Grants from Government Agencies	\$ 15,086,043	\$ -	\$ 15,086,043
Program Income - Client Service Fees	1,022,146	-	1,022,146
Allocations from Nongovernmental Agencies	322,629	-	322,629
Program Income - Meals	188,196	-	188,196
Other Income	160,202	-	160,202
Contributions	439,007	-	439,007
In-Kind Contributions	24,005	-	24,005
Interest Income	11,724	-	11,724
Loss on Disposal of Capital Asset	(5,300)	-	(5,300)
Total Revenues, Gains, and Other Support	17,248,652	-	17,248,652
NET ASSETS RELEASED FROM RESTRICTIONS	44,854	(44,854)	-
Total Revenues, Gains, and Other Support	17,293,506	(44,854)	17,248,652
EXPENSES			
Program Services	15,683,387	-	15,683,387
Supporting Services	966,241	-	966,241
Fundraising Expenses	65,523	-	65,523
Total Expenses	16,715,151	-	16,715,151
CHANGES IN NET ASSETS	578,355	(44,854)	533,501
Net Assets - Beginning of Year	3,947,733	44,854	3,992,587
NET ASSETS - END OF YEAR	\$ 4,526,088	\$ -	\$ 4,526,088

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees and Grants from Government Agencies	\$ 13,330,140	\$ -	\$ 13,330,140
Program Income - Client Service Fees	1,111,794	-	1,111,794
Allocations from Nongovernmental Agencies	102,048	-	102,048
Program Income - Meals	270,738	-	270,738
Other Income	131,042	28,329	159,371
Contributions	191,825	-	191,825
In-Kind Contributions	22,140	-	22,140
Interest Income	12,046	-	12,046
Total Revenues, Gains, and Other Support	<u>15,171,773</u>	<u>28,329</u>	<u>15,200,102</u>
EXPENSES			
Program Services	13,885,799	-	13,885,799
Supporting Services	1,029,581	-	1,029,581
Fundraising Expenses	40,001	-	40,001
Total Expenses	<u>14,955,381</u>	<u>-</u>	<u>14,955,381</u>
CHANGES IN NET ASSETS	216,392	28,329	244,721
Net Assets - Beginning of Year	<u>3,731,341</u>	<u>16,525</u>	<u>3,747,866</u>
NET ASSETS - END OF YEAR	<u>\$ 3,947,733</u>	<u>\$ 44,854</u>	<u>\$ 3,992,587</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Services	Supporting Services	Fund- Raising Expenses	Total
Salaries and Wages	\$ 10,282,109	\$ 574,538	\$ 19,165	\$ 10,875,812
Employee Benefits and Payroll Taxes	3,549,543	31,400	5,160	3,586,103
Total	13,831,652	605,938	24,325	14,461,915
Bank Fees	1,690	12,194	-	13,884
Communications	40,064	10,384	-	50,448
Depreciation	75,965	-	-	75,965
Dues, Memberships, Subscriptions	161,028	6,578	18,176	185,782
Food	526,963	-	-	526,963
Insurance	1,679	80,350	-	82,029
Interest	38,107	-	-	38,107
Miscellaneous	24,219	5,192	-	29,411
Operating Rentals	99,394	39,438	-	138,832
Professional Services	73,646	148,704	13,363	235,713
Repairs, Maintenance, and Small Equipment	4,335	35	-	4,370
Supplies	89,491	35,161	9,260	133,912
Training and Development	233,657	7,320	15	240,992
Travel and Mileage	471,358	6,806	384	478,548
Utilities	10,139	8,141	-	18,280
Total Expenses	<u>\$ 15,683,387</u>	<u>\$ 966,241</u>	<u>\$ 65,523</u>	<u>\$ 16,715,151</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services	Supporting Services	Fund- raising Expenses	Total
Salaries and Wages	\$ 9,282,247	\$ 513,977	\$ 12,892	\$ 9,809,116
Employee Benefits and Payroll Taxes	2,990,773	77,708	5,202	3,073,683
Total	12,273,020	591,685	18,094	12,882,799
Bad Debt Expense	31,299	-	-	31,299
Communications	51,747	50,591	-	102,338
Depreciation	11,422	-	-	11,422
Dues, Memberships, Subscriptions	16,588	7,099	17	23,704
Insurance	886	64,894	-	65,780
Interest Expense	618	-	-	618
Miscellaneous	30,586	28,348	-	58,934
Operating Rentals	106,487	65,719	-	172,206
Professional Services	1,937	106,236	18,531	126,704
Provider Training	207,976	-	-	207,976
Repairs, Maintenance, and Small Equipment	8,617	88,011	3,311	99,939
Supplies	691,115	18,555	-	709,670
Travel and Mileage	447,183	5,174	48	452,405
Utilities	6,318	3,269	-	9,587
Total Expenses	<u>\$ 13,885,799</u>	<u>\$ 1,029,581</u>	<u>\$ 40,001</u>	<u>\$ 14,955,381</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 533,501	\$ 244,721
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	75,965	11,422
Amortization of Debt Issuance Costs	8,591	-
Unrealized (Gain) Loss on Investments	-	24
Loss on Disposal of Capital Assets	5,300	-
Donated Investments	(2,110)	(10,395)
Proceeds from Sale of Donated Investments	2,107	
Donated Capital Assets	(76,608)	-
Increase in Assets:		
Accounts Receivable	(200,644)	(156,090)
Prepaid Expenses	(2,983)	(70,836)
Inventory	(24,524)	-
Increase (Decrease) in Liabilities:		
Accounts Payable, Accrued Expenses, and Other Liabilities	(20,600)	173,999
Deferred Compensation Plan Payable	-	(85,750)
Net Cash Provided by Operating Activities	297,995	107,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Building and Equipment	(2,611,878)	(72,873)
Additions to Cash Surrender Value of Life Insurance	(7,196)	(6,293)
Proceeds from Sale of Investments	10,374	-
Net Cash Used by Investing Activities	(2,608,700)	(79,166)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	1,500,000	-
Payments on Long-Term Debt	(27,711)	-
Debt Issuance Costs Paid	(45,015)	-
Life Insurance Policy Loan	-	100,618
Net Cash Provided by Financing Activities	1,427,274	100,618
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(883,431)	128,547
Cash and Cash Equivalents - Beginning of Year	3,385,946	3,257,399
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,502,515	\$ 3,385,946
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 29,516	\$ 618

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Senior Life Resources Northwest (SLRNW) administers programs funded through the Southeast Washington Aging and Long-Term Care Council of Governments (SE ALTC COG) in southeast Washington State.

Program services, as indicated below, were provided to senior and disabled individuals for the years ended:

	2016	2015
Home Care Services	Senior Life provided over 613,963 hours of in-home supportive care services to approximately 905 senior citizens and disabled individuals.	Senior Life provided over 582,708 hours of in-home supportive care services to approximately 894 senior citizens and disabled individuals.
Nutrition Services	Provided over 173,350 meals to 1,791 senior and disabled individuals at meal sites and in their homes.	Provided over 157,074 meals to 1,748 senior and disabled individuals at meal sites and in their homes.
Farmers' Market Senior Program	Provided fresh, local produce to 743 low-income senior citizens.	Provided fresh, local produce to 758 low-income senior citizens.

Basis of Accounting

SLRNW's accounting records are maintained on the accrual method of accounting.

Financial Statement Presentation

The financial statements of SLRNW have been prepared in accordance with accounting guidance related to financial statements for nonprofit organizations.

Inventory

Inventory of food is stated at the lower of cost (first-in, first-out) or market value.

Debt Issuance Costs

Debt issuance costs relate to financing costs SLRNW incurred in June 2016 (refer to Note 8). Total debt issuance costs were \$45,015 and are being amortized using the effective interest method over the life of the debt. At December 31, 2016, deferred finance costs are shown net of accumulated amortization of \$8,591, as a contra-liability to note payable. Amortization expense for the year ended December 31, 2016 was \$8,591 and is included in interest expense.

Revenue Recognition

All contributions are considered available for SLRNW's general programs unless specifically restricted by the contributor. Amounts received that are designated for future periods or restricted by a donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue from federal and state contracts is recognized when the contract related services are provided.

Net Assets

Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of SLRNW and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors (the Board) has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of SLRNW or passage of time. Temporarily restricted contributions expended in the year of receipt are recognized as unrestricted contributions. SLRNW had temporarily restricted net assets of \$-0- and \$44,854 as of December 31, 2016 and 2015, respectively. Temporarily restricted net assets totaling \$44,854 were for the purpose of the Fowler Street Building as of December 31, 2015. The Fowler Street Building was completed in 2016 and thus there were no temporarily restricted net assets for this purpose at December 31, 2016.

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently by SLRNW. SLRNW does not currently have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates that are susceptible to change in the near-term relate to the determination of the provision for depreciation, the allocation of expenses by function, and the allowance for doubtful accounts.

Cash and Cash Equivalents

Management considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

SLRNW extends unsecured credit to its clients in the ordinary course of business but mitigates the associated credit risk by actively pursuing past due accounts. Private pay clients are required to prepay for their services or provide a deposit to SLRNW which is held in the event of nonpayment.

Management estimates an allowance for doubtful accounts based on historical collections and information currently available to them. Accounts receivable balances 90 days or more delinquent were \$104,851 and \$17,912 as of December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, an allowance of \$20,000 was established for uncollectible receivables.

Fundraising Expenses

Fundraising expenses for the years ended December 31, 2016 and 2015 were \$65,523 and \$40,001, respectively.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to the operations of SLRNW. The value of this contributed time is not reflected in these statements since it does not meet the criteria required by Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958*. For the years ended December 31, 2016 and 2015, management has estimated the value of these services to be \$550,000 and \$558,455, respectively.

Unionization

The provider workforce of SLRNW is represented by the Office and Professional Employees International Union, and the contract will expire on August 31, 2018. The percentage of labor force covered by the collective bargaining agreement is approximately 93% of the total labor force employed by SLRNW.

Property and Equipment

Property and equipment acquisitions are recorded at cost. SLRNW capitalizes all expenditures for property and equipment with a per item cost in excess of \$5,000 and a useful life of three years or more. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Capital assets are evaluated periodically for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. The amount of any impairment is calculated as the excess of the carrying amount over the fair value. There were no impairment losses for 2016 and 2015.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets

SLRNW's Board has established a reserve policy which defines authorized accounts and prioritizes funding of these accounts for all cash on hand. Reserves are designated as follows:

	2016	2015
Meals on Wheels Program Funding Reserve	\$ 435,499	\$ 368,575
Reserve for Business Termination Costs	364,000	364,000
Total	\$ 799,499	\$ 732,575

Income Taxes

SLRNW is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) except to the extent of unrelated business taxable income as defined under IRC Sections 511 and 515. SLRNW complies with FASB ASC 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. As of December 31, 2016 and 2015, SLRNW had no uncertain tax positions requiring accrual.

Fair Value Measurement

Effective January 1, 2009, SLRNW adopted ASC Topic 820, *Fair Value Measurements and Disclosures* (Topic 820), which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. Topic 820 applies to all financial instruments that are being measured and reported on a fair value basis.

Advertising

SLRNW expenses advertising costs as incurred. Total advertising costs were \$-0- and \$3,075 for the years ended December 31, 2016 and 2015, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

SLRNW has adopted the accounting guidance in the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-03): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, SLRNW has evaluated events and transactions for potential recognition or disclosure through July 21, 2017, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

For the years ended December 31, 2016 and 2015, approximately 86% of SLRNW's funding is derived from vendor contracts with the SE ALTC COG for southeast Washington. SE ALTC COG is funded by appropriations made by the Washington State Legislature and Medicaid funds received from the federal government.

SLRNW maintains bank account balances with its primary financial institution in excess of federally insured limits.

NOTE 3 IN-KIND REVENUE AND EXPENSE

Donated rents, which can be determined and measured, are reflected as in-kind revenue and expense in the financial statements. Amounts consisted of the following as of December 31:

	2016	2015
Rents	<u>\$ 24,005</u>	<u>\$ 22,140</u>

NOTE 4 OPERATING LEASES

SLRNW rents various facilities and offices throughout the state of Washington. Many rental agreements are on a month-to-month basis. SLRNW also leases office space for the Yakima office, Pasco Senior Citizen Center, and other various locations under noncancellable agreements which expire at various times through 2019.

Rent expense for 2016 and 2015 was \$138,832 and \$172,206, respectively, of which \$24,005 and \$22,140 was the value of donated facilities for 2016 and 2015, respectively.

Future minimum lease payments as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 50,378
2018	6,475
2019	3,777
Total	<u>\$ 60,630</u>

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 5 KEY PERSON LIFE INSURANCE

SLRNW purchased a \$250,000 life insurance policy on the former executive director for the benefit of the organization. All payments to this policy are tax deferred under IRC Section 457(f). No contribution was made to the policy for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the cash surrender value of the policy after policy loans of \$101,054 and \$100,618 was \$70,985 and \$63,789, respectively.

NOTE 6 BENEFICIAL INTEREST IN THE THREE RIVERS COMMUNITY FOUNDATION

During 2007, SLRNW contributed \$10,000 to the Three Rivers Community Foundation (Foundation) as a beneficial interest of SLRNW. In accordance with accounting principles generally accepted in the United States of America, the amount of the fund is recognized as an asset of SLRNW. SLRNW will receive distributions of income subject to the Foundation's spending policy, determined annually, which was 3% during 2016 and 2015.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

SLRNW follows the accounting standards related to fair value measurements. The statement on fair value measurement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following methods and assumptions were used to estimate the value of each class of financial instrument pursuant to valuation hierarchy:

Investments in Stock – Valued at quoted market prices which represents the net asset value of the shares held by SLRNW at year-end.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Beneficial Interest in the Foundation – The beneficial interest in the Foundation is an investment in pooled investment mutual funds. Mutual funds include assets from several accounts, pooled together, to reduce management and administration costs. Allocation of income and realized and unrealized gains or losses is calculated based on the average monthly percent share of each fund’s balance in the pool. Underlying mutual funds are valued at quoted market prices which represent the net asset value of shares held by the pooled fund.

The following tables disclose by level, within the fair value hierarchy, SLRNW’s assets at fair value as of December 31:

	2016			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in the Three Rivers Community Foundation	\$ -	\$ 10,000	\$ -	\$ 10,000
Total	\$ -	\$ 10,000	\$ -	\$ 10,000

	2015			
	Level 1	Level 2	Level 3	Total
Investments in Stock	\$ 10,371	\$ -	\$ -	\$ 10,371
Beneficial Interest in the Three Rivers Community Foundation	-	10,000	-	10,000
Total	\$ 10,371	\$ 10,000	\$ -	\$ 20,371

NOTE 8 NOTE PAYABLE

In May 2016, SLRNW completed construction of an administration facility on Fowler Street. Permanent financing for the facility was obtained through a series of Washington State Housing Finance Commission Nonprofit Revenue Bonds and the fiscal agent is U.S. Bank National Association and the lender is Bank of the West. The bond, issued in June 2016, was for the purpose of providing financial assistance to SLRNW. The total funds obtained through these bonds were \$1,500,000. Payments of \$8,335 including interest are due monthly through June 1, 2036. The bond bears interest at 2.98%. The bond is secured by a deed of trust, security agreement, assignment of leases and rents, and fixture filing encumbering real and personal property of the SLRNW located in Benton County, Washington. The agreement contains various financial and nonfinancial covenants that require SLRNW to maintain certain minimum and maximum financial ratios and amounts.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 8 NOTE PAYABLE (CONTINUED)

The following summarizes the note as of December 31, 2016:

	<u>2016</u>
Note Payable	\$ 1,472,289
Less: Unamortized Debt Issuance Costs	(36,424)
Less: Current Maturities	<u>(56,315)</u>
Total Long-Term Debt	<u><u>\$ 1,379,550</u></u>

Principal maturities of this note payable for the succeeding years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 56,315
2017	58,041
2018	59,819
2019	61,542
2020	63,537
Thereafter	<u>1,173,035</u>
Total	<u><u>\$ 1,472,289</u></u>