

SENIOR LIFE RESOURCES NORTHWEST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**SENIOR LIFE RESOURCES NORTHWEST
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016, 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 (U. S. GAAP); 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Yakima, Washington
May 31, 2018

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,288,942	\$ 2,502,515
Accounts Receivable, Net, Primarily from Contracting Agencies	1,518,876	1,570,237
Inventory	42,070	24,524
Prepaid Expenses	77,589	126,012
Total Current Assets	4,927,477	4,223,288
LAND, BUILDINGS, AND EQUIPMENT		
Land	150,398	150,398
Building	2,961,341	2,668,341
Equipment	502,734	466,382
Total	3,614,473	3,285,121
Less: Accumulated Depreciation	363,433	240,877
Total Land, Buildings, and Equipment	3,251,040	3,044,244
OTHER ASSETS		
Cash Surrender Value of Life Insurance after policy loans of \$50,302 in 2017 and \$101,054 in 2016	125,867	70,985
Beneficial Interest in the Three Rivers Community Foundation	10,000	10,000
Total Other Assets	135,867	80,985
Total Assets	\$ 8,314,384	\$ 7,348,517

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016**

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 152,734	\$ 171,191
Accrued Wages and Related Taxes Payable	745,266	634,006
Accrued Vacation	274,437	263,511
Other Accrued Liabilities	511,551	317,856
Current Maturities of Long-Term Debt	58,041	56,315
Total Current Liabilities	1,742,029	1,442,879
 LONG-TERM DEBT		
Note Payable, Less Current Maturities and Unamortized Debt Issuance Costs	1,318,855	1,379,550
Total Liabilities	3,060,884	2,822,429
 NET ASSETS		
Unrestricted	4,431,614	3,726,589
Unrestricted, Board Designated	821,886	799,499
Total Unrestricted Net Assets	5,253,500	4,526,088
Total Liabilities and Net Assets	\$ 8,314,384	\$ 7,348,517

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees and Grants from Government Agencies	\$ 16,417,425	\$ -	\$ 16,417,425
Program Income - Client Service Fees	948,480	-	948,480
Allocations from Nongovernmental Agencies	120,863	-	120,863
Program Income - Meals	191,686	-	191,686
Other Income	169,805	-	169,805
Contributions	324,634	-	324,634
In-Kind Contributions	344,005	-	344,005
Interest Income	9,074	-	9,074
Total Revenues, Gains, and Other Support	18,525,972	-	18,525,972
EXPENSES			
Program Services	16,786,445	-	16,786,445
Supporting Services	997,904	-	997,904
Fundraising Expenses	14,211	-	14,211
Total Expenses	17,798,560	-	17,798,560
CHANGES IN NET ASSETS	727,412	-	727,412
Net Assets - Beginning of Year	4,526,088	-	4,526,088
NET ASSETS - END OF YEAR	\$ 5,253,500	\$ -	\$ 5,253,500

See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	<u>(5,300)</u>	-	<u>(5,300)</u>
Total Revenues, Gains, and Other Support	17,248,652	-	17,248,652
NET ASSETS RELEASED FROM RESTRICTIONS	<u>44,854</u>	<u>(44,854)</u>	<u>-</u>
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	<u>65,523</u>	-	<u>65,523</u>
Total Expenses	<u>16,715,151</u>	<u>-</u>	<u>16,715,151</u>
CHANGES IN NET ASSETS	578,355	(44,854)	533,501
Net Assets - Beginning of Year	<u>3,947,733</u>	<u>44,854</u>	<u>3,992,587</u>
NET ASSETS - END OF YEAR	<u>\$ 4,526,088</u>	<u>\$ -</u>	<u>\$ 4,526,088</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	Program Services	Supporting Services	Fund- Raising Expenses	Total
Salaries and Wages	\$ 11,130,003	\$ 588,875	\$ 4,972	\$ 11,723,850
Employee Benefits and Payroll Taxes	3,789,333	42,110	1,775	3,833,218
Total	<u>14,919,336</u>	<u>630,985</u>	<u>6,747</u>	<u>15,557,068</u>
Dues, Memberships, Subscriptions	73,056	11,593	2,892	87,541
Bank Fees	2,419	11,252	-	13,671
Communications	33,904	15,833	1,082	50,819
Bad Debt Expense	30,186	-	-	30,186
Depreciation	113,615	30,703	-	144,318
Food	440,903	-	-	440,903
Insurance	12,497	81,056	131	93,684
Interest and Amortization Expense	35,736	5,817	-	41,553
Operating Rentals	82,046	18,183	39	100,268
Professional Services	139,637	139,523	2,293	281,453
Taxes and Licenses	12,129	-	-	12,129
Repairs, Maintenance, and Small Equipment	15,599	5,728	-	21,327
Supplies	138,214	24,824	990	164,028
Training and Development	258,025	8,787	-	266,812
Travel and Mileage	463,244	2,315	37	465,596
Utilities	15,899	11,305	-	27,204
Total Expenses	<u>\$ 16,786,445</u>	<u>\$ 997,904</u>	<u>\$ 14,211</u>	<u>\$ 17,798,560</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	<u>13,831,652</u>	<u>605,938</u>	<u>24,325</u>	<u>14,461,915</u>
Professional Services	73,646	148,704	13,363	235,713
Bank Fees	1,690	12,194	-	13,884
Communications	40,064	10,384	-	50,448
Depreciation	75,965	-	-	75,965
Food	526,963	-	-	526,963
Insurance	1,679	80,350	-	82,029
Interest and Amortization Expense	38,107	-	-	38,107
Miscellaneous	24,219	5,192	-	29,411
Operating Rentals	99,394	39,438	-	138,832
Dues, Memberships, Subscriptions	161,028	6,578	18,176	185,782
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 727,412	\$ 533,501
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	144,318	75,965
Amortization of Debt Issuance Costs	(2,653)	8,591
Loss on Disposal of Capital Assets	-	5,300
Donated Investments	-	(2,110)
Donated Capital Assets	(321,679)	(76,608)
(Increase) Decrease in Assets:		
Accounts Receivable	51,361	(200,644)
Prepaid Expenses	48,423	(2,983)
Inventory	(17,546)	(24,524)
Increase (Decrease) in Liabilities:		
Accounts Payable, Accrued Expenses, and Other Liabilities	297,422	(20,600)
Net Cash Provided by Operating Activities	927,058	295,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	(29,435)	(2,611,878)
Additions to Cash Surrender Value of Life Insurance	(54,882)	(7,196)
Proceeds from Sale of Investments	-	12,481
Net Cash Used by Investing Activities	(84,317)	(2,606,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	1,500,000
Payments on Long-Term Debt	(56,314)	(27,711)
Debt Issuance Costs Paid	-	(45,015)
Net Cash Provided (Used) by Financing Activities	(56,314)	1,427,274
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	786,427	(883,431)
Cash and Cash Equivalents - Beginning of Year	2,502,515	3,385,946
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,288,942	\$ 2,502,515
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 43,706	\$ 29,516
Donated Investments	\$ -	\$ 2,110
Donated Capital Assets	\$ 321,679	\$ 76,608

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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:

	<u>2017</u>	<u>2016</u>
Home Care Services	Senior Life provided over 630,931 hours of in-home supportive care services to approximately 1,366 senior citizens and disabled individuals.	Senior Life provided over 613,963 hours of in-home supportive care services to approximately 905 senior citizens and disabled individuals.
Nutrition Services	Provided over 180,741 meals to 2,170 senior and disabled individuals at meal sites and in their homes.	Provided over 173,350 meals to 1,791 senior and disabled individuals at meal sites and in their homes.
Farmers' Market Senior Program	Provided fresh, local produce to 668 low-income senior citizens.	Provided fresh, local produce to 743 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, 2017 and 2016, deferred finance costs are shown net of accumulated amortization of \$5,938 and \$8,591, respectively, as a contra-liability to note payable. Amortization expense for the years ended December 31, 2017 and 2016, was \$(2,653) and \$8,591, respectively, 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
DECEMBER 31, 2017 AND 2016**

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 does not currently have any temporarily restricted net assets.

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
DECEMBER 31, 2017 AND 2016**

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 non-payment.

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 \$46,068 and \$104,851 as of December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, an allowance of \$25,754 and \$20,823 was established for uncollectible receivables, respectively.

Fundraising Expenses

Fundraising expenses for the years ended December 31, 2017 and 2016, were \$14,211 and \$65,523, 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, 2017 and 2016, management has estimated the value of these services to be \$634,360 and \$550,000, 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 88% and 93% of the total labor force employed by SLRNW for the years ended December 31, 2017 and 2016.

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 2017 and 2016. Depreciation expense for the years ended December 31, 2017 and 2016, was \$144,318 and \$75,965, respectively.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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:

	2017	2016
Meals on Wheels Program Funding Reserve	\$ 457,886	\$ 435,499
Reserve for Business Termination Costs	364,000	364,000
Total	\$ 821,886	\$ 799,499

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, 2017 and 2016, 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 U.S. GAAP. 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 \$87,541 and \$185,782 for the years ended December 31, 2017 and 2016, 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.

New Accounting Pronouncements Effective in Future Accounting Periods

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year beginning after December 15, 2017, with early adoption permitted. Management will be evaluating the effects of this new standard.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Effective in Future Accounting Periods (Continued)

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The amended guidance clarifies the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for SLRNW for annual reporting periods beginning after December 15, 2018; however, early adoption is permitted. Management is evaluating the impact of the amended revenue recognition guidance on SLRNW's financial statements.

In February 2016, FASB issued ASU 2016-02 *Leases* (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management will be evaluating the effects of this new standard.

NOTE 2 CONCENTRATION OF CREDIT RISK

For the years ended December 31, 2017 and 2016, approximately 88% 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:

	2017	2016
Rents	\$ 22,326	\$ 24,005

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 2020.

Rent expense for 2017 and 2016, was \$100,268 and \$138,832, respectively, of which \$22,326 and \$24,005 was the value of donated facilities for 2017 and 2016, respectively.

Future minimum lease payments as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 42,575
2019	28,227
2020	1,050
Total	<u>\$ 71,852</u>

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). At December 31, 2017 and 2016, the cash surrender value of the policy after outstanding policy loans of \$50,302 and \$101,054 was \$125,867 and \$70,985, 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 U.S. GAAP, 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 2017 and 2016.

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.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

Cash surrender value of life insurance: Cash surrender values are provided by the insurance carrier on a periodic basis. The values approximate the fair value of these policies.

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

	2017			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in the Three Rivers Community Foundation	\$ -	\$ 10,000	\$ -	\$ 10,000
Cash Surrender Value of Life Insurance	-	125,867	-	125,867
Total	<u>\$ -</u>	<u>\$ 135,867</u>	<u>\$ -</u>	<u>\$ 135,867</u>

	2016			
	Level 1	Level 2	Level 3	Total
Beneficial Interest in the Three Rivers Community Foundation	\$ -	\$ 10,000	\$ -	\$ 10,000
Cash Surrender Value of Life Insurance	-	70,985	-	70,985
Total	<u>\$ -</u>	<u>\$ 80,985</u>	<u>\$ -</u>	<u>\$ 80,985</u>

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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.

The following summarizes the note as of December 31:

	<u>2017</u>	<u>2016</u>
Note Payable	\$ 1,415,973	\$ 1,472,289
Less: Unamortized Debt Issuance Costs	(39,077)	(36,424)
Less: Current Maturities	(58,041)	(56,315)
Total Long-Term Debt	<u>\$ 1,318,855</u>	<u>\$ 1,379,550</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 58,041
2019	59,819
2020	61,542
2021	63,537
2022	65,483
Thereafter	1,107,551
Total	<u>\$ 1,415,973</u>

Interest expense for the years ended December 31, 2017 and 2016, was \$44,206 and \$29,516, respectively.

NOTE 9 SUBSEQUENT EVENTS

In March 2018, SLRNW purchased a building in Yakima, Washington for \$460,000, in which \$345,000 was financed through a note. The \$345,000 is payable to Bank of the West at \$2,318 per month including interest at 5.14%.

In preparing these financial statements, SLRNW has evaluated events and transactions for potential recognition or disclosure through May 31, 2018, the date the financial statements were available to be issued.