

SENIOR LIFE RESOURCES NORTHWEST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

**SENIOR LIFE RESOURCES NORTHWEST
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. GAAP.

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 presentation of financial statements for *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Yakima, Washington
July 25, 2019

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,135,963	\$ 3,288,942
Accounts Receivable, Net, Primarily from Contracting Agencies	2,076,942	1,518,876
Inventory	48,698	42,070
Prepaid Expenses	66,982	77,589
Total Current Assets	5,328,585	4,927,477
LAND, BUILDINGS, AND EQUIPMENT		
Land	150,397	150,398
Building	3,443,503	2,961,341
Equipment	502,735	502,734
Total	4,096,635	3,614,473
Less: Accumulated Depreciation	532,345	363,433
Total Land, Buildings, and Equipment	3,564,290	3,251,040
OTHER ASSETS		
Cash Surrender Value of Life Insurance after Policy Loans of -\$0- in 2018 and \$50,302 in 2017	178,009	125,867
Beneficial Interest in the Three Rivers Community Foundation	10,000	10,000
Assets Held For Sale	299,379	-
Total Other Assets	487,388	135,867
Total Assets	\$ 9,380,263	\$ 8,314,384

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 137,618	\$ 152,734
Accrued Wages and Related Taxes Payable	733,937	745,266
Accrued Vacation	310,069	274,437
Other Accrued Liabilities	585,447	511,551
Current Maturities of Long-Term Debt	70,357	58,041
Total Current Liabilities	1,837,428	1,742,029
 LONG-TERM DEBT		
Note Payable, Less Current Maturities and Unamortized Debt Issuance Costs	1,583,194	1,318,855
Total Liabilities	3,420,622	3,060,884
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	4,807,385	4,431,614
Board Designated	821,886	821,886
Total Net Assets Without Donor Restrictions	5,629,271	5,253,500
With Donor Restrictions	330,370	-
Total Net Assets	5,959,641	5,253,500
Total Liabilities and Net Assets	\$ 9,380,263	\$ 8,314,384

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees and Grants from Government Agencies	\$ 18,600,185	\$ 243,201	\$ 18,843,386
Program Income - Client Service Fees	870,425	-	870,425
Allocations from Nongovernmental Agencies	86,867	-	86,867
Program Income - Meals	215,531	-	215,531
Other Income	307,692	-	307,692
Contributions	243,813	87,169	330,982
In-Kind Contributions	21,840	-	21,840
Interest Income	24,727	-	24,727
Total Revenues, Gains, and Other Support	20,371,080	330,370	20,701,450
EXPENSES			
Program Services	18,894,518	-	18,894,518
Supporting Services	1,057,755	-	1,057,755
Fundraising Expenses	43,036	-	43,036
Total Expenses	19,995,309	-	19,995,309
CHANGES IN NET ASSETS	375,771	330,370	706,141
Net Assets - Beginning of Year	5,253,500	-	5,253,500
NET ASSETS - END OF YEAR	\$ 5,629,271	\$ 330,370	\$ 5,959,641

See accompanying Notes to Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions	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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Home Care Services	Nutrition Services	Supporting Services	Fundraising Expenses	Total
Salaries and Wages	\$ 11,993,387	\$ 519,280	\$ 579,106	\$ 18,470	\$ 13,110,243
Employee Benefits and Payroll Taxes	4,125,966	86,157	101,663	5,807	4,319,593
Total	<u>16,119,353</u>	<u>605,437</u>	<u>680,769</u>	<u>24,277</u>	<u>17,429,836</u>
Dues, Memberships, Subscriptions	90,615	9,645	10,821	73	111,154
Bank Fees	2,001	1,089	8,786	-	11,876
Communications	43,312	14,362	8,284	159	66,117
Bad Debt Expense	83,429	-	-	-	83,429
Depreciation	25,523	123,202	20,187	-	168,912
Food	3,904	471,944	-	-	475,848
Insurance	810	28,286	71,397	-	100,493
Interest and Amortization Expense	6,694	45,638	8,519	-	60,850
Operating Rentals	53,056	33,761	16,145	55	103,017
Professional Services	105,910	26,533	146,140	96	278,679
Taxes and Licenses	11,895	234	8,969	-	21,098
Repairs, Maintenance, and Small Equipment	11,042	22,609	35,029	700	69,380
Supplies	67,939	78,916	19,544	17,676	184,075
Training and Development	276,860	1,401	2,001	-	280,262
Travel and Mileage	472,328	28,364	6,949	-	507,641
Utilities	4,836	19,137	12,882	-	36,855
Miscellaneous	4,287	167	1,333	-	5,787
Total Expenses	<u>\$ 17,383,794</u>	<u>\$ 1,510,725</u>	<u>\$ 1,057,755</u>	<u>\$ 43,036</u>	<u>\$ 19,995,309</u>

See accompanying Notes to Financial Statements.

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

	Home Care Services	Nutrition Services	Supporting Services	Fundraising Expenses	Total
Salaries and Wages	\$ 10,670,407	\$ 459,596	\$ 588,875	\$ 4,972	\$ 11,723,850
Employee Benefits and Payroll Taxes	3,715,824	73,509	42,110	1,775	3,833,218
Total	14,386,231	533,105	630,985	6,747	15,557,068
Dues, Memberships, Subscriptions	68,537	4,519	11,593	2,892	87,541
Bank Fees	1,231	1,188	11,252	-	13,671
Communications	33,904	-	15,833	1,082	50,819
Bad Debt Expense	30,186	-	-	-	30,186
Depreciation	22,849	90,766	30,703	-	144,318
Food	-	440,903	-	-	440,903
Insurance	92	12,405	81,056	131	93,684
Interest and Amortization Expense	4,571	31,165	5,817	-	41,553
Operating Rentals	71,631	10,415	18,183	39	100,268
Professional Services	110,409	29,228	139,523	2,293	281,453
Taxes and Licenses	12,082	47	-	-	12,129
Repairs, Maintenance, and Small Equipment	11,745	3,854	5,728	-	21,327
Supplies	52,014	86,200	24,824	990	164,028
Training and Development	256,617	1,408	8,787	-	266,812
Travel and Mileage	436,813	26,431	2,315	37	465,596
Utilities	15,899	-	11,305	-	27,204
Total Expenses	<u>\$ 15,514,811</u>	<u>\$ 1,271,634</u>	<u>\$ 997,904</u>	<u>\$ 14,211</u>	<u>\$ 17,798,560</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 706,141	\$ 727,412
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	168,912	144,318
Amortization of Debt Issuance Costs	4,120	(2,653)
Bad Debt	83,429	-
Increase in Cash Surrender Value of Life Insurance	(1,840)	-
Loss on Disposal of Capital Assets	-	-
Donated Investments	-	-
Donated Capital Assets	(6,766)	(321,679)
(Increase) Decrease in Assets:		
Accounts Receivable	(641,495)	51,361
Prepaid Expenses	10,607	48,423
Inventory	(6,628)	(17,546)
Increase in Liabilities:		
Accounts Payable, Accrued Expenses, and Other Liabilities	83,083	297,422
Net Cash Provided by Operating Activities	399,563	927,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(429,775)	(29,435)
Cash Surrender Value of Life Insurance Loan Repayment	(50,302)	(54,882)
Net Cash Used by Investing Activities	(480,077)	(84,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(66,612)	(56,314)
Debt Issuance Costs Paid	(5,853)	-
Net Cash Used by Financing Activities	(72,465)	(56,314)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(152,979)	786,427
Cash and Cash Equivalents - Beginning of Year	3,288,942	2,502,515
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,135,963	\$ 3,288,942
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 56,730	\$ 43,706
Donated Capital Assets	\$ 6,766	\$ 321,679
Building Purchased through Note Payable	\$ 345,000	\$ -

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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>2018</u>	<u>2017</u>
Home Care Services	Senior Life provided over 681,991 hours of in-home supportive care services to approximately 1,075 senior citizens and disabled individuals.	Senior Life provided over 630,931 hours of in-home supportive care services to approximately 1,366 senior citizens and disabled individuals.
Nutrition Services	Provided over 209,000 meals to 2,300 senior and disabled individuals at meal sites and in their homes.	Provided over 180,741 meals to 2,170 senior and disabled individuals at meal sites and in their homes.
Farmers' Market Senior Program	Provided fresh, local produce to 656 low-income senior citizens.	Provided fresh, local produce to 668 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 \$50,868 and are being amortized using the effective interest method over the life of the debt. At December 31, 2018 and 2017, deferred finance costs are shown net of accumulated amortization of \$10,056 and \$5,936, respectively, as a contra-liability to note payable. Amortization expense for the years ended December 31, 2018 and 2017, was \$4,120 and \$(2,653), 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 support with donor restrictions and increase the respective class of net assets. Contributions received with purpose or time restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Net assets, revenues, gains, and losses, are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. SLRNW’s board has established a reserve policy which defines authorized accounts and prioritizes funding of these accounts for all cash on hand.

Net assets designated by the board consisted of the following as of December 31:

	2018	2017
Meals on Wheels Program Funding Reserve	\$ 457,886	\$ 457,886
Reserve for Business Termination Costs	364,000	364,000
Total Board-Designated Net Assets	\$ 821,886	\$ 821,886

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by actions of SLRNW. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions consisted of the following as of December 31:

	2018	2017
Subject to Expenditure for a Specified Purpose:		
Meals on Wheels	\$ 330,370	\$ -
Total Net Assets With Donor Restrictions	\$ 330,370	\$ -

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.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$200,294 and \$46,068 as of December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, an allowance of \$21,421 and \$25,754 was established for uncollectible receivables, respectively.

Functional Expenses

The costs of providing program services and other costs are reported on a functional basis in the statements of activities and changes in net assets and the statements of functional expenses. Accordingly, certain costs have been allocated among the program and support service centers that benefit from such costs. Payroll and related costs are allocated to functional cost centers based upon the estimated time personnel devote to each cost center. Other costs are allocated based on reasonable estimates determined by management. All allocation methods are reviewed and revised when necessary to reflect changes in the nature, level of activities, and the delivery of services.

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, 2018 and 2017, management has estimated the value of these services to be \$720,734 and \$634,360, respectively.

Unionization

The provider workforce of SLRNW is represented by the Office and Professional Employees International Union, and the contract will expire on June 30, 2019. The percentage of labor force covered by the collective bargaining agreement is approximately 90% and 88% of the total labor force employed by SLRNW for the years ended December 31, 2018 and 2017, respectively.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 and 2017. Depreciation expense for the years ended December 31, 2018 and 2017, was \$168,912 and \$144,318, respectively.

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, 2018 and 2017, SLRNW had no uncertain tax positions requiring accrual.

Fair Value Measurements

SLRNW follows 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 \$8,701 and \$33,007 for the years ended December 31, 2018 and 2017, respectively.

Subsequent Events

In preparing these financial statements, SLRNW has evaluated events and transactions for potential recognition or disclosure through July 25, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

SLRNW has adopted the accounting guidance in the FASB Accounting Standards Update (ASU) No. 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 nonprofit entity's liquidity, financial performance, and cash flows. The adoption of the standard had no effect on previously reported net assets. SLRNW has elected to adopt this change in accounting principle as of January 1, 2018. The adoption of this ASU was retrospectively applied to the periods presented and did not have an impact on SLRNW's previously reported financial position or changes in its net assets.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements Effective in Future Accounting Periods

In May 2014, the FASB issued 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. Management is evaluating the impact of the amended revenue recognition guidance on SLRNW's financial statements.

In June 2018, the FASB issued ASU No. 2018-08. This update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. For contributions received, the standard will be effective for SLRNW for annual reporting periods beginning after December 15, 2018, and for contributions made, the standard will be effective for SLRNW for annual reporting periods beginning after December 15, 2019. Management will be evaluating the effects of this new standard.

In February 2016, FASB issued ASU No. 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 No. 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, 2018 and 2017, approximately 89% and 88%, respectively, 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.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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:

	2018	2017
Rents	\$ 21,840	\$ 22,326

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 2021.

Rent expense for 2018 and 2017, was \$103,017 and \$100,268, respectively, of which \$21,840 and \$22,326 was the value of donated facilities for 2018 and 2017, respectively.

Future minimum lease payments as follows:

Year Ending December 31,	Amount
2019	\$ 31,227
2020	4,170
2021	3,240
Total	\$ 38,637

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, 2018 and 2017, the cash surrender value of the policy after outstanding policy loans of -\$0- and \$50,302 was \$178,009 and \$125,867, respectively.

NOTE 6 BENEFICIAL INTEREST IN THE THREE RIVERS COMMUNITY FOUNDATION

During 2007, SLRNW contributed \$10,000 to the Three Rivers Community Foundation (the 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 2018 and 2017.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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:

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.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	2018			
	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	-	178,009	-	178,009
Total	\$ -	\$ 188,009	\$ -	\$ 188,009
	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	\$ -	\$ 135,867	\$ -	\$ 135,867

NOTE 8 NOTES 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.

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

**SENIOR LIFE RESOURCES NORTHWEST
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NOTE 8 NOTES PAYABLE (CONTINUED)

The following summarizes the notes payable as of December 31:

	<u>2018</u>	<u>2017</u>
Bank of the West - Fowler Street	\$ 1,357,932	\$ 1,415,973
Bank of the West - Nob Hill	336,431	-
Total Notes Payable	<u>1,694,363</u>	<u>1,415,973</u>
Less: Unamortized Debt Issuance Costs	(40,812)	(39,077)
Less: Current Maturities	<u>(70,357)</u>	<u>(58,041)</u>
Total Long-Term Debt	<u>\$ 1,583,194</u>	<u>\$ 1,318,855</u>

Principal maturities of these notes payable for the succeeding years are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 70,357
2020	72,595
2021	75,227
2022	77,797
2023	80,460
Thereafter	<u>1,317,927</u>
Total	<u>\$ 1,694,363</u>

Interest expense for the years ended December 31, 2018 and 2017, was \$56,730 and \$44,206, respectively.

NOTE 9 ASSET HELD FOR SALE

SLRNW held a building for sale on Wright Street at December 31, 2018, which was not sold as of July 25, 2019. As of December 31, 2018 and 2017, assets held for sale, consisting of the building and related property, totaled \$299,379 and \$-0-, respectively.

NOTE 10 LIQUIDITY

As part of SLRNW's liquidity management, the board has established a reserve policy which defines authorized accounts and prioritizes funding of these accounts for all cash on hand. The board designated funds could be drawn upon if the governing board approves that action.

**SENIOR LIFE RESOURCES NORTHWEST
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NOTE 10 LIQUIDITY (CONTINUED)

The following reflects SLRNW's liquid financial assets as of December 31, 2018, including amounts not available within one year of statement of financial position date. Amounts not available include board designated and donor designated funds.

Liquid Financial Assets, as of December 31, 2018:

Cash and Cash Equivalents	\$ 3,135,963
Accounts Receivable, Net, Primarily from Contracting Agencies	2,076,942
Cash Surrender Value of Life Insurance	<u>178,009</u>
Total Liquid Financial Assets	<u>5,390,914</u>

Less:

Contractual or Donor-Imposed Restrictions Making Financial Assets Unavailable for General Expenditure	(330,370)
Board-Designated Net Assets	<u>(821,886)</u>
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 4,238,658</u></u>