

SENIOR LIFE RESOURCES NORTHWEST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

**SENIOR LIFE RESOURCES NORTHWEST
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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 4, 2020

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,860,790	\$ 2,895,643
Certificates of Deposit	246,215	-
Accounts Receivable, Net, Primarily from Contracting Agencies	2,297,549	2,076,942
Inventory	54,128	48,698
Prepaid Expenses	60,251	66,982
Total Current Assets	5,518,933	5,088,265
LAND, BUILDINGS, AND EQUIPMENT		
Land	150,397	150,397
Building	3,449,712	3,236,602
Equipment	585,336	502,735
Furniture and Fixtures	206,901	206,901
Total	4,392,346	4,096,635
Less: Accumulated Depreciation	721,736	532,345
Total Land, Buildings, and Equipment	3,670,610	3,564,290
OTHER ASSETS		
Cash Value of Life Insurance	194,113	178,009
Certificates of Deposit	425,396	240,320
Beneficial Interest in the Three Rivers Community Foundation	10,000	10,000
Assets Held For Sale	299,379	299,379
Total Other Assets	928,888	727,708
Total Assets	\$ 10,118,431	\$ 9,380,263

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018**

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 140,260	\$ 137,618
Accrued Wages and Related Taxes Payable	884,211	733,937
Accrued Vacation	377,310	310,069
Other Accrued Liabilities	331,264	585,447
Current Maturities of Long-Term Debt	72,594	70,357
Total Current Liabilities	1,805,639	1,837,428
 LONG-TERM DEBT		
Notes Payable, Less Current Maturities and Unamortized Debt Issuance Costs	1,509,594	1,583,194
Total Liabilities	3,315,233	3,420,622
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,420,874	4,807,385
Board Designated	821,886	821,886
Total Net Assets Without Donor Restrictions	6,242,760	5,629,271
With Donor Restrictions	560,438	330,370
Total Net Assets	6,803,198	5,959,641
Total Liabilities and Net Assets	\$ 10,118,431	\$ 9,380,263

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees from Government Agencies	\$ 20,988,457	\$ -	\$ 20,988,457
Program Income - Client Service Fees	780,407	-	780,407
Grants from Government Agencies	774,443	230,068	1,004,511
Client Donation - Meals	213,634	-	213,634
Grants and Contributions	594,817	-	594,817
Other Income	215,822	-	215,822
In-Kind Contributions	65,391	-	65,391
Interest Income	84,807	-	84,807
Total Revenues, Gains, and Other Support	23,717,778	230,068	23,947,846
EXPENSES			
Program Services	21,654,479	-	21,654,479
Supporting Services	1,376,650	-	1,376,650
Fundraising Expenses	73,160	-	73,160
Total Expenses	23,104,289	-	23,104,289
CHANGES IN NET ASSETS	613,489	230,068	843,557
Net Assets - Beginning of Year	5,629,271	330,370	5,959,641
NET ASSETS - END OF YEAR	\$ 6,242,760	\$ 560,438	\$ 6,803,198

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 from Government Agencies	\$ 17,833,336	\$ -	\$ 17,833,336
Program Income - Client Service Fees	870,425	-	870,425
Grants from Government Agencies	683,420	243,201	926,621
Client Donation - Meals	215,531	-	215,531
Grants and Contributions	330,680	87,169	417,849
Other Income	307,692	-	307,692
In-Kind Contributions	21,840	-	21,840
Interest Income	24,727	-	24,727
Total Revenues, Gains, and Other Support	<u>20,287,651</u>	<u>330,370</u>	<u>20,618,021</u>
EXPENSES			
Program Services	18,811,090	-	18,811,090
Supporting Services	1,057,754	-	1,057,754
Fundraising Expenses	43,036	-	43,036
Total Expenses	<u>19,911,880</u>	<u>-</u>	<u>19,911,880</u>
CHANGES IN NET ASSETS	375,771	330,370	706,141
Net Assets - Beginning of Year	<u>5,253,500</u>	<u>-</u>	<u>5,253,500</u>
NET ASSETS - END OF YEAR	<u><u>\$ 5,629,271</u></u>	<u><u>\$ 330,370</u></u>	<u><u>\$ 5,959,641</u></u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	<u>Home Care Services</u>	<u>Nutrition Services</u>	<u>Supporting Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Wages	\$ 14,148,672	\$ 502,065	\$ 746,479	\$ 52,644	\$ 15,449,860
Employee Benefits and Payroll Taxes	4,555,581	80,914	106,790	13,898	4,757,183
Total	<u>18,704,253</u>	<u>582,979</u>	<u>853,269</u>	<u>66,542</u>	<u>20,207,043</u>
Travel and Mileage	551,311	24,752	15,990	-	592,053
Food	325	559,954	1,862	335	562,476
Professional Services	110,074	19,310	248,456	680	378,520
Provider Training	318,003	1,481	2,626	-	322,110
Depreciation	20,265	94,127	74,999	-	189,391
Dues, Memberships, Subscriptions	108,185	10,934	18,955	-	138,074
Repairs, Maintenance, and Small Equipment	57,469	35,663	25,690	-	118,822
Insurance	10,853	28,341	75,481	55	114,730
Communication	87,575	17,810	4,934	560	110,879
Supplies	68,436	17,728	16,021	4,289	106,474
Operating Rentals	45,537	43,117	14,081	699	103,434
Interest	25,120	29,993	5,599	-	60,712
Utilities	20,172	27,034	3,384	-	50,590
Taxes and Licenses	23,871	2,811	640	-	27,322
Bank Fees	234	1,390	13,525	-	15,149
Miscellaneous	902	4,470	1,138	-	6,510
Total Expenses	<u>\$ 20,152,585</u>	<u>\$ 1,501,894</u>	<u>\$ 1,376,650</u>	<u>\$ 73,160</u>	<u>\$ 23,104,289</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>Home Care Services</u>	<u>Nutrition Services</u>	<u>Supporting Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
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>
Travel and Mileage	472,328	28,364	6,949	-	507,641
Food	3,904	471,944	-	-	475,848
Professional Services	105,910	26,533	146,140	96	278,679
Provider Training	276,860	1,401	2,001	-	280,262
Depreciation	25,523	123,202	20,187	-	168,912
Dues, Memberships, Subscriptions	90,615	9,645	10,821	73	111,154
Repairs, Maintenance, and Small Equipment	11,042	22,609	35,029	700	69,380
Insurance	810	28,286	71,397	-	100,493
Communication	43,312	14,362	8,284	159	66,117
Supplies	67,939	78,916	19,544	17,676	184,075
Operating Rentals	53,056	33,761	16,145	55	103,017
Interest	6,694	45,638	8,518	-	60,850
Utilities	4,836	19,137	12,882	-	36,855
Taxes and Licenses	11,895	234	8,969	-	21,098
Bank Fees	2,001	1,089	8,786	-	11,876
Miscellaneous	4,287	167	1,333	-	5,787
Total Expenses	<u>\$ 17,300,365</u>	<u>\$ 1,510,725</u>	<u>\$ 1,057,754</u>	<u>\$ 43,036</u>	<u>\$ 19,911,880</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 843,557	\$ 706,141
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	189,391	168,912
Amortization of Debt Issuance Costs	4,102	4,120
Bad Debt	73,059	83,429
Interest Re-Invested in Certificates of Deposit	(9,917)	(320)
Increase in Cash Surrender Value of Life Insurance	(16,104)	(1,840)
Donated Capital Assets	(21,233)	(6,766)
(Increase) Decrease in Assets:		
Accounts Receivable	(293,666)	(641,495)
Prepaid Expenses	6,731	10,607
Inventory	(5,430)	(6,628)
Increase in Liabilities:		
Accounts Payable, Accrued Expenses, and Other Liabilities	(34,026)	83,083
Net Cash Provided by Operating Activities	736,464	399,243
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(274,478)	(429,775)
Cash Surrender Value of Life Insurance Loan Repayment	-	(50,302)
Purchase of Certificates of Deposit	(421,374)	(240,000)
Net Cash Used by Investing Activities	(695,852)	(720,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(75,465)	(66,612)
Debt Issuance Costs Paid	-	(5,853)
Net Cash Used by Financing Activities	(75,465)	(72,465)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,853)	(393,299)
Cash and Cash Equivalents - Beginning of Year	2,895,643	3,288,942
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,860,790	\$ 2,895,643
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 56,610	\$ 56,730
Donated Capital Assets	\$ 21,233	\$ 6,766
Building Purchased through Note Payable	\$ -	\$ 345,000

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

	2019	2018
Home Care Services	Senior Life provided over 740,000 hours of in-home supportive care services to approximately 1,400 senior citizens and disabled individuals.	Senior Life provided over 682,000 hours of in-home supportive care services to approximately 1,075 senior citizens and disabled individuals.
Nutrition Services	Provided over 218,500 meals to 2,350 senior and disabled individuals at meal sites and in their homes.	Provided over 209,000 meals to 2,300 senior and disabled individuals at meal sites and in their homes.
Farmers' Market Senior Program	Provided fresh, local produce to 755 low-income senior citizens.	Provided fresh, local produce to 656 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 net realizable 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, 2019 and 2018, deferred finance costs are shown net of accumulated amortization of \$14,158 and \$10,056, respectively, as a contra-liability to note payable. Amortization expense for the years ended December 31, 2019 and 2018, was \$4,102 and \$4,120, respectively, and is included in interest expense.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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:

	<u>2019</u>	<u>2018</u>
Meals on Wheels Program Funding Reserve	\$ 457,886	\$ 457,886
Reserve for Business Termination Costs	364,000	364,000
Total Board-Designated Net Assets	<u>\$ 821,886</u>	<u>\$ 821,886</u>

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:

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for a Specified Purpose:		
Meals on Wheels	\$ 560,438	\$ 330,370
Total Net Assets With Donor Restrictions	<u>\$ 560,438</u>	<u>\$ 330,370</u>

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

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. At December 31, 2019 and 2018, an allowance of \$6,257 and \$21,421, respectively, was established for uncollectible receivables.

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, 2019 and 2018, management has estimated the value of these services to be \$758,272 and \$720,734, respectively.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unionization

The provider workforce of SLRNW is represented by the Office and Professional Employees International Union, and the contract will expire on June 30, 2021. The percentage of labor force covered by the collective bargaining agreement is approximately 88% and 90% of the total labor force employed by SLRNW for the years ended December 31, 2019 and 2018, respectively.

Property and Equipment

Property and equipment acquisitions are recorded at cost. SLRNW capitalizes all expenditures for property and equipment with a cost per item 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 2019 and 2018. Depreciation expense for the years ended December 31, 2019 and 2018, was \$189,391 and \$168,912, 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 de-recognition, interest, penalties, and disclosures required. As of December 31, 2019 and 2018, 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 \$13,390 and \$8,701 for the years ended December 31, 2019 and 2018, respectively.

Subsequent Events

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to SLRNW, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes SLRNW is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

During the period from January 1, 2020, through May 4, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019.

Subsequent events have been evaluated through May 4, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

As of January 1, 2019, SLRNW adopted FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) utilizing the modified retrospective method. There was no material impact on SLRNW's financial position and results of operations upon adoption of the new standard. 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.

SLRNW has adopted the guidance in the FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities-Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. The adoption of ASU No. 2018-08 was retrospectively applied to the periods presented and had no effect on previously reported net assets as the adoption of these standards did not significantly impact SLRNW's reported historical revenue.

New Accounting Pronouncements Effective in Future Accounting Periods

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, 2020. Management will be evaluating the effects of this new standard.

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.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CONCENTRATION OF CREDIT RISK

For the years ended December 31, 2019 and 2018, approximately 89% 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 REVENUE RECOGNITION

Home Care Service Revenue

Home care service revenue is reported at the amount that reflects the consideration to which SLRNW expects to be entitled in exchange for providing home care. These amounts are due from clients, third-party payors (including government programs), and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, SLRNW bills the clients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by SLRNW. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. SLRNW believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to receiving services in their homes (home care). SLRNW measures the performance obligation from the commencement of home care service each month, to the point when it is no longer required to provide services to that client, which is generally at the end of the month.

SLRNW determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with SLRNW's policy, and/or implicit price concessions provided to clients. SLRNW determines its estimates of contractual adjustments and discounts based on contractual agreements, its policy(ies), and historical experience. SLRNW determines its estimate of implicit price concessions based on its historical collection experience.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 REVENUE RECOGNITION (CONTINUED)

Home Care Service Revenue (Continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Department of Social & Health Services (DSHS):** Services rendered to DSHS program beneficiaries are reimbursed based on client eligibility. These services are reimbursed under prevailing rates.
- **SE ALTC:** Services rendered to SE ALTC program beneficiaries are reimbursed based on client eligibility. These services are reimbursed under prevailing rates.
- **Veterans Administration (VA):** Services rendered to VA program beneficiaries are reimbursed based on client eligibility. These services are reimbursed under prevailing fee schedule rates.

Laws and regulations concerning government programs are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge SLRNW's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon SLRNW.

SLRNW has no history of settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration; therefore, such instances have not been included in the determination of the estimated transaction price for providing home care. As such, no adjustments arising from a change in an implicit price concession impacting transaction price were recorded in 2019 and 2018.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. SLRNW also provides services to uninsured patients. SLRNW estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to home care service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions and contractual adjustments were not considered material for the years ended December 31, 2019 and 2018. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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NOTE 3 REVENUE RECOGNITION (CONTINUED)

Home Care Service Revenue (Continued)

SLRNW has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, DSHS, SE ALTC, VA, or patient) have different reimbursement/payment methodologies
- Length of the patient's service/episode of care
- Geography of the service location
- Method of reimbursement (fee for service or capitation)

SLRNW reports program service revenue on the statement of activities as Fees from Government Agencies and Program Income – Client Service Fees. SLRNW recognized home care service revenue from goods and services that transfer to the customer over time, for the years ended December 31, as follows:

	2019	2018
DSHS	\$ 19,477,005	\$ 16,745,920
ALTC	740,897	527,187
VA	770,555	560,229
Patient Pay	780,407	870,425
Total Home Care Service Revenue	\$ 21,768,864	\$ 18,703,761

Nutrition Service Revenue

Nutrition service revenue is received from federal, state, and other governmental grants and contracts, community contributions, and client donations, and is recognized as grants and contributions under ASU No. 2018-08.

Revenue received specific to the Meals on Wheels program is subject to contract restrictions that require SLRNW to restrict the use these funds to the Meals on Wheels program, and is recorded as grants and contributions with donor restrictions.

NOTE 4 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:

	2019	2018
Rents	\$ 32,570	\$ 21,840

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NOTE 5 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 at various locations under noncancellable agreements which expire at various times through 2023.

Rent expense for 2019 and 2018, was \$103,434 and \$103,017, respectively, of which \$32,570 and \$21,840 was the value of donated facilities for 2019 and 2018, respectively.

Future minimum lease payments as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 44,429
2021	28,379
2022	17,939
2023	13,455
Total	<u>\$ 104,202</u>

NOTE 6 KEY PERSON LIFE INSURANCE

SLRNW purchased a \$250,000 life insurance policy on the former executive director for the benefit of the organization. At December 31, 2019 and 2018, the cash surrender value of the policy was \$194,113 and \$178,009, respectively.

NOTE 7 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 2019 and 2018.

NOTE 8 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.

**SENIOR LIFE RESOURCES NORTHWEST
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NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

		2019			
		Level 1	Level 2	Level 3	Total
Beneficial Interest in the Three Rivers					
Community Foundation		\$ -	\$ 10,000	\$ -	\$ 10,000
Total		\$ -	\$ 10,000	\$ -	\$ 10,000
		2018			
		Level 1	Level 2	Level 3	Total
Community Foundation		\$ -	\$ 10,000	\$ -	\$ 10,000
Total		\$ -	\$ 10,000	\$ -	\$ 10,000

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NOTE 9 CERTIFICATES OF DEPOSIT

SLRNW held the following certificates of deposit, which are recorded at cost, at December 31:

	<u>2019</u>	<u>2018</u>
HAPO Credit Union, Maturing March 2020, 15-Month Term	\$ 246,215	\$ 240,320
STCU Bank, Maturing February 2021, 20-Month Term	243,973	-
Yakima Federal, Maturing June 2021, 18-Month Term	181,423	-
Total Certificates of Deposit	<u>\$ 671,611</u>	<u>\$ 240,320</u>

NOTE 10 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.

The following summarizes the notes payable as of December 31:

	<u>2019</u>	<u>2018</u>
Bank of the West - Fowler Street	\$ 1,293,051	\$ 1,357,932
Bank of the West - Nob Hill	325,847	336,431
Total Notes Payable	1,618,898	1,694,363
Less: Unamortized Debt Issuance Costs	(36,710)	(40,812)
Less: Current Maturities	(72,594)	(70,357)
Total Long-Term Debt	<u>\$ 1,509,594</u>	<u>\$ 1,583,194</u>

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NOTE 10 NOTES PAYABLE (CONTINUED)

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 72,594
2021	75,227
2022	77,797
2023	80,461
2024	83,092
Thereafter	1,229,727
Total	<u>\$ 1,618,898</u>

Interest expense for the years ended December 31, 2019 and 2018, was \$56,610 and \$56,730, respectively.

NOTE 11 ASSET HELD FOR SALE

SLRNW held a building for sale on Wright Street at December 31, 2019 and 2018, which was not sold as of May 4, 2020. As of December 31, 2019 and 2018, assets held for sale, consisting of the building and related property, totaled \$299,379.

NOTE 12 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.

The following reflects SLRNW's liquid financial assets as of December 31, 2019 and 2018, including amounts not available within one year of the statement of financial position date. Amounts not available include board-designated and donor-designated funds.

	<u>2019</u>	<u>2018</u>
Liquid Financial Assets, as of December 31:		
Cash and Cash Equivalents	\$ 2,860,790	\$ 2,895,643
Current Certificates of Deposit	246,215	-
Accounts Receivable, Net, Primarily from Contracting Agencies	2,297,549	2,076,942
Cash Surrender Value of Life Insurance	194,113	178,009
Total Liquid Financial Assets	<u>5,598,667</u>	<u>5,150,594</u>
Less:		
Contractual or Donor-Imposed Restrictions		
Financial Assets		
Unavailable for General Expenditure	(560,438)	(330,370)
Board-Designated Net Assets	<u>(821,886)</u>	<u>(821,886)</u>
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,216,343</u>	<u>\$ 3,998,338</u>