

**SENIOR LIFE RESOURCES NORTHWEST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Senior Life Resources Northwest
Richland, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Senior Life Resources Northwest, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Senior Life Resources Northwest and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Senior Life Resources Northwest's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Senior Life Resources Northwest's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Senior Life Resources Northwest's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Tri-Cities, Washington
May 2, 2022

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,168,445	\$ 5,714,871
Certificates of Deposit	77,568	435,825
Accounts Receivable, Net, Primarily from Contracting Agencies	3,462,877	3,106,290
Inventory	102,404	59,233
Prepaid Expenses	80,622	71,056
Total Current Assets	8,891,916	9,387,275
LAND, BUILDINGS, AND EQUIPMENT		
Building	4,433,691	3,994,897
Equipment	735,731	625,896
Furniture and Fixtures	206,901	206,901
Total	5,376,323	4,827,694
Less: Accumulated Depreciation	1,088,568	897,841
Total	4,287,755	3,929,853
Land	150,397	150,397
Construction in Progress	1,739,234	-
Total Land, Buildings, and Equipment	6,177,386	4,080,250
OTHER ASSETS		
Cash Value of Life Insurance	209,526	201,859
Certificates of Deposit	176,643	-
Beneficial Interest in the Three Rivers Community Foundation	14,556	11,988
Assets Held For Sale	-	214,718
Total Other Assets	400,725	428,565
Total Assets	\$ 15,470,027	\$ 13,896,090

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 384,098	\$ 102,559
Accrued Wages and Related Taxes Payable	1,123,695	1,069,778
Accrued Vacation	473,403	461,361
Other Accrued Liabilities	528,378	681,881
Current Maturities of Long-Term Debt	119,734	115,796
Total Current Liabilities	2,629,308	2,431,375
 LONG-TERM DEBT		
Notes Payable, Less Current Maturities and Unamortized Debt Issuance Costs	2,490,351	2,598,924
Total Liabilities	5,119,659	5,030,299
 NET ASSETS		
Without Donor Restrictions:		
Undesignated	8,104,446	6,794,699
Board Designated	821,886	821,886
Total Net Assets Without Donor Restrictions	8,926,332	7,616,585
With Donor Restrictions	1,424,036	1,249,206
Total Net Assets	10,350,368	8,865,791
Total Liabilities and Net Assets	\$ 15,470,027	\$ 13,896,090

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Fees from Government Agencies	\$ 28,514,049	\$ -	\$ 28,514,049
Program Income - Client Service Fees	923,531	-	923,531
Grants from Government Agencies	1,437,427	176,051	1,613,478
Client Donation - Meals	149,716	-	149,716
Grants and Contributions	412,642	-	412,642
Other Income	194,085	-	194,085
In-Kind Contributions	32,467	-	32,467
Interest Income	14,087	-	14,087
Loss on Assets Held for Sale	(1,333)	-	(1,333)
Total	<u>31,676,671</u>	<u>176,051</u>	<u>31,852,722</u>
Net Assets Released from Restrictions	1,221	(1,221)	-
Total Revenues, Gains, and Other Support	<u>31,677,892</u>	<u>174,830</u>	<u>31,852,722</u>
EXPENSES			
Program Services	28,583,747	-	28,583,747
Supporting Services	1,703,619	-	1,703,619
Fundraising Expenses	80,779	-	80,779
Total Expenses	<u>30,368,145</u>	<u>-</u>	<u>30,368,145</u>
CHANGES IN NET ASSETS	1,309,747	174,830	1,484,577
Net Assets - Beginning of Year	<u>7,616,585</u>	<u>1,249,206</u>	<u>8,865,791</u>
NET ASSETS - END OF YEAR	<u>\$ 8,926,332</u>	<u>\$ 1,424,036</u>	<u>\$ 10,350,368</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Fees from Government Agencies	\$ 25,862,643	\$ -	\$ 25,862,643
Program Income - Client Service Fees	758,523	-	758,523
Grants from Government Agencies	965,574	662,547	1,628,121
Client Donation - Meals	188,123	-	188,123
Grants and Contributions	617,982	26,221	644,203
Other Income	261,397	-	261,397
In-Kind Contributions	22,326	-	22,326
Interest Income	55,627	-	55,627
Loss on Assets Held for Sale	(84,661)	-	(84,661)
Total Revenues, Gains, and Other Support	28,647,534	688,768	29,336,302
EXPENSES			
Program Services	25,617,603	-	25,617,603
Supporting Services	1,576,426	-	1,576,426
Fundraising Expenses	79,680	-	79,680
Total Expenses	27,273,709	-	27,273,709
CHANGES IN NET ASSETS	1,373,825	688,768	2,062,593
Net Assets - Beginning of Year	6,242,760	560,438	6,803,198
NET ASSETS - END OF YEAR	\$ 7,616,585	\$ 1,249,206	\$ 8,865,791

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Home Care Services	Nutrition Services	Supporting Services	Fundraising Expenses	Total
Salaries and Wages	\$ 19,455,732	\$ 582,374	\$ 854,484	\$ 60,645	\$ 20,953,235
Employee Benefits and Payroll Taxes	5,943,281	125,036	173,969	15,251	6,257,537
Total	<u>25,399,013</u>	<u>707,410</u>	<u>1,028,453</u>	<u>75,896</u>	<u>27,210,772</u>
Travel and Mileage	581,782	11,507	3,205	-	596,494
Food	-	474,948	-	726	475,674
Professional Services	152,172	27,074	233,756	2,515	415,517
Provider Training	357,347	1,020	7,581	-	365,948
Depreciation	39,666	42,166	137,162	-	218,994
Supplies	140,347	42,094	25,559	1,548	209,548
Dues, Memberships, Subscriptions	113,154	11,847	34,749	-	159,750
Insurances	19,806	37,549	100,439	-	157,794
Communications	112,470	13,452	12,806	64	138,792
Repairs, Maintenance, and Small Equipment	44,438	33,198	33,973	-	111,609
Operating Rentals	47,005	41,941	17,653	-	106,599
Interest	12,960	29,705	37,661	-	80,326
Utilities	31,020	18,618	8,490	-	58,128
Taxes & Licenses	29,287	3,384	2,074	-	34,745
Bank Fees	410	1,745	19,218	30	21,403
Miscellaneous	4,671	541	840	-	6,052
Total Expenses	<u>\$ 27,085,548</u>	<u>\$ 1,498,199</u>	<u>\$ 1,703,619</u>	<u>\$ 80,779</u>	<u>\$ 30,368,145</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	<u>Home Care Services</u>	<u>Nutrition Services</u>	<u>Supporting Services</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries and Wages	\$ 17,283,963	\$ 529,883	\$ 820,257	\$ 59,577	\$ 18,693,680
Employee Benefits and Payroll Taxes	5,245,955	96,325	178,518	12,809	5,533,607
Total	<u>22,529,918</u>	<u>626,208</u>	<u>998,775</u>	<u>72,386</u>	<u>24,227,287</u>
Food	-	568,572	1,375	5,880	575,827
Travel and Mileage	525,461	11,324	5,783	-	542,568
Professional Services	140,674	42,595	188,414	500	372,183
Provider Training	334,002	91	6,098	-	340,191
Supplies	102,182	29,231	119,125	29	250,567
Depreciation	27,625	114,275	49,745	-	191,645
Dues, Memberships, Subscriptions	105,486	7,131	25,490	-	138,107
Insurances	14,287	31,398	87,223	-	132,908
Communications	106,045	19,138	5,655	385	131,223
Operating Rentals	40,289	42,539	15,105	500	98,433
Repairs, Maintenance, and Small Equipment	35,914	31,932	24,435	-	92,281
Interest	19,347	31,337	14,115	-	64,799
Utilities	24,347	20,714	9,026	-	54,087
Bank Fees	3,692	2,059	25,160	-	30,911
Taxes and Licenses	23,364	3,276	290	-	26,930
Miscellaneous	2,790	360	612	-	3,762
Total Expenses	<u>\$ 24,035,423</u>	<u>\$ 1,582,180</u>	<u>\$ 1,576,426</u>	<u>\$ 79,680</u>	<u>\$ 27,273,709</u>

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,484,577	\$ 2,062,593
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	218,994	191,645
Amortization of Debt Issuance Costs	5,041	2,630
Write Off of Debt Issuance Costs	-	5,856
Bad Debt	166,782	19,773
Write Down of Assets Held for Sale	1,333	84,661
Interest Re-Invested in Certificates of Deposit	(4,033)	(10,429)
Increase in Cash Surrender Value of Life Insurance	(7,667)	(7,746)
Donated Capital Assets	-	-
(Gain) Loss on Sale or Disposal of Assets	8,451	(15,540)
(Increase) Decrease in Assets:		
Accounts Receivable	(523,369)	(828,514)
Prepaid Expenses	(9,566)	(10,805)
Inventory	(43,171)	(5,105)
Increase (Decrease) in Liabilities:		
Accounts Payable, Accrued Expenses, and Other Liabilities	(67,312)	582,534
Net Cash Provided by Operating Activities	1,230,060	2,071,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,063,274)	(585,745)
Redemption of Certificates of Deposit	185,647	246,215
Interest Received on Beneficial Interests in Perpetual Trusts	(2,568)	(1,988)
Proceeds from Sale of Asset Held for Sale	213,385	-
Net Cash Used by Investing Activities	(1,666,810)	(341,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	-	1,200,000
Payments on Long-Term Debt	(109,676)	(75,954)
Net Cash Provided (Used) by Financing Activities	(109,676)	1,124,046
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(546,426)	2,854,081
Cash and Cash Equivalents - Beginning of Year	5,714,871	2,860,790
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,168,445	\$ 5,714,871
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 75,285	\$ 62,169
Construction in Progress Invoices in Accounts Payable at Year-End	\$ 261,307	\$ -

See accompanying Notes to Financial Statements.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 (SEWA ALTC COG) in southeast Washington State.

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

	2021	2020
Home Care Services	Senior Life provided over 830,500 hours of in-home supportive care services to approximately 1,350 senior citizens and disabled individuals.	Senior Life provided over 785,000 hours of in-home supportive care services to approximately 1,700 senior citizens and disabled individuals.
Nutrition Services	Provided over 203,550 meals to 1,731 senior and disabled individuals at meal sites and in their homes.	Provided over 235,000 meals to 2,100 senior and disabled individuals at meal sites and in their homes.
Farmers' Market Senior Program	Provided fresh, local produce to 712 low-income senior citizens.	Provided fresh, local produce to 692 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 10). Total debt issuance costs were \$45,012 at December 31, 2021 and 2020, and are being amortized using the effective interest method over the life of the debt. At December 31, 2021 and 2020, deferred finance costs are shown net of accumulated amortization of \$21,829 and \$16,788, respectively, as a contra-liability to notes payable. Amortization expense for the years ended December 31, 2021 and 2020, was \$5,041 and \$2,630, respectively, and is included in interest expense.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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>2021</u>	<u>2020</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>2021</u>	<u>2020</u>
Subject to Expenditure for a Specified Purpose:		
Meals on Wheels	\$ 1,399,036	\$ 1,222,985
Land, Buildings, and Equipment	25,000	26,221
Total Net Assets With Donor Restrictions	<u>\$ 1,424,036</u>	<u>\$ 1,249,206</u>

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020, an allowance of \$39,871 and \$1,684, 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, 2021 and 2020, management has estimated the value of these services to be \$455,150 and \$495,994, 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, 2023. The percentage of labor force covered by the collective bargaining agreement is approximately 90% and 89% of the total labor force employed by SLRNW for the years ended December 31, 2021 and 2020, respectively.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 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 2021 and 2020. Depreciation expense for the years ended December 31, 2021 and 2020, was \$218,994 and \$191,645, respectively.

Construction in Progress

Construction in progress at December 31, 2021, consists of costs related to the Fowler building construction. As of December 31, 2021 construction in progress balance was \$1,739,234. The building was placed in service in January 2022 at the full value of construction in progress balance.

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, 2021 and 2020, 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 \$5,345 and \$3,077 for the years ended December 31, 2021 and 2020, respectively.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the spread of the 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 continue to impact various parts of its 2022 operations and financial results including but not limited to additional costs for emergency preparedness including personal protective equipment (PPE), and the loss of funds due to reductions in certain funding and revenue streams. While the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing, management believes SLRNW is taking appropriate actions to mitigate the negative impact.

**SENIOR LIFE RESOURCES NORTHWEST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021. Management will be evaluating the effects of this new standard.

NOTE 2 CONCENTRATION OF CREDIT RISK

For the years ended December 31, 2021 and 2020, approximately 86% of SLRNW's funding is derived from vendor contracts with the SEWA ALTC COG for southeast Washington. SEWA 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, 2021 AND 2020**

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.
- **SEWA ALTC:** Services rendered to SEWA 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 2021 and 2020.

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, 2021 and 2020. 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:

- Payors (for example, DSHS, SEWA 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:

	2021	2020
DSHS	\$ 26,990,894	\$ 24,359,670
ALTC	600,081	555,935
VA	923,074	947,038
Patient Pay	923,531	758,523
Total Home Care Service Revenue	\$ 29,437,580	\$ 26,621,166

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:

	2021	2020
Rents	\$ 21,581	\$ 20,826

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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 2021 and 2020, was \$106,599 and \$98,433, respectively, of which \$21,581 and \$20,326 was the value of donated facilities for 2021 and 2020, respectively.

Future minimum lease payments as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 26,018
2023	19,513
Total	<u>\$ 45,531</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, 2021 and 2020, the cash surrender value of the policy was \$209,526 and \$201,859, 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 2021 and 2020.

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.

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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:

		2021			
		Level 1	Level 2	Level 3	Total
Beneficial Interest in the Three Rivers					
Community Foundation		\$ -	\$ 14,556	\$ -	\$ 14,556
Total		\$ -	\$ 14,556	\$ -	\$ 14,556
		2020			
		Level 1	Level 2	Level 3	Total
Community Foundation		\$ -	\$ 11,988	\$ -	\$ 11,988
Total		\$ -	\$ 11,988	\$ -	\$ 11,988

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NOTE 9 CERTIFICATES OF DEPOSIT

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

	2021	2020
STCU Bank, Maturing February 2021, 20-Month Term	\$ 176,643	\$ 251,394
STCU Bank, Maturing February 2021, 12-Month Term	77,568	-
Yakima Federal, Maturing June 2021, 18-Month Term	-	184,431
Total Certificates of Deposit	\$ 254,211	\$ 435,825

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 November 2020, SLRNW took out a note payable for the construction of an additional facility on Fowler Street. The \$1,200,000 is payable to Bank of the West at \$7,104 per month including interest at 3.68%. The note payable is secured by a deed of trust, assignment of leases and rents and the deposit account the cash is held in.

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. In September 2020, the note was refinanced at a fixed rate of 3.75% for \$319,000 due on September 5, 2040.

The following summarizes the notes payable as of December 31:

	2021	2020
Bank of the West - Fowler Street	\$ 1,173,055	\$ 1,231,351
Bank of the West - Nob Hill	305,062	315,140
Bank of the West - Fowler Street #2	1,155,151	1,196,453
Total Notes Payable	2,633,268	2,742,944
Less: Unamortized Debt Issuance Costs	(23,183)	(28,224)
Less: Current Maturities	(119,734)	(115,796)
Total Long-Term Debt	\$ 2,490,351	\$ 2,598,924

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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>
2022	\$ 119,734
2023	123,808
2024	127,794
2025	132,373
2026	136,881
Thereafter	1,992,678
Total	<u>\$ 2,633,268</u>

Interest expense for the years ended December 31, 2021 and 2020, was \$75,285 and \$56,312, respectively.

NOTE 11 ASSETS HELD FOR SALE

SLRNW held a building for sale on Wright Street as of December 31, 2020, which was sold April 2021 for \$225,000 less a 4.75% commission fee to the sales agents and other closing costs. As of December 31, 2021 and 2020, assets held for sale, consisting of the building and related property, totaled \$ -0- and \$299,379, respectively.

NOTE 12 RETIREMENT PLAN

SLRNW participates in a defined contribution plan administered by the Columbia Basin Non-Profit Association 401(k) Plan. There are eligibility requirements an employee must meet in order to qualify for participation in the 401(k) plan. Employees must be age 21 and have completed one year of service. Eligible employees can elect to make 401(k) contributions as regular deferrals (pre-tax) or Roth deferrals (after-tax) through a payroll deduction. SLRNW contributes up to 3% for eligible staff. For the years ended December 31, 2021 and 2020, employer contributions to this plan for eligible staff were \$53,496 and \$33,452, respectively.

For eligible union employees, SLRNW contributes 0.47 cents an hour for eligible union employees working zero to 2000 hours and 0.77 cents an hour over 2000 hours. For the years ended December 31, 2021 and 2020, employer contributions to this plan for eligible union employees were \$577,026 and \$435,453, respectively.

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NOTE 13 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, 2021 and 2020, including amounts not available within one year of the statement of financial position date. Amounts not available include board-designated and donor-designated funds.

	2021	2020
Liquid Financial Assets, as of December 31:		
Cash and Cash Equivalents	\$ 5,168,445	\$ 5,714,871
Current Certificates of Deposit	77,568	435,825
Accounts Receivable, Net, Primarily from Contracting Agencies	3,462,877	3,106,290
Cash Surrender Value of Life Insurance	209,526	201,859
Total Liquid Financial Assets	8,918,416	9,458,845
Less:		
Contractual or Donor-Imposed Restrictions		
Financial Assets		
Unavailable for General Expenditure	(1,424,036)	(1,249,206)
Board-Designated Net Assets	(821,886)	(821,886)
Financial Assets Available Within One Year to Meet Cash Needs for General Expenditures Within One Year	\$ 6,672,494	\$ 7,387,753

NOTE 14 SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 2, 2022, which is the date the financial statements were available to be issued.

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