

Audited Financial Statements

SERVICES FOR OLDER CITIZENS, INC.

September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Services for Older Citizens, Inc.

We have audited the accompanying financial statements of Services for Older Citizens, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Services for Older Citizens, Inc. (a nonprofit organization) as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Croskey Lanni, PC

February 2, 2017
Rochester, Michigan

SERVICES FOR OLDER CITIZENS, INC.

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016
See Independent Auditor's Report

ASSETS

Cash and cash equivalents	\$	70,456
Cash designated for operational reserve		100,000
Pledges and other receivables		47,582
Contribution receivable, net		223,269
Property and Equipment - At cost, net of accumulated depreciation		1,803,893
Endowment fund		<u>332,336</u>
Total assets	\$	<u><u>2,577,536</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	32,802
Accrued liabilities		<u>9,903</u>
Total liabilities		42,705
Net Assets		
Unrestricted net assets		
Allocated to property and equipment		1,803,893
Unallocated		<u>97,669</u>
		1,901,562
Temporarily restricted net assets		333,269
Permanently restricted net assets		<u>300,000</u>
Total net assets		<u>2,534,831</u>
Total liabilities and net assets	\$	<u><u>2,577,536</u></u>

See accompanying notes to financial statements

SERVICES FOR OLDER CITIZENS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Contributions and pledges	\$ 282,395	\$ -	\$ -	\$ 282,395
Program and other service fees	103,136	-	-	103,136
Foundation and other grants	112,533	110,000	300,000	522,533
Government grants	188,576	-	-	188,576
Program management fees - PAATS	48,000	-	-	48,000
Special events, net of expenses of \$29,086	198,608	-	-	198,608
Interest income	71	-	-	71
Rental income	1,775	-	-	1,775
Unrealized gains	22,008	-	-	22,008
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	957,102	110,000	300,000	1,367,102
Net Assets Released from Temporary Restrictions				
	5,908	(5,908)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	963,010	104,092	300,000	1,367,102
Functional Expenses				
Program services	779,229	-	-	779,229
Management and general	126,249	-	-	126,249
Fundraising	99,769	-	-	99,769
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	1,005,247	-	-	1,005,247
	<hr/>	<hr/>	<hr/>	<hr/>
Change in Net Assets	(42,237)	104,092	300,000	361,855
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - October 1, 2015	1,943,799	229,177	-	2,172,976
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets - September 30, 2016	\$ 1,901,562	\$ 333,269	\$ 300,000	\$ 2,534,831
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See accompanying notes to financial statements

SERVICES FOR OLDER CITIZENS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

Cash Flows From Operating Activities

Change in net assets	\$	361,855
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation		70,620
Realized and unrealized (gains)		(22,008)
(Increase) decrease in operating assets		
Pledges and other receivables		29,527
Prepaid expenses		4,417
Increase (decrease) in operating liabilities		
Accounts payable		23,451
Accrued liabilities		(11,972)

Net Cash Provided by Operating Activities

455,890

Cash Flows From Investing Activities

Purchase of property and equipment		(6,356)
Investment in endowment		(300,000)
Grant proceeds from endowment fund		833

Net Cash Used In Investing Activities

(305,523)

Net Increase in Cash and Cash Equivalents

150,367

Cash and Cash Equivalents - October 1, 2015

20,089

Cash and Cash Equivalents - September 30, 2016

\$ 170,456

See accompanying notes to financial statements

SERVICES FOR OLDER CITIZENS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 350,342	\$ 65,397	\$ 51,383	\$ 467,122
Payroll taxes	33,320	5,854	5,854	45,028
Employee benefits	56,052	6,306	7,707	70,065
Advertising and public relations	41,876	-	7,976	49,852
Bad debt expense	115	-	1,161	1,276
Conferences and meetings	4,854	3,034	780	8,668
Dues and membership	4,064	533	2,065	6,662
Food purchases	43,822	-	-	43,822
Housing rehab costs	37,536	-	-	37,536
Insurance	8,509	473	473	9,455
Education and enrichment	68,422	691	-	69,113
Miscellaneous	-	9,842	-	9,842
Occupancy	43,082	5,642	2,564	51,288
Office expenses	6,008	1,964	3,582	11,554
Postage	4,504	533	889	5,926
Printing	8,542	1,158	4,778	14,478
Professional fees	10,009	1,267	1,394	12,670
Rent expense	12,989	1,878	782	15,649
Telephone and internet	1,494	216	90	1,800
Travel and transportation	773	258	90	1,121
Volunteer recognition	544	17	1,139	1,700
Depreciation	42,372	21,186	7,062	70,620
	<u>42,372</u>	<u>21,186</u>	<u>7,062</u>	<u>70,620</u>
Total expenses	<u>\$ 779,229</u>	<u>\$ 126,249</u>	<u>\$ 99,769</u>	<u>\$ 1,005,247</u>

See accompanying notes to financial statements

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Services for Older Citizens, Inc. (Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of Organization's management, which is responsible for their integrity and objectivity.

Nature of activities

Services for Older Citizens, Inc. is a resource, both informational and referral, to the senior citizens and handicapped of the five Grosse Pointe municipalities and Harper Woods. The Organization generally receives approximately 20% of its unrestricted revenue through federal and state programs.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions are recorded as temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization has received contributions with donor-imposed restrictions that resulted in permanently restricted and temporarily restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in permanently restricted or temporarily restricted net assets. When a restriction expires or is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions and fundraising activities are generally available for unrestricted use in the year received.

Contributed Goods, Services, and Facilities

Contributed goods and services are recorded at fair market value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

No amounts have been recorded in the financial statements for donated services. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs.

Income Taxes

Services for Older Citizens, Inc. is a Michigan nonprofit corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to tax under Federal income tax laws. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Generally, the Organization's tax returns remain open for examination for three years from the date of filing federal returns.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Accounts and Pledges Receivable

Receivables are stated at net realizable value. An allowance for doubtful accounts is established based on a specific assessment of the amounts still owed at year end. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period such determination is made. Housing rehabilitation liens receivable have been fully reserved as the timing of lien repayments and estimated collection amount remains undeterminable.

Contributions Receivable

Unconditional promises to give are recorded at their net realizable value. If such promises to give are due in more than one year, they are discounted to the present value of their estimated future cash flows using a discount rate commensurate with the risk involved.

Property and Equipment

Property and equipment purchased by the Organization are carried on its books at cost. Property and equipment donated to the Organization are recorded at market value at date of donation. Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building improvements	30 years
Computers and software	3 – 5 years
Furniture and equipment	5 – 7 years

The Organization's policy is to capitalize expenditures with an original cost in excess of \$500, with a useful life of three years or more. Lesser amounts are expensed as incurred and included in the Statement of Activities. Gains and losses from the sale of property and equipment are recorded in the Statement of Activities.

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Beneficial Use of Land

The Organization and its facilities are located in a building that the Organization leases from the Henry Ford Medical Center at below market rates. The Organization has obtained an estimated value of the property from Henry Ford Medical Center and has recorded the value as a lease contribution receivable on the statement of financial position. The receivable has been discounted to net present value.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation

Certain expenses have been allocated between programs, management and general, and fundraising on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through February 2, 2017, the date the financial statements were available to be issued.

NOTE 2 – CREDIT RISK

The Organization maintains cash balances at financial institutions located in Michigan. Accounts at these institutions were insured by the Federal Deposit Insurance Corporation up to \$250,000. Management does not believe it is exposed to any significant credit risk in cash and short-term investments.

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

NOTE 3 – PLEDGES AND OTHER RECEIVABLES

Receivables at September 30, 2016 consist of the following:

Pledges	\$ 35,049
Grants	12,533
Housing rehabilitation liens	<u>256,670</u>
Subtotal	304,252
Less: Allowance for housing rehabilitation liens	<u>256,670</u>
Total pledges and other receivables	<u><u>\$ 47,582</u></u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016 consist of the following:

Construction in progress	\$ 6,449
Building improvements	1,893,318
Computers and software	4,082
Furniture and equipment	<u>132,177</u>
Subtotal	2,036,026
Less accumulated depreciation	<u>232,133</u>
Total undepreciated cost of property and equipment	<u><u>\$ 1,803,893</u></u>

Depreciation expense for the year ended September 30, 2016 amounted to \$70,620.

NOTE 5 – ENDOWMENT FUND

The Organization has a beneficial interest in an endowment fund established at Community Foundation for Southeastern Michigan (Foundation) consisting of contributions from Services for Older Citizens (reciprocal transfer). In addition, third-parties have donated assets to the Foundation whereby the Organization is the beneficiary of income distributions exclusively, not principal.

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 See Independent Auditor's Report

NOTE 5 – ENDOWMENT FUND - Continued

The funds are held in perpetuity at the Foundation solely for the benefit of Services for Older Citizens, Inc. Annual grant payments are anticipated to be made based on the average market value of the fund.

At September 30, 2016, the Foundation has calculated the market value of the two components of the account balance as follows:

Endowment fund - reciprocal transfer balance of the the Organization's contributions	\$ 332,336
Contributed balance by third-party donors	<u>37,426</u>
Total balance held by the Foundation	<u>\$ 369,762</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 consist primarily of inputs that are not observable and have the lowest priority. The carrying values of receivables and cash and cash equivalents in the accompanying statement of financial position approximate fair value and are, therefore, not included in the table below.

Fair value of assets measured on a recurring basis at September 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using: Significant Unobservable Inputs (Level 3)</u>
Endowment Fund	<u>\$ 332,336</u>	<u>\$ 332,336</u>

Activity for other assets measured at fair value using significant unobservable inputs (Level 3) is summarized as follows:

	<u>Endowment</u>
Balance at October 1, 2015	\$ 11,161
Contributions	300,000
Unrealized gains	22,008
Grants paid	<u>(833)</u>
Balance at September 30, 2016	<u>\$ 332,336</u>

The fair value of the investment in identified above has been calculated using information provided by Community Foundation of Southeast Michigan.

SERVICES FOR OLDER CITIZENS, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2016
See Independent Auditor's Report

NOTE 7 – NET ASSETS SUBJECT TO RESTRICTIONS

Temporarily restricted net assets are available at September 30, 2016 for the following:

<u>Grantor</u>	<u>Description</u>	<u>Amount</u>
Henry Ford Health System	Beneficial use of real estate	<u>\$ 333,269</u>

Temporarily restricted net assets were released for the following purposes and time restrictions during the year ended September 30, 2016:

<u>Grantor</u>	<u>Description</u>	<u>Amount</u>
Henry Ford Health System	Beneficial use of real estate	<u>\$ 5,908</u>

NOTE 8 – LINE OF CREDIT

The Organization maintains a \$25,000 revolving line of credit from a financial institution. The line of credit requires monthly interest-only payments and is secured by unspecified assets of the organization. As of September 30, 2016, there were no borrowings outstanding.

NOTE 9 – BENEFICIAL USE OF LAND / CONTRIBUTION RECEIVABLE

The Organization's operating and administrative facilities are located in a leased building. The terms of the lease require monthly rent payments of \$1 through June, 2043. The Organization has estimated the rental value to be \$1,000 per month for the term of the lease. Accordingly, the difference between the fair market value of the property and the stated amount of the lease payment at the date of the lease was recognized as contribution revenue and a corresponding contribution receivable discounted to present value.

A contribution receivable has been recorded as follows as of September 30, 2016:

Long-term contribution receivable	\$ 310,000
Less: Discount to net present value	<u>86,731</u>
Contribution receivable, net	<u>\$ 223,269</u>

Imputed rent incurred related to this lease agreement amounted to \$12,000 for the year ended September 30, 2016.