

Service Program for Older People, Inc.

Financial Statements

June 30, 2015

Independent Auditors' Report

Board of Directors Service Program for Older People, Inc.

We have audited the accompanying financial statements of Service Program for Older People, Inc. ("SPOP") which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year 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; 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 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 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.

O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 | Tel: 212.286.2600 | Fax: 212.286.4080 | www.odpkf.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Service Program for Older People, Inc. as of June 30, 2015 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.

Report on Summarized Comparative Information

We have previously audited Service Program for Older People, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

December 9, 2015

Service Program for Older People, Inc.

Statement of Financial Position
June 30, 2015
(with comparative amounts at June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 247,294	\$ 302,878
Accounts receivable, net	395,714	407,478
Pledges receivable	134,000	66,973
Prepaid expenses	30,096	26,756
Investments (see note 5)	1,086,071	1,872,923
Security deposit	46,383	46,383
Property, plant and equipment, net	<u>17,309</u>	<u>21,667</u>
	<u>\$ 1,956,867</u>	<u>\$ 2,745,058</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 105,582	\$ 82,647
Due to third party reimbursers	743,793	1,799,427
Total Liabilities	<u>849,375</u>	<u>1,882,074</u>
Net Assets		
Unrestricted		
Undesignated	296,715	173,262
Board designated	<u>620,076</u>	<u>618,052</u>
	916,791	791,314
Temporarily restricted	<u>190,701</u>	<u>71,670</u>
Total Net Assets	<u>1,107,492</u>	<u>862,984</u>
	<u>\$ 1,956,867</u>	<u>\$ 2,745,058</u>

See notes to financial statements

Service Program for Older People, Inc.

Statement of Activities
 Year Ended June 30, 2015
 (with summarized totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
REVENUE AND SUPPORT				
Program revenues	\$ 3,263,715	\$ -	\$ 3,263,715	\$ 2,856,579
Contributions	198,569	304,500	503,069	535,189
Investment income	5,261	-	5,261	5,193
Other income	93,636	-	93,636	139,500
Net assets released from restrictions	<u>185,469</u>	<u>(185,469)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,746,650</u>	<u>119,031</u>	<u>3,865,681</u>	<u>3,536,461</u>
EXPENSES				
Program services	3,108,424	-	3,108,424	3,112,821
General and administrative	427,018	-	427,018	554,030
Fundraising	<u>85,731</u>	<u>-</u>	<u>85,731</u>	<u>82,458</u>
Total Expenses	<u>3,621,173</u>	<u>-</u>	<u>3,621,173</u>	<u>3,749,309</u>
Change in Net Assets	125,477	119,031	244,508	(212,848)
NET ASSETS				
Beginning of year	<u>791,314</u>	<u>71,670</u>	<u>862,984</u>	<u>1,075,832</u>
End of year	<u>\$ 916,791</u>	<u>\$ 190,701</u>	<u>\$ 1,107,492</u>	<u>\$ 862,984</u>

See notes to financial statements

Service Program for Older People, Inc.

Statement of Functional Expenses
 Year ended June 30, 2015
 (with summarized totals for the year ended June 30, 2014)

	Program Services				Supporting Services		2015 Total	2014 Total
	PROS	Clinic	Geriatric Mental Health Initiative	Total Program Services	General and Administrative	Fundraising		
Salaries	\$ 570,645	\$ 1,352,919	\$ 68,965	\$ 1,992,529	\$ 184,062	\$ 54,306	\$ 2,230,897	\$ 2,108,816
Payroll taxes and fringe benefits	119,365	386,068	10,035	515,468	47,856	15,205	578,529	513,458
Professional fees	5,900	11,300	-	17,200	8,950	-	26,150	25,240
Consultants	2,000	-	-	2,000	25,431	-	27,431	60,397
Food	41,956	-	-	41,956	1,198	-	43,154	44,224
Communications	6,546	22,332	-	28,878	18,400	891	48,169	48,354
Rent	75,530	177,729	-	253,259	51,771	11,063	316,093	305,420
Insurance	4,660	13,340	-	18,000	12,823	-	30,823	24,432
Utilities	7,250	12,720	-	19,970	11,627	810	32,407	27,200
Printing and postage	1,675	4,028	-	5,703	733	131	6,567	6,512
Program supplies	657	-	-	657	-	-	657	1,313
Office supplies	8,106	16,392	-	24,498	3,463	865	28,826	28,854
Travel	500	4,275	-	4,775	1,616	35	6,426	6,193
Repairs and maintenance	500	39,008	-	39,508	4,713	-	44,221	7,515
Service contracts	4,341	11,705	-	16,046	6,052	-	22,098	19,482
Dues and subscriptions	1,560	7,440	-	9,000	4,563	-	13,563	14,604
Advertising	-	1,250	-	1,250	940	-	2,190	2,347
Technology	5,517	35,045	-	40,562	19,084	-	59,646	82,335
Vehicle operating costs	-	-	-	-	-	-	-	3,051
Bad debt expense	-	63,200	-	63,200	-	-	63,200	383,113
Other	1,700	12,265	-	13,965	13,989	2,176	30,130	26,598
Depreciation	-	-	-	-	9,747	249	9,996	9,851
Total Expenses	\$ 858,408	\$ 2,171,016	\$ 79,000	\$ 3,108,424	\$ 427,018	\$ 85,731	\$ 3,621,173	\$ 3,749,309

See notes to financial statements

Service Program for Older People, Inc.

Statement of Cash Flows

Year ended June 30, 2015

(with comparative amounts for the year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 244,508	\$ (212,848)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	9,996	9,851
Bad debt expense	63,200	383,113
Changes in operating assets and liabilities		
Accounts receivable	(51,436)	(255,747)
Pledges receivable	(67,027)	(54,973)
Prepaid expenses	(3,340)	(2,520)
Accrued expenses	22,935	(86,320)
Due to third party reimbursers	<u>(1,055,634)</u>	<u>146,285</u>
Net Cash from Operating Activities	<u>(836,798)</u>	<u>(73,159)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(1,965,000)
Proceeds from sale of investments	1,430,000	1,612,000
Net change from money market activities	(643,148)	448,444
Purchases of property, plant and equipment	<u>(5,638)</u>	<u>(24,244)</u>
Net Cash from Investing Activities	<u>781,214</u>	<u>71,200</u>
Net Change in Cash and Cash Equivalents	(55,584)	(1,959)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>302,878</u>	<u>304,837</u>
 End of year	<u>\$ 247,294</u>	<u>\$ 302,878</u>

See notes to financial statements

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2015

1. Organization and Tax Status

Service Program for Older People, Inc. (SPOP) is a community-based non-profit organization incorporated in 1979, dedicated to serving the needs of older adults in Manhattan. SPOP's mission is to enhance the quality of life for older adults and to foster their independent living through the delivery of comprehensive mental health and supportive services, advocacy and education.

SPOP is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization as described in Section 509(a).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which 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. Accordingly actual results could differ from those estimates.

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor-imposed restrictions. Unrestricted amounts are those currently available at the discretion of SPOP for use in its programs and operations. Temporarily restricted amounts are those which are subject to donor-imposed restrictions that will be met either by actions of SPOP or the passage of time. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

For financial statement reporting purposes, cash equivalents include money market funds and other similar investments with a maturity of three months or less at the time of purchase unless held as part of the investing strategies of SPOP.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of collection history, aging analysis and specific known troubled accounts. At June 30, 2015, accounts receivable are stated net of an allowance for uncollectible receivables of \$51,430.

Service Program for Older People, Inc.

Notes to Financial Statements

June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

SPOP follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuations

Investments consist of certificates of deposits and money market funds which are stated at cost plus accrued interest, which approximates fair value.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Property, Plant and Equipment

Furniture and equipment with a cost of more than \$1,000 are stated at cost and depreciated using the straight-line method over their useful lives, estimated to be three to ten years. Leasehold improvements are stated at cost and depreciated using the straight-line method over the term of the lease or the life of the asset, whichever is shorter. Property and equipment purchased through government contracts that remain the property of the funding source or where it is probable that the item will revert back to the grantor are expensed in the year of purchase.

Revenue

SPOP derives the majority of its revenue from Medicaid, Medicare and other third party reimbursement and cost reimbursement contracts with New York State and New York City.

Due to Third Party Reimbursees

Medicaid funding is based upon allowable rates under clinic restructuring and caps on comprehensive outpatient services (COPS) and Community Support Program (CSP) reimbursement levels, with the excess returnable to the New York State Department of Health (DOH). The DOH is several years behind in reviewing and identifying potential liabilities. SPOP reflects an estimated amount in its financial statements as payable to DOH for excess reimbursements but does not reflect any adjustment for potential disallowances of expenses since management believes that all expenses incurred for such programs should be treated as allowable costs.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded as revenue when the promises become unconditional. Contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Contributions of non-cash assets are recorded at their fair values at the time of receipt.

Gifts-in-Kind

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, 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 when received.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs amounted to \$2,190 for the year ended June 30, 2015.

Functional Expenses

SPOP allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are charged directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated.

Accounting for Uncertainty in Income Taxes

SPOP recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that SPOP had no uncertain tax positions that would require financial statement recognition or disclosure. SPOP is no longer subject to audits by the applicable taxing jurisdictions for tax years prior to fiscal 2012.

Summarized Comparative Information

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with SPOP's financial statements as of and for the year ended June 30, 2014 from which the summarized information was derived.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 9, 2015.

3. Concentration of Credit Risk

Financial instruments which potentially subject SPOP to concentrations of credit risk include cash and cash equivalents, money market funds, certificates of deposit, and receivables. SPOP maintains its cash in bank deposit accounts which, at times, may exceed federal insured limits. SPOP has not experienced any losses in such accounts. The investment portfolio is managed by a professional investment advisor. No individual investment or group of investments represent a significant concentration of market risk. Concentrations of credit risk with respect to receivables are generally diversified due to separate billings for each client. SPOP performs ongoing collectability evaluations and writes off uncollectible amounts as they become known.

4. Pledges Receivable

Pledges receivable include unconditional promises to give. Pledges receivable, as of June 30, 2015, are:

Due in one year or less	\$ 115,000
Due in two through five years	<u>19,000</u>
	<u>\$ 134,000</u>

As of June 30, 2015, all pledges receivable are deemed collectable by management.

5. Investments

It is the policy of SPOP that cash funds be invested for liquidity and safety of principal to meet known and reasonably unforeseen operational and capital needs. To maximize the portfolio's total rate of return while emphasizing safety of principal and adequate liquidity, the portfolio is diversified and of high quality with short-to-intermediate term duration/maturity.

The following are major categories of investments measured at cost plus accrued interest at June 30, 2015:

<u>Description</u>	<u>Total</u>
Certificates of deposit	\$ 273,119
Money market funds	<u>812,952</u>
	<u>\$ 1,086,071</u>

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2015

5. Investments (*continued*)

Investment income, including interest earned on cash and cash equivalents, as reported in the statement of activities for the year ended June 30, 2015 is \$5,261.

During fiscal 2015, a portion of SPOP's investments was used to reduce an existing liability to the NYS Department of Health (see Note 7).

6. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30, 2015:

Furniture and equipment	\$ 213,401
Leasehold improvements	<u>445,192</u>
	658,593
Accumulated depreciation	<u>(641,284)</u>
	<u>\$ 17,309</u>

7. Due to Third Party Reimbursees

The New York State Office of Mental Health (OMH) has undertaken a multi-year initiative to restructure the way the state delivers and reimburses Article 31 Clinic Services (Clinic Restructuring). As part of this initiative OMH has proposed restructuring Medicaid clinic reimbursements with a phase out of Comprehensive Outpatient Services (COPS) payments. SPOP records an estimated liability to New York State for the excess of COPS and Community Service Program (CSP) payments it receives over the Medicaid threshold. During the year ended June 30, 2015 SPOP paid \$1,063,899 to New York State. The remaining estimated liability for the excess COPS and CSP payments for fiscal years 2008 through 2012 totals \$743,793 at June 30, 2015. This estimate is subject to final determination by the Department of Health, State of New York. The estimated COPS and CSP liability by fiscal year consists of the following:

2006-2008	\$ 345,961
2010-2011	247,581
2011-2012	<u>150,251</u>
	<u>\$ 743,793</u>

8. Line of Credit

SPOP renews its \$200,000 bank credit facility annually. Interest is charged monthly at the bank's prime lending rate plus 2 percent as published in the *Wall Street Journal*. At June 30, 2015 there was no outstanding obligation under this agreement.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2015

9. Commitments and Contingencies

SPOP occupies office space under operating leases that expire at various times through June 30, 2017. Approximate future minimum lease commitments under these leases are as follows:

2016	\$ 318,207
2017	<u>196,692</u>
	<u>\$ 514,899</u>

10. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended June 30, 2015 consist of the following:

<u>Restriction / Purpose</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases from Restriction</u>	<u>Ending Balance</u>
Mental health services	\$ 70,657	\$ 190,000	\$ (127,358)	\$ 133,299
NY Times Neediest / emergency grants	1,013	7,000	(3,111)	4,902
Geriatric MH Clinic Support	-	100,000	(50,000)	50,000
Emergency Food and Shelter	-	7,500	(5,000)	2,500
	<u>\$ 71,670</u>	<u>\$ 304,500</u>	<u>\$ (185,469)</u>	<u>\$ 190,701</u>

11. Board Designated Net Assets

SPOP maintains a Board designated endowment fund whose purpose is to provide long term support for future projects and operations. The following is a reconciliation of the Board designated endowment fund for the year ended June 30, 2015:

Balance, beginning of year	\$ 618,052
Investment income	<u>2,024</u>
Balance, end of year	<u>\$ 620,076</u>

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