

**Service Program for Older People, Inc.**

Financial Statements

June 30, 2016

## 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, 2016, 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.

***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, 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.

***Report on Summarized Comparative Information***

We have previously audited Service Program for Older People, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

November 1, 2016

**Service Program for Older People, Inc.**

Statement of Financial Position  
June 30, 2016  
(with comparative amounts at June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 325,273	\$ 247,294
Accounts receivable, net	388,428	395,714
Pledges receivable	129,000	134,000
Prepaid expenses	21,875	30,096
Investments (see note 4)	856,497	1,086,071
Security deposit	60,094	46,383
Property, plant and equipment, net	<u>50,241</u>	<u>17,309</u>
	<u>\$ 1,831,408</u>	<u>\$ 1,956,867</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 165,625	\$ 105,582
Due to third party reimbursers	<u>397,831</u>	<u>743,793</u>
Total Liabilities	<u>563,456</u>	<u>849,375</u>
Net Assets		
Unrestricted		
Undesignated	354,961	296,715
Board designated	<u>625,268</u>	<u>620,076</u>
	980,229	916,791
Temporarily restricted	<u>287,723</u>	<u>190,701</u>
Total Net Assets	<u>1,267,952</u>	<u>1,107,492</u>
	<u>\$ 1,831,408</u>	<u>\$ 1,956,867</u>

See notes to financial statements

**Service Program for Older People, Inc.**

Statement of Activities  
 Year Ended June 30, 2016  
 (with summarized totals for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>REVENUE AND SUPPORT</b>				
Program revenues	\$ 3,252,611	\$ -	\$ 3,252,611	\$ 3,263,715
Contributions	208,007	521,802	729,809	503,069
Interest income	7,239	-	7,239	5,261
Other income	44,434	-	44,434	93,636
Net assets released from restrictions	<u>424,780</u>	<u>(424,780)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,937,071</u>	<u>97,022</u>	<u>4,034,093</u>	<u>3,865,681</u>
<b>EXPENSES</b>				
Program services	3,217,890	-	3,217,890	3,108,424
General and administrative	573,250	-	573,250	427,018
Fundraising	<u>82,493</u>	<u>-</u>	<u>82,493</u>	<u>85,731</u>
Total Expenses	<u>3,873,633</u>	<u>-</u>	<u>3,873,633</u>	<u>3,621,173</u>
Change in Net Assets	63,438	97,022	160,460	244,508
<b>NET ASSETS</b>				
Beginning of year	<u>916,791</u>	<u>190,701</u>	<u>1,107,492</u>	<u>862,984</u>
End of year	<u>\$ 980,229</u>	<u>\$ 287,723</u>	<u>\$ 1,267,952</u>	<u>\$ 1,107,492</u>

See notes to financial statements

**Service Program for Older People, Inc.**

Statement of Functional Expenses  
Year ended June 30, 2016  
(with summarized totals for the year ended June 30, 2015)

	Program Services				Supporting Services		2016 Total	2015 Total
	PROS	Clinic	Geriatric Mental Health Initiative	Total Program Services	General and Administrative	Fundraising		
Salaries	\$ 566,587	\$ 1,450,886	\$ 60,868	\$ 2,078,341	\$ 230,965	\$ 59,523	\$ 2,368,829	\$ 2,230,897
Payroll taxes and fringe benefits	134,512	385,108	18,132	537,752	64,670	17,262	619,684	578,529
Professional fees	5,958	7,392	-	13,350	11,450	-	24,800	26,150
Consultants	1,200	1,500	-	2,700	74,723	-	77,423	27,431
Food	40,394	1,945	-	42,339	3,253	-	45,592	43,154
Communications	7,546	23,505	-	31,051	19,412	250	50,713	48,169
Rent	80,541	189,669	-	270,210	55,748	1,200	327,158	316,093
Insurance	5,264	13,024	-	18,288	14,588	-	32,876	30,823
Utilities	2,127	14,800	-	16,927	16,526	950	34,403	32,407
Printing and postage	1,055	3,394	-	4,449	2,560	150	7,159	6,567
Program supplies	500	313	-	813	-	-	813	657
Office supplies	6,082	20,882	-	26,964	4,455	580	31,999	28,826
Travel	450	1,572	-	2,022	3,599	75	5,696	6,426
Repairs and maintenance	700	900	-	1,600	5,296	-	6,896	44,221
Service contracts	5,000	10,874	-	15,874	7,500	-	23,374	22,098
Dues and subscriptions	2,560	9,732	-	12,292	6,060	-	18,352	13,563
Advertising	1,400	7,845	-	9,245	2,250	-	11,495	2,190
Technology	32,564	55,981	-	88,545	22,896	-	111,441	59,646
Bad debt expense	-	-	-	-	-	-	-	63,200
Other	4,690	32,468	-	37,158	16,822	2,250	56,230	30,130
Depreciation	2,190	5,780	-	7,970	10,477	253	18,700	9,996
<b>Total Expenses</b>	<b>\$ 901,320</b>	<b>\$ 2,237,570</b>	<b>\$ 79,000</b>	<b>\$ 3,217,890</b>	<b>\$ 573,250</b>	<b>\$ 82,493</b>	<b>\$ 3,873,633</b>	<b>\$ 3,621,173</b>

See notes to financial statements

**Service Program for Older People, Inc.**

Statement of Cash Flows

Year ended June 30, 2016

(with comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 160,460	\$ 244,508
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	18,700	9,996
Bad debt expense	-	63,200
Changes in operating assets and liabilities		
Accounts receivable	7,286	(51,436)
Pledges receivable	5,000	(67,027)
Prepaid expenses	8,221	(3,340)
Security deposit	(13,711)	-
Accrued expenses	60,043	22,935
Due to third party reimbursers	<u>(345,962)</u>	<u>(1,055,634)</u>
Net Cash from Operating Activities	<u>(99,963)</u>	<u>(836,798)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(1,150,000)	-
Proceeds from sale of investments	552,000	1,430,000
Net change from money market activities	827,574	(643,148)
Purchases of property, plant and equipment	<u>(51,632)</u>	<u>(5,638)</u>
Net Cash from Investing Activities	<u>177,942</u>	<u>781,214</u>
Net Change in Cash and Cash Equivalents	77,979	(55,584)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>247,294</u>	<u>302,878</u>
 End of year	<u>\$ 325,273</u>	<u>\$ 247,294</u>

See notes to financial statements

## **Service Program for Older People, Inc.**

Notes to Financial Statements  
June 30, 2016

### **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. Permanently restricted amounts are those subject to donor-imposed restrictions that they be maintained permanently by SPOP. 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.

#### ***Pledges Receivable***

Pledges receivable include unconditional promises to give. As of June 30, 2016, all pledges receivable are deemed collectable by management.



## **Service Program for Older People, Inc.**

Notes to Financial Statements  
June 30, 2016

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

#### ***Allowance for Uncollectible Accounts Receivable***

An allowance for uncollectible receivable is estimated based on a combination of collection history, aging analysis and specific known troubled accounts. At June 30, 2016, the allowance for uncollectible accounts receivable is \$2,000.

#### ***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.

#### ***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 with a cost of more than \$2,500 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 and Due to Third Party Reimbursers***

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. Revenue is recognized as receivable when the service is performed. 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, which is recorded in due to third party reimbursers, 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, 2016

### **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 \$11,495 for the year ended June 30, 2016.

#### ***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 2013.

#### ***Summarized Comparative Information***

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset or functional 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, 2015 from which the summarized information was derived.

## Service Program for Older People, Inc.

Notes to Financial Statements  
June 30, 2016

### 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 November 1, 2016

### 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. 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. 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, 2016:

Description	Total
Certificates of deposit	\$ 105,794
Money market funds	<u>750,703</u>
	<u>\$ 856,497</u>

Interest income, including interest earned on cash and cash equivalents, as reported in the statement of activities for the year ended June 30, 2016 is \$7,239.

## Service Program for Older People, Inc.

Notes to Financial Statements  
June 30, 2016

### 5. Property, Plant and Equipment

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

Furniture and equipment	\$ 265,033
Leasehold improvements	<u>445,192</u>
	710,225
Accumulated depreciation	<u>(659,984)</u>
	<u>\$ 50,241</u>

### 6. Due to Third Party Reimburseurs

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 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, 2016 SPOP paid \$345,962 to New York State. The remaining estimated liability for the excess COPS and CSP payments for fiscal years 2010 through 2012 totals \$397,832 at June 30, 2016. 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:

2010-2011	\$ 247,581
2011-2012	<u>150,250</u>
	<u>\$ 397,831</u>

### 7. 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*. During the year ended June 30, 2016 there was no outstanding obligation under this agreement.

### 8. Commitments and Contingencies

SPOP occupies office space under operating leases that expire at various times through June 30, 2021. Approximate future minimum lease commitments under these leases are as follows:

2017	\$ 294,966
2018	134,988
2019	140,388
2020	146,004
2021	<u>151,844</u>
	<u>\$ 868,190</u>

**Service Program for Older People, Inc.**

Notes to Financial Statements  
June 30, 2016

**8. Commitments and Contingencies (continued)**

On July 8, 2015, SPOP entered into an agreement with the Chief Executive Officer. The agreement provides for a contingent 12-month benefit payable in a lump sum, and an additional taxable cash payment for family medical coverage. The agreement expires on the earlier of the date of separation of service or July 7, 2019. At July 7, 2019, the agreement shall automatically renew for additional one-year periods until SPOP or the Chief Executive Officer provides written notice of nonrenewal.

As of and for the year ended June 30, 2016, no balances have been recognized or included in the accompanying statement of financial position and activities.

**9. Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets for the year ended June 30, 2016 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 (Samuels)	\$ 133,299	\$ -	\$ (122,744)	\$ 10,555
Altman Foundation	-	100,000	(50,000)	50,000
NYC capital funding	-	41,610	(41,610)	-
NYS HIT	-	49,122	(40,102)	9,020
The NY Community Trust	-	120,000	(60,000)	60,000
Clinic VAP	-	109,700	(27,425)	82,275
Hope & Grace Fund	-	94,370	(20,000)	74,370
NY Times Neediest / emergency grants	4,902	7,000	(10,399)	1,503
Geriatric MH Clinic Support (Van Ameringen)	50,000	-	(50,000)	-
Emergency Food and Shelter	2,500	-	(2,500)	-
	<u>\$ 190,701</u>	<u>\$ 521,802</u>	<u>\$ (424,780)</u>	<u>\$ 287,723</u>

**10. 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, 2016:

Balance, beginning of year	\$ 620,076
Investment income	<u>5,192</u>
Balance, end of year	<u>\$ 625,268</u>

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