

Service Program for Older People, Inc.

Financial Statements

June 30, 2018

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, 2018, 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, 2018 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 14, 2018

Service Program for Older People, Inc.

Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 63,626	\$ 440,554
Accounts receivable, net	754,123	597,134
Pledges receivable	100,096	99,000
Prepaid expenses	43,305	51,538
Prepaid rent	123,025	-
Investments (see note 4)	762,503	861,798
Security deposit	60,094	60,094
Property, plant and equipment, net	8,607	27,245
	\$ 1,915,379	\$ 2,137,363
 LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 153,713	\$ 128,424
Deferred rent expense	68,610	-
Due to third party reimbursers	113,530	113,530
Total Liabilities	335,853	241,954
Net Assets		
Unrestricted		
Undesignated	590,211	860,385
Board designated	754,907	729,505
	1,345,118	1,589,890
Temporarily restricted	234,408	305,519
Total Net Assets	1,579,526	1,895,409
	\$ 1,915,379	\$ 2,137,363

See notes to financial statements

Service Program for Older People, Inc.

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
REVENUE AND SUPPORT				
Program revenues	\$ 3,747,572	\$ -	\$ 3,747,572	\$ 3,777,464
Contributions	143,456	252,800	396,256	492,405
Interest income	6,574	-	6,574	6,151
Other income	123,865	-	123,865	365,314
Net assets released from restrictions	<u>323,911</u>	<u>(323,911)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>4,345,378</u>	<u>(71,111)</u>	<u>4,274,267</u>	<u>4,641,334</u>
EXPENSES				
Program services	3,977,329	-	3,977,329	3,431,232
General and administrative	528,402	-	528,402	507,325
Fundraising	<u>84,419</u>	<u>-</u>	<u>84,419</u>	<u>75,320</u>
Total Expenses	<u>4,590,150</u>	<u>-</u>	<u>4,590,150</u>	<u>4,013,877</u>
Change in Net Assets	(244,772)	(71,111)	(315,883)	627,457
NET ASSETS				
Beginning of year	<u>1,589,890</u>	<u>305,519</u>	<u>1,895,409</u>	<u>1,267,952</u>
End of year	<u>\$ 1,345,118</u>	<u>\$ 234,408</u>	<u>\$ 1,579,526</u>	<u>\$ 1,895,409</u>

See notes to financial statements

Service Program for Older People, Inc.

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	Program Services				Supporting Services		2018 Total	2017 Total	
	PROS	DFTA Thrive	Clinic	Geriatric Mental Health Initiative	Total Program Services	General and Administrative			Fundraising
Salaries	\$ 628,484	\$ 206,395	\$ 1,400,548	\$ 60,381	\$ 2,295,808	\$ 292,791	\$ 67,282	\$ 2,655,881	\$ 2,546,549
Payroll taxes and fringe benefits	177,453	51,420	348,104	17,987	594,964	81,982	10,764	687,710	629,536
Professional fees	9,100	-	11,250	-	20,350	2,150	-	22,500	22,500
Consultants	801	-	8,634	-	9,435	11,366	-	20,801	45,963
Food	43,681	-	-	-	43,681	2,415	-	46,096	43,835
Communications	20,770	2,705	24,435	-	47,910	10,248	276	58,434	55,931
Rent	151,834	6,489	239,438	-	397,761	52,741	1,561	452,063	342,562
Insurance	9,040	3,389	16,656	-	29,085	7,853	-	36,938	35,855
Utilities	20,623	1,800	11,998	-	34,421	2,829	1,047	38,297	35,295
Printing and postage	582	165	4,883	-	5,630	157	-	5,787	8,916
Program supplies	1,794	-	-	-	1,794	-	-	1,794	1,367
Office supplies	8,036	1,952	17,234	-	27,222	1,166	639	29,027	27,292
Travel	654	654	6,217	-	7,525	522	90	8,137	7,252
Repairs and maintenance	2,685	-	807	-	3,492	-	-	3,492	12,136
Service contracts	10,997	5,037	25,377	-	41,411	9,368	-	50,779	29,216
Dues and subscriptions	2,234	-	7,606	-	9,840	10,170	-	20,010	10,493
Advertising	-	-	1,018	-	1,018	3,548	-	4,566	7,277
Technology	31,564	16,131	38,693	-	86,388	34,035	-	120,423	88,225
Bad debt expense	41,250	-	233,750	-	275,000	-	-	275,000	-
Payroll	1,752	647	3,613	-	6,012	1,210	-	7,222	-
Other	3,646	9,276	10,427	-	23,349	725	2,481	26,555	40,681
Depreciation	1,439	-	13,794	-	15,233	3,126	279	18,638	22,996
Total Expenses	\$ 1,168,419	\$ 306,060	\$ 2,424,482	\$ 78,368	\$ 3,977,329	\$ 528,402	\$ 84,419	\$ 4,590,150	\$ 4,013,877

See notes to financial statements

Service Program for Older People, Inc.

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (315,883)	\$ 627,457
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	18,638	22,996
Bad debt expense	275,000	-
Deferred rent expense	68,610	-
Changes in operating assets and liabilities		
Accounts receivable	(431,989)	(208,706)
Pledges receivable	(1,096)	30,000
Prepaid expenses	8,233	(29,663)
Prepaid rent	(123,025)	-
Accrued expenses	25,289	(37,201)
Due to third party reimbursers	-	(284,301)
Net Cash from Operating Activities	<u>(476,223)</u>	<u>120,582</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(600,000)	(939,124)
Proceeds from sale of investments	811,662	880,530
Net change from money market activities	<u>(112,367)</u>	<u>53,293</u>
Net Cash from Investing Activities	<u>99,295</u>	<u>(5,301)</u>
 Net Change in Cash and Cash Equivalents	(376,928)	115,281
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>440,554</u>	<u>325,273</u>
 End of year	<u>\$ 63,626</u>	<u>\$ 440,554</u>

See notes to financial statements

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2018

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, 2018, all pledges receivable are deemed collectable by management and are expected within one year.

Service Program for Older People, Inc.

Notes to Financial Statements

June 30, 2018

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, 2018, the allowance for uncollectible accounts receivable is \$275,000.

Investment 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.

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, 2018

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 value when received.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs amounted to \$4,566 for the year ended June 30, 2018.

Functional Expenses

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

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 examinations by the applicable taxing jurisdictions for tax years prior to fiscal 2015.

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, 2017 from which the summarized information was derived.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2018

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 14, 2018.

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 (including certificates of deposit) in bank deposit accounts which, at times, may exceed federal insured limits. SPOP has not experienced any losses in such accounts. 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 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

Description	Total
Certificates of deposit	\$ 154,656
Money market funds	607,847
	<u>\$ 762,503</u>

Interest income, including interest earned on cash and cash equivalents, as reported in the statement of activities for the year ended June 30, 2018 is \$6,574.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2018

5. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30, 2018:

Furniture and equipment	\$ 265,033
Leasehold improvements	<u>445,192</u>
	710,225
Accumulated depreciation	<u>(701,618)</u>
	<u>\$ 8,607</u>

6. Due to Third Party Reimbursers

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 a liability to New York State for the excess of COPS and CSP payments it receives over the Medicaid threshold. The remaining liability for the excess COPS and CSP payments for fiscal years 2010 through 2014 totals \$113,530 at June 30, 2018.

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, 2018 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 April 30, 2028. Approximate future minimum lease commitments under these leases are as follows:

2019	\$ 396,256
2020	408,368
2021	421,530
2022	277,778
2023	286,112
Thereafter	<u>1,507,933</u>
	<u>\$ 3,297,977</u>

During the year ended June 30, 2018, SPOP entered into an agreement to provide construction costs for an annex of \$125,000 at their 91st Street location in lieu of rent payments. The remaining amount is recorded as prepaid rent at June 30, 2018.

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2018

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. On 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, 2018, 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, 2018 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)	\$ 129,111	\$ -	\$ (113,111)	\$ 16,000
Isaac H. Tuttle Fund	-	25,000	-	25,000
Altman Foundation	-	50,000	(50,000)	-
Florence Burden	40,000	-	(20,000)	20,000
FEMA	-	10,300	(10,300)	-
The NY Community Trust	-	75,000	(75,000)	-
Clinic VAP	85,908	-	-	85,908
Hope & Grace Fund	-	87,500	-	87,500
SC Group	37,500	-	(37,500)	-
Baker Welfare Foundation	13,000	-	(13,000)	-
Hyde and Watson Foundation	-	5,000	(5,000)	-
	<u>\$ 305,519</u>	<u>\$ 252,800</u>	<u>\$ (323,911)</u>	<u>\$ 234,408</u>

Service Program for Older People, Inc.

Notes to Financial Statements
June 30, 2018

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, 2018:

Balance, beginning of year	\$ 729,505
Investment income	5,018
Contributions	<u>20,384</u>
Balance, end of year	<u><u>\$ 754,907</u></u>

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