

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

Financial Statements

June 30, 2019



## **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, 2019, 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, 2019 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.

***Change in Accounting Principle***

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, Service Program for Older People, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited Service Program for Older People, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

December 12, 2019

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

Statement of Financial Position  
June 30, 2019  
(with comparative amounts at June 30, 2018)

	2019	2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 296,808	\$ 63,626
Accounts receivable, net	498,147	754,123
Pledges receivable	60,000	100,096
Prepaid expenses	63,214	43,305
Prepaid rent	111,124	123,025
Investments (see note 5)	812,605	762,503
Security deposit	60,849	60,094
Property, plant and equipment, net	-	8,607
	\$ 1,902,747	\$ 1,915,379
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued expenses	\$ 169,621	\$ 153,713
Deferred rent expense	98,229	68,610
Due to third party reimbursers	113,530	113,530
Total Liabilities	381,380	335,853
 Net Assets		
Without Donor Restriction		
Undesignated	557,830	590,211
Board designated	805,117	754,907
	1,362,947	1,345,118
With donor restriction	158,420	234,408
Total Net Assets	1,521,367	1,579,526
	\$ 1,902,747	\$ 1,915,379

See notes to financial statements

## Service Program for Older People, Inc.

### Statement of Activities Year Ended June 30, 2019 (with summarized totals for the year ended June 30, 2018)

	Without Donor Restriction	With Donor Restriction	2019 Total	2018 Total
<b>REVENUE AND SUPPORT</b>				
Program revenues	\$ 3,823,427	\$ -	\$ 3,823,427	\$ 3,747,572
Contributions	321,448	331,000	652,448	396,256
Interest income	19,563	-	19,563	6,574
Other income	97,752	-	97,752	123,865
Net assets released from restrictions	406,988	(406,988)	-	-
Total Revenue and Support	4,669,178	(75,988)	4,593,190	4,274,267
<b>EXPENSES</b>				
Program services	3,932,705	-	3,932,705	3,977,329
General and administrative	590,508	-	590,508	528,402
Fundraising	128,136	-	128,136	84,419
Total Expenses	4,651,349	-	4,651,349	4,590,150
Change in Net Assets	17,829	(75,988)	(58,159)	(315,883)
<b>NET ASSETS</b>				
Beginning of year	1,345,118	234,408	1,579,526	1,895,409
End of year	\$ 1,362,947	\$ 158,420	\$ 1,521,367	\$ 1,579,526

See notes to financial statements

## Service Program for Older People, Inc.

### Statement of Functional Expenses Year Ended June 30, 2019 (with summarized totals for the year ended June 30, 2018)

	Program Services				Supporting Services		2018 Total
	PROS	DFTA Thrive	Clinic	Geriatric Mental Health Initiative	General and Administrative	Fundraising	
Salaries	\$ 598,120	\$ 279,066	\$ 1,428,210	\$ 78,301	\$ 249,426	\$ 68,351	\$ 2,655,881
Payroll taxes and fringe benefits	156,562	84,589	362,216	20,744	91,756	25,769	687,710
Professional fees	-	-	-	-	27,000	-	22,500
Consultants	-	-	2,087	-	13,993	23,000	20,801
Food	42,005	-	86	-	1,123	-	46,096
Communications	19,739	2,905	25,510	-	16,113	-	58,434
Rent	148,160	6,341	218,887	-	90,781	-	452,063
Insurance	8,667	4,172	18,377	-	6,878	1,219	36,938
Utilities	22,646	1,800	5,568	-	6,393	-	38,297
Printing and postage	718	346	2,023	-	935	-	5,787
Program supplies	1,118	-	-	-	-	-	1,794
Office supplies	7,660	718	8,505	-	6,113	-	29,027
Travel	958	330	3,519	-	1,232	198	8,137
Repairs and maintenance	4,768	158	885	-	1,884	-	3,492
Service contracts	22,698	18,795	63,366	-	16,817	774	50,779
Dues and subscriptions	1,789	878	7,692	-	12,866	-	20,010
Advertising	90	249	2,490	-	2,391	-	4,566
Technology	21,199	8,746	36,796	-	24,293	782	120,423
Bad debt expense	23,000	-	147,057	-	-	-	275,000
Payroll	1,532	764	4,027	-	738	383	7,222
Other	530	2,880	1,663	-	11,169	7,660	26,555
Depreciation	-	-	-	-	8,607	-	18,638
<b>Total Expenses</b>	<b>\$ 1,081,959</b>	<b>\$ 412,737</b>	<b>\$ 2,338,964</b>	<b>\$ 99,045</b>	<b>\$ 590,508</b>	<b>\$ 128,136</b>	<b>\$ 4,651,349</b>
							<b>\$ 4,590,150</b>

See notes to financial statements

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

Statement of Cash Flows  
Year Ended June 30, 2019  
(with comparative amounts for the year ended June 30, 2018)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (58,159)	\$ (315,883)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	8,607	18,638
Bad debt expense	170,057	275,000
Deferred rent	29,619	68,610
Changes in operating assets and liabilities		
Accounts receivable	85,919	(431,989)
Pledges receivable	40,096	(1,096)
Prepaid expenses	(19,909)	8,233
Prepaid rent	11,901	(123,025)
Security deposit	(755)	-
Accrued expenses	15,908	25,289
Net Cash from Operating Activities	283,284	(476,223)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(733,000)	(600,000)
Proceeds from sale of investments	592,933	811,662
Net change from money market activities	89,965	(112,367)
Net Cash from Investing Activities	(50,102)	99,295
 Net Change in Cash and Cash Equivalents	 233,182	 (376,928)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	63,626	440,554
End of year	\$ 296,808	\$ 63,626

See notes to financial statements

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

Notes to Financial Statements  
June 30, 2019

### **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.

#### ***Change in Accounting Principle***

On July 1, 2018, SPOP adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires SPOP to collapse the three-category (unrestricted, temporarily restricted and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires SPOP to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets are now presented as net assets with donor restriction and unrestricted net assets as net assets without donor restriction.

#### ***Net Asset Presentation***

The financial statements report amounts separately by class of net assets based on the presence or absence of donor-imposed restrictions. Amounts without donor restriction are those currently available at the discretion of SPOP for use in its programs and operations. Amounts with donor restriction that are temporary in nature are those which are subject to donor-imposed restrictions that will be met either by actions of SPOP or the passage of time. Amounts with donor restrictions that are permanently restricted in nature are those subject to donor-imposed restrictions that they be maintained permanently by SPOP. All contributions are considered without donor restriction unless specifically restricted by the donor or subject to other legal restrictions.



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

Notes to Financial Statements  
June 30, 2019

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

#### ***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, 2019, all pledges receivable are deemed collectable by management and are expected within one year.

#### ***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, 2019, the allowance for uncollectible accounts receivable is \$110,000.

#### ***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.

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

Notes to Financial Statements  
June 30, 2019

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

#### ***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.

#### ***Contributions***

Contributions are recorded as revenue when the promises become unconditional. Contributions are considered to be without donor restriction and available for general 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 support with donor restriction that increases this net asset class. 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 \$5,220 for the year ended June 30, 2019.

#### ***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 on a time and effort methodology.

## Service Program for Older People, Inc.

Notes to Financial Statements  
June 30, 2019

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

#### ***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 2016.

#### ***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, 2018 from which the summarized information was derived.

#### ***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 12, 2019.

### 3. Liquidity

Financial assets available for general expenditure within one year of June 30, 2019 are as follows:

Total financial assets at year end	
Cash	\$ 296,808
Accounts receivable, net	498,147
Pledges receivable	60,000
Investments	<u>812,605</u>
Total Financial Assets	<u>1,667,560</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	158,420
Net assets with board designated restriction	805,117
Less net assets with donor restrictions expected to be met in less than one year	<u>(158,420)</u>
	<u>805,117</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 862,443</u>

## Service Program for Older People, Inc.

Notes to Financial Statements  
June 30, 2019

### 3. Liquidity (*continued*)

As part of its liquidity plan, SPOP's board of directors established the board designated endowment fund, which would be made available for operations if needed. SPOP relies on reimbursements from billing, government agencies and donor contributions. Additionally, SPOP maintains a \$200,000 line of credit.

### 4. 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 and money market funds) 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.

### 5. 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 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, 2019:

Description	Total
Certificates of deposit	\$ 740,533
Money market funds	<u>72,072</u>
	<u>\$ 812,605</u>

Interest income, including interest earned on cash and cash equivalents, as reported in the statement of activities for the year ended June 30, 2019 is \$19,563.

### 6. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30, 2019:

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

These assets are still in service at June 30, 2019.

## Service Program for Older People, Inc.

Notes to Financial Statements  
June 30, 2019

### 7. 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, 2019.

### 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*. During the year ended June 30, 2019 there was no outstanding obligation under this agreement.

### 9. 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:

2020	\$ 408,368
2021	421,530
2022	277,778
2023	286,112
2024	294,698
Thereafter	<u>1,213,235</u>
	<u>\$ 2,901,721</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 91<sup>st</sup> Street location in lieu of rent payments. The remaining amount is recorded as prepaid rent at June 30, 2019.

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, 2020. On July 7, 2020, 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, 2019, no balances have been recognized or included in the accompanying financial statements.

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

Notes to Financial Statements  
June 30, 2019

**10. Net Assets with Donor Restrictions**

Changes in net assets with donor restrictions for the year ended June 30, 2019 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)	\$ 16,000	\$ 150,000	\$ (106,000)	\$ 60,000
Isaac H. Tuttle Fund	25,000	-	(25,000)	-
Florence Burden	20,000	15,000	(35,000)	-
The NY Community Trust	-	75,000	-	75,000
Clinic VAP	85,908	-	(85,908)	-
Hope & Grace Fund	87,500	-	(64,080)	23,420
SC Group	-	40,000	(40,000)	-
Baker Welfare Foundation	-	13,000	(13,000)	-
Samuels Foundation	-	38,000	(38,000)	-
	<u>\$ 234,408</u>	<u>\$ 331,000</u>	<u>\$ (406,988)</u>	<u>\$ 158,420</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, 2019:

Balance, beginning of year	\$ 754,907
Investment income	10,012
Contributions	40,198
Balance, end of year	<u>\$ 805,117</u>

\*\*\*\*\*