

SENIOR NEIGHBORS, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Senior Neighbors, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Senior Neighbors, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2017, 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.

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 Senior Neighbors, Inc. as of September 30, 2017, 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.

Prior Period Financial Statements

The financial statement of Senior Neighbors, Inc. as of September 30, 2016, were audited by other auditors whose report dated February 10, 2017, expressed an unmodified opinion on those statements.

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February 9, 2018

SENIOR NEIGHBORS, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 771,011	\$ 475,709
Accounts receivable	410,509	246,335
Promises to give, current	154,962	157,928
Prepaid expenses	55,477	28,130
Total current assets	1,391,959	908,102
PROPERTY AND EQUIPMENT, net of accumulated depreciation	449,964	561,405
OTHER ASSETS:		
Cash and cash equivalents restricted for long-term purposes	62,600	62,600
Promises to give, long-term	-	80,000
Beneficial interest in perpetual endowment fund	190,431	182,129
TOTAL ASSETS	\$ 2,094,954	\$ 1,794,236
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current maturities of capital lease obligations	\$ 1,706	\$ 2,009
Accounts payable	41,919	29,026
Accrued liabilities	98,454	93,864
Deferred revenue	11,760	9,720
Total current liabilities	153,839	134,619
Capital lease obligations, net of current maturities	1,278	2,464
TOTAL LIABILITIES	155,117	137,083
NET ASSETS:		
Unrestricted	1,040,330	1,099,558
Temporarily restricted	709,076	375,466
Permanently restricted	190,431	182,129
TOTAL NET ASSETS	1,939,837	1,657,153
TOTAL LIABILITIES AND NET ASSETS	\$ 2,094,954	\$ 1,794,236

See notes to financial statements.

SENIOR NEIGHBORS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
United Way	\$ 45,633	\$ -	\$ -	\$ 45,633
Other contributions	126,198	621,019	-	747,217
Noncash contributions	417,807	-	-	417,807
Government grants				
Federal	701,020	-	-	701,020
State	454,293	-	-	454,293
County	1,348,238	-	-	1,348,238
Other localities	51,149	-	-	51,149
Program revenue	127,594	-	-	127,594
Special events, net of expenses of \$38,912 including in-kind of \$6,978	62,754	42,697	-	105,451
Other revenue	12,000	-	8,302	20,302
Net assets released from restriction	330,106	(330,106)	-	-
Total public support and revenue	3,676,792	333,610	8,302	4,018,704
EXPENSES:				
Program services:				
Essential services	1,411,676	-	-	1,411,676
Transportation	445,977	-	-	445,977
Food services	443,930	-	-	443,930
Volunteer programs	1,069,232	-	-	1,069,232
Total program services	3,370,815	-	-	3,370,815
Support services:				
Management and general	209,011	-	-	209,011
Fundraising	156,194	-	-	156,194
Total support services	365,205	-	-	365,205
Total expenses	3,736,020	-	-	3,736,020
Change in net assets	(59,228)	333,610	8,302	282,684
NET ASSETS, beginning of year	1,099,558	375,466	182,129	1,657,153
NET ASSETS, end of year	<u>\$ 1,040,330</u>	<u>\$ 709,076</u>	<u>\$ 190,431</u>	<u>\$ 1,939,837</u>

See notes to financial statements.

SENIOR NEIGHBORS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
United Way	\$ 52,231	\$ 83,904	\$ -	\$ 136,135
Other contributions	100,360	326,000	-	426,360
Noncash contributions	436,954	-	-	436,954
Government grants				
Federal	702,288	-	-	702,288
State	414,720	-	-	414,720
County	1,329,592	-	-	1,329,592
Other localities	53,581	-	-	53,581
Program revenue	142,446	-	-	142,446
Special events, net of expenses of \$45,590, including in-kind of \$7,098	46,661	53,790	-	100,451
Other revenue	6,802	-	-	6,802
Transfers of net assets	(182,129)	-	182,129	-
Net assets released from restriction	521,370	(521,370)	-	-
Total public support and revenue	3,624,876	(57,676)	182,129	3,749,329
EXPENSES:				
Program services:				
Essential services	1,382,886	-	-	1,382,886
Transportation	479,572	-	-	479,572
Food services	445,053	-	-	445,053
Volunteer programs	1,061,213	-	-	1,061,213
Total program services	3,368,724	-	-	3,368,724
Support services:				
Management and general	210,480	-	-	210,480
Fundraising	160,328	-	-	160,328
Total support services	370,808	-	-	370,808
Total expenses	3,739,532	-	-	3,739,532
Change in net assets	(114,656)	(57,676)	182,129	9,797
NET ASSETS, beginning of year	1,214,214	433,142	-	1,647,356
NET ASSETS, end of year	<u>\$ 1,099,558</u>	<u>\$ 375,466</u>	<u>\$ 182,129</u>	<u>\$ 1,657,153</u>

See notes to financial statements.

SENIOR NEIGHBORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2017

	Program services				Supporting services			Totals
	Essential services	Transportation	Food services	Volunteer programs	Total program services	Management and general	Fundraising	
Salaries	\$ 756,788	\$ 156,620	\$ 98,050	\$ 311,963	\$ 1,323,421	\$ 83,903	\$ 97,690	\$ 1,505,014
Payroll taxes	66,572	19,779	8,262	24,985	119,598	5,539	7,681	132,818
Employee benefits	98,722	11,486	11,436	66,789	188,433	16,955	14,522	219,910
Total salaries and related expenses	922,082	187,885	117,748	403,737	1,631,452	106,397	119,893	1,857,742
Professional fees	84,866	9,967	3,361	6,220	104,414	54,168	9,721	168,303
Supplies	60,973	544	8,030	2,537	72,084	3,575	513	76,172
Postage	2,126	964	-	3,003	6,093	1,905	1,184	9,182
Telephone	18,682	9,472	4,638	3,654	36,446	2,284	692	39,422
Occupancy	69,696	12,422	19,824	16,828	118,770	7,062	6,545	132,377
Printing and publicity	9,572	2,748	1,759	3,066	17,145	1,534	6,463	25,142
Insurance	14,960	3,275	1,776	5,765	25,776	3,475	1,802	31,053
Non-cash resources:								
Meals	-	-	243,975	21,314	265,289	-	-	265,289
Services	-	-	-	-	-	10,171	-	10,171
Facilities	56,757	35,778	35,335	3,000	130,870	-	-	130,870
Volunteer and other expenses	-	-	-	11,477	11,477	-	-	11,477
Assistance for emergency needs	68,150	-	-	-	68,150	-	-	68,150
Local travel	32,418	2,695	117	3,311	38,541	1,493	409	40,443
Transportation	277	164,079	-	7,826	172,182	-	-	172,182
Conferences and meetings	6,662	2,223	-	8,058	16,943	2,886	423	20,252
Dues and subscriptions	135	-	-	725	860	3,174	300	4,334
Miscellaneous	-	-	-	1,288	1,288	1,290	-	2,578
Equipment	6,628	2,170	-	1,363	10,161	2,255	748	13,164
Volunteer expenses	-	-	-	540,800	540,800	685	-	541,485
Total expenses before depreciation	1,353,984	434,222	436,563	1,043,972	3,268,741	202,354	148,693	3,619,788
Depreciation	57,692	11,755	7,367	25,260	102,074	6,657	7,501	116,232
	<u>\$ 1,411,676</u>	<u>\$ 445,977</u>	<u>\$ 443,930</u>	<u>\$ 1,069,232</u>	<u>\$ 3,370,815</u>	<u>\$ 209,011</u>	<u>\$ 156,194</u>	<u>\$ 3,736,020</u>

See notes to financial statements.

SENIOR NEIGHBORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program services				Supporting services			Totals
	Essential services	Transportation	Food services	Volunteer programs	Total program services	Management and general	Fundraising	
Salaries	\$ 733,683	\$ 162,001	\$ 96,672	\$ 329,296	\$ 1,321,652	\$ 81,036	\$ 95,337	\$ 1,498,025
Payroll taxes	67,470	22,290	8,513	28,462	126,735	7,237	7,706	141,678
Employee benefits	96,867	21,079	11,715	64,615	194,276	15,830	15,284	225,390
Total salaries and related expenses	898,020	205,370	116,900	422,373	1,642,663	104,103	118,327	1,865,093
Professional fees	94,369	10,671	3,296	7,511	115,847	54,386	13,590	183,823
Supplies	60,353	601	8,753	1,322	71,029	2,272	337	73,638
Postage	2,569	1,178	26	2,694	6,467	1,233	1,096	8,796
Telephone	20,558	9,906	5,004	3,771	39,239	2,716	1,195	43,150
Occupancy	69,391	13,509	20,644	19,657	123,201	7,944	7,106	138,251
Printing and publicity	9,077	2,425	1,771	3,345	16,618	5,951	7,708	30,277
Insurance	13,393	3,288	1,768	6,627	25,076	3,300	1,791	30,167
Non-cash resources:								
Meals	-	-	242,759	27,949	270,708	-	-	270,708
Services	-	-	-	-	-	10,862	-	10,862
Facilities	56,757	35,778	35,335	-	127,870	-	-	127,870
Supplies	-	-	-	-	-	358	-	358
Volunteer and other expenses	-	-	-	10,656	10,656	-	-	10,656
Assistance for emergency needs	48,411	-	-	-	48,411	-	-	48,411
Local travel	34,714	3,186	-	3,003	40,903	1,584	97	42,584
Transportation	2,161	175,872	-	5,551	183,584	-	-	183,584
Conferences and meetings	2,474	2,900	323	13,100	18,797	1,941	502	21,240
Dues and subscriptions	-	-	-	828	828	3,232	-	4,060
Miscellaneous	-	-	-	650	650	1,530	-	2,180
Equipment	5,540	-	-	1,406	6,946	353	-	7,299
Volunteer expenses	-	-	-	500,151	500,151	1,168	-	501,319
Total expenses before depreciation	1,317,787	464,684	436,579	1,030,594	3,249,644	202,933	151,749	3,604,326
Depreciation	65,099	14,888	8,474	30,619	119,080	7,547	8,579	135,206
	<u>\$ 1,382,886</u>	<u>\$ 479,572</u>	<u>\$ 445,053</u>	<u>\$ 1,061,213</u>	<u>\$ 3,368,724</u>	<u>\$ 210,480</u>	<u>\$ 160,328</u>	<u>\$ 3,739,532</u>

See notes to financial statements.

SENIOR NEIGHBORS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Changes in net assets	\$ 282,684	\$ 9,797
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation expense	116,232	135,206
Donated equipment	-	(16,500)
Change in value of assets held in perpetual endowment fund	(8,302)	-
Changes in operating assets and liabilities		
Accounts receivable	(164,174)	50,493
Promises to give	82,966	26,403
Prepaid expenses	(27,347)	3,305
Accounts payable	12,893	(22,319)
Accrued liabilities	4,590	(63,418)
Deferred revenue	2,040	(30,024)
Total adjustments	18,898	83,146
Net cash provided by operating activities	301,582	92,943
Cash flows from investing activities:		
Purchase of property and equipment	(4,791)	(84,902)
Transfers to perpetual endowment fund	-	(182,129)
Net cash used by investing activities	(4,791)	(267,031)
Cash flows from financing activities:		
Payments on capital lease obligation	(1,489)	(28,733)
Proceeds from contributions restricted for long-term use	-	5,000
Net cash used by financing activities	(1,489)	(23,733)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	295,302	(197,821)
CASH AND CASH EQUIVALENTS:		
Beginning of year	538,309	736,130
End of year	\$ 833,611	\$ 538,309
Cash	\$ 771,011	\$ 475,709
Restricted cash	62,600	62,600
TOTAL CASH	\$ 833,611	\$ 538,309

See notes to financial statements.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization maintains its records on the accrual basis of accounting.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash equivalents and liquid assets maturing no more than three months from the date of purchase are considered cash and cash equivalents. From time to time throughout the year, the Organization's cash balances may exceed federally insured limits. Long-term cash and cash equivalents are funds held for future renovations of the Lowell Senior Center.

Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its evaluation of the status of individual accounts, past credit history with funders and clients and the funders' and clients' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers the accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made. Accounts receivable are expected to be received within one year.

Property and Equipment - The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost, if purchased. Donations of property and equipment are recorded as support at estimated fair value at the time received. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization typically capitalizes qualifying assets purchased in larger quantities or as part of a larger project, even though such assets may not meet the capitalization threshold individually. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Promises To Give - Unconditional promises to give are recognized as revenue in the period the promise is made and as assets, decrease liabilities or expenses depending on the form of the benefits to be received.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Promises to give are stated at the amount management expects to collect from balances outstanding. Long-term promises to give at September 30, 2017 were not discounted to present value, as management had determined the effect of doing so was not material. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its evaluation of the status of individual accounts, past credit history with donors and the donors' current financial condition. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give has been recorded. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Unconditional promises to give are due to be received as follows at September 30:

	2017	2016
Receivable in less than one year	\$ 154,962	\$ 157,928
Receivable in one to five years	-	80,000
	\$ 154,962	\$ 237,928

Deferred Revenue - The Organization records grant receipts as deferred revenue until they are expended for the purpose of the grant, at which time they are recognized as revenue. Deferred revenue represents grant funds received in advance.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction will be met in the same reporting period, the support will be recorded as unrestricted.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among program services and management and general based upon management's estimate.

Advertising - The Organization expenses advertising costs as incurred for advertising.

Reclassification - Certain prior year numbers have be reclassified to be in conformity with current year presentation.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES

Senior Neighbors, Inc.'s (Organization) is organized as a nonprofit corporation under provisions of Section 501(c)(3) of the Internal Revenue Code, and as such is not subject to income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization's primary mission is Enhancing the Lives of Seniors. Since its founding in 1972, Senior Neighbors has promoted the health and well-being of Kent County's older adults, helping them to remain independent in their homes.

Through the Senior Centers, the Organization provides congregate meals and transportation to Senior Centers and vital appointments, health and wellness classes and information, and socialization opportunities. Case management services are provided to at-risk seniors, coordinating other services including home chore service, shelter assistance, and legal services, emergency needs assistance, and Medicare, Medicaid, and prescription drug counseling. Senior Neighbors operates several older adult volunteer programs including AARP Experience Corps, Foster Grandparents, the Retired and Senior Volunteer Program (RSVP), The Senior Companion Program and Traveling Grannies and Grandpas. During 2017, Senior Neighbors served over 4,000 seniors at its 5 Senior Centers and Central Office. Senior Neighbors Centers are located in Grand Rapids, Grandville, Lowell, Sparta and Walker.

Program expenses relate to the aforementioned mission and are described as follows:

Essential Services

Senior Neighbors provides a wide range of essential services to older adults to help them stay independent, especially to those with physical, social, or economic needs. These services work to help seniors overcome the many barriers to healthy aging that may be present in their life, from preventing isolation with our five senior centers to our case management team of social workers connecting them with much needed community resources. Above all, Senior Neighbors works to meet seniors where they are in life and be there to help. Essential Services programs include Case Management, Healthy Aging Exercise Classes, Home Repairs, Housing Assistance, Medicare and Medicaid Counseling, Elder Refugee Support, and Senior Centers.

Transportation

A variety of transportation options are available throughout Kent County so older adults can get to their desired destinations on a daily basis. Rides are often given for medical appointments, grocery shopping, or a visit to a Senior Neighbors Center. These rides are provided with agency owned vehicles, as well as local public transportation systems.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Continued)

Food Services

Congregate meals are provided to seniors 60 years of age or more and is a cornerstone of each of the Five Senior Neighbors Centers across Kent County. Oftentimes the nutritionally balanced meal is what attracts seniors to the center, but they find the array of services provided daily are just as important. The sense of community and shared meals at each of these Centers is also a key ingredient to the success of the Meals Program. The pre-prepared meals are cooked locally and provided by Meals on Wheels of Western Michigan. Each day at lunchtime the meals are available to seniors through a requested donation.

Volunteer Programs

Many older adults are looking for a way to stay engaged with their community through service, and Senior Neighbors can provide a connection to opportunities through several different programs. The goal of the volunteer program is to provide seniors with a connection to the community, their peers, and a sense of purpose. Possible volunteer positions include local police departments, food pantries, senior companionship connections, or literacy tutoring for young students.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the organization to concentrations of significant credit risk consist of cash and cash equivalents. The organization places its cash and cash equivalents with various FDIC insured financial institutions and thereby limits the amount of credit exposure to any one financial institution. Although such cash balances exceed the federally insured limits at certain times of the year, they are, in the opinion of management, subject to minimal risk.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

One major funding source provided approximately 41% and 44% of the Organization's revenue in 2017 and 2016, respectively. Additionally, the Organization had one funder that accounted for 50% of its accounts receivable and promises to give balances for the year ended September 30, 2017 and four funders that accounted for 26%, 21% 13% and 12% of its accounts receivable and promises to give balances for the year ended September 30, 2016.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Concluded)

While certain arrangements under which the Organization receives funding are for multiple years, other arrangements are renewed annually. Due to uncertainties associated with the current economic conditions in the United States and, to a greater degree, the State of Michigan and Kent County, specifically future federal, state, and county governmental appropriations, the continuation of funding from these sources may be impacted. If governmental funding of the Organization's services was significantly decreased or eliminated, the Organization would need to substantially reduce service offerings and eliminate costs and/or find alternative funding sources.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state and local tax returns generally remain open for examination for the various taxing authorities for a period of three to four years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. As of February 9, 2018, which is the date the financial statements were available to be issued, there were no subsequent events which required recognition or disclosure.

NOTE 3 - FAIR VALUE MEASUREMENTS

Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements) when market prices are not readily available or reliable. The three levels of the fair value hierarchy are described below.

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2017 and 2016, respectively.

Beneficial interest in assets held at Community Foundation: Valued by the Foundation as the Organization's portion of the total fair values of the underlying securities held by the Foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following are market value summaries by the level of the inputs used, as of September 30, 2017 and 2016, respectively, in evaluating the Organization's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Description	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total September 30, 2017
Beneficial interest in assets held at Community Foundation	\$ -	\$ -	\$ 190,431	\$ 190,431

Description	Level 1: Quoted prices in active markets for identical assets	Level 2: Significant other observable inputs	Level 3: Significant unobservable inputs	Total September 30, 2017
Beneficial interest in assets held at Community Foundation	\$ -	\$ -	\$ 182,129	\$ 182,129

See Note 4 for a summary of changes in fair value of the beneficial interest's level 3 assets for the years ended September 30, 2017 and 2016.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION

The Organization established an endowment at Grand Rapids Community Foundation (GRCF) during 2016 with an initial deposit of \$182,129 and named itself as the beneficiary. This amount is presented on the statement of financial position as, “Beneficial Interest in Perpetual Endowment Fund”, in the amount of \$190,431 and \$182,129 as of September 30, 2017 and 2016, respectively. Although this amount has been recorded as an asset, the Organization has granted variance power to GRCF. The GRCCF has received contributions from other third party donors which the Organization is precluded from recognizing. The fair market value of the entire endowment at GRCF as of September 30, 2017 and 2016, including the amounts above, is \$488,629 and \$446,986, respectively.

Changes in the Organization’s beneficial interest for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Beneficial interest, beginning of the year	\$ 182,129	\$ -
Contributions	-	182,129
Investment income (loss)	9,259	-
Investment fees	(957)	-
Beneficial interest, end of the year	\$ 190,431	\$ 182,129

NOTE 5 - PROPERTY AND EQUIPMENT

Major classes of furniture and equipment consist of the following at September 30:

	2017	2016
Land	\$ 63,193	\$ 63,193
Building	81,026	23,658
Leasehold improvements	657,665	691,401
Equipment	218,098	238,997
Computer and software	109,717	109,717
Vehicles	255,829	255,829
Accumulated depreciation	(935,564)	(821,390)
	\$ 449,964	\$ 561,405

Depreciation expense was \$116,232 and \$135,204 for the years ended September 30, 2017 and 2016, respectively.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASES

Operating Lease

The Organization leases an operating facility under an operating lease calling for monthly payments of \$2,502 expiring June 2019. Additionally, the Organization leases a central office location under an operating lease calling for monthly payments of \$4,689. The lease is subject to annual escalation of 2.5% and expires June 2019. Total lease expense for these operating facilities was \$96,176 in 2017 and \$93,687 in 2016. Future operating lease commitments are as follows:

Year Ending September 30,	
2018	\$ 82,824
2019	34,325
TOTAL	<u>\$ 117,149</u>

Capital Lease

The Organization leases equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

The equipment is included in the Organization's capitalized equipment with a cost of \$7,249 and accumulated depreciation of \$4,833.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of September 30, 2017:

Year Ending September 30,	
2018	\$ 2,009
2019	1,343
	<u>3,352</u>
Less amounts representing interest	(368)
	<u>\$ 2,984</u>
Capital lease obligation, current portion	\$ 1,706
Long-term portion	1,278
	<u>\$ 2,984</u>

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2017	2016
United Way - funding for future time period	\$ 22,495	\$ 62,928
Twilight Shines event - funding for future time period	40,566	45,045
Lowell Senior Center for the building fund	62,600	62,600
Time restrictions	-	100,000
Specific program funding	583,415	104,893
	\$ 709,076	\$ 375,466

Net assets were released from restrictions during the year ended September 30 by incurring expenses satisfying their restricted purposes.

	2017	2016
United Way - funding for future time period	\$ 40,433	\$ 89,009
Merger transition and remodel	-	117,019
Twilight Shines event - funding for future time period	47,176	70,921
Time restrictions	100,000	100,000
Specific program funding	142,497	144,421
	\$ 330,106	\$ 521,370

NOTE 8 - RETIREMENT

The Organization sponsors a defined contribution retirement plan for substantially all of its employees who meet the eligibility requirements. The Organization contributes to the plan on a discretionary basis equal to 5% of qualified wages. Contributions were \$47,522 in 2017 and \$44,432 in 2016.

SENIOR NEIGHBORS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - DONATED SERVICES, MATERIALS AND OTHER NONCASH CONTRIBUTIONS

Amounts have been reported in the financial statements as voluntary donations of services, materials and other noncash contributions. The contributed services are those services that create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and would typically be purchased if not provided by donation. Contributions of facility rental are also recorded in the statement of activities at fair value in the period received. Values recorded in the statement of activities for the noncash contributions have been determined based on established contract rates, fair market value of similar rental property or fair market value of similar items or services purchased.

Noncash contributions are as follows:

	<u>2017</u>	<u>2016</u>
Donated meals	\$ 265,289	\$ 270,708
Volunteer services by those with specialized skills	10,171	10,862
Donated facilities	130,870	127,870
Donated supplies	-	358
Donated volunteer and other expenses	11,477	10,656
Donated capitalized equipment	-	16,500
	<u>417,807</u>	<u>436,954</u>
Donated items for special events	6,978	7,098
Total noncash contributions	<u>\$ 424,785</u>	<u>\$ 444,052</u>

Many people have contributed significant amounts of time to the activities of the Organization without compensation. Generally, the Organization does not recognize support, revenue, or expense from services contributed when the recognition criteria are not met. However, the value of contributed services is an allowable match for certain grants. Based upon hours contributed at an established contract rate or fair market value, the Organization received donated services not recorded in the accompanying financial statements as follows:

	<u>2017</u>	<u>2016</u>
Food services	\$ 54,110	\$ 51,373
Transportation	5,569	5,531
Essential services	146,957	147,498
Volunteer programs	-	891
	<u>\$ 206,636</u>	<u>\$ 205,293</u>