

COMMUNITY SENIORSERV, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

WITH INDEPENDENT AUDITORS' REPORT

COMMUNITY SENIORSERV, INC.
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Community SeniorServ, Inc.
Anaheim, California

We have audited the accompanying financial statements of Community SeniorServ, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, changes in net assets, cash flows, and functional expenses (including corresponding revenues) for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors consider internal control relevant to the Organization'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 Organization'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 Community SeniorServ, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
November 7, 2017

COMMUNITY SENIORSERV, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 2,427,807	\$ 2,670,905
Accounts, grants, and awards receivable	1,415,643	1,216,536
Inventory	143,061	178,465
Prepaid expenses	73,156	38,027
Board-designated restricted investments	<u>2,060,908</u>	<u>1,980,797</u>
Total Current Assets	6,120,575	6,084,730
Property, Plant, and Equipment:		
Land	500,000	500,000
Building and improvements	2,694,529	2,658,006
Equipment, furniture and fixtures, and vehicles	3,487,342	3,217,371
Construction in progress	<u>18,298</u>	<u>29,679</u>
Total Property, Plant, and Equipment, at Cost	6,700,169	6,405,056
Less: Accumulated depreciation	<u>(4,139,307)</u>	<u>(3,920,400)</u>
Property, Plant, and Equipment, at Net Book Value	2,560,862	2,484,656
Other Assets:		
Deposits	23,334	23,334
Debt service restricted cash	<u>168,063</u>	<u>168,063</u>
Total Other Assets	<u>191,397</u>	<u>191,397</u>
Total Assets	<u>\$ 8,872,834</u>	<u>\$ 8,760,783</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2017 AND 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts payable	\$ 500,734	\$ 454,478
Accrued liabilities	858,119	843,632
Note payable, current portion	<u>117,917</u>	<u>110,833</u>
Total Current Liabilities	1,476,770	1,408,943
Long-Term Liabilities:		
Note payable	<u>615,000</u>	<u>732,917</u>
Total Long-Term Liabilities	<u>615,000</u>	<u>732,917</u>
Total Liabilities	2,091,770	2,141,860
Net Assets:		
Unrestricted	5,902,060	5,652,557
Temporarily restricted	879,004	966,366
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>6,781,064</u>	<u>6,618,923</u>
Total Liabilities and Net Assets	<u><u>\$ 8,872,834</u></u>	<u><u>\$ 8,760,783</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Unrestricted Support and Revenues:		
Community Support:		
Grants and awards	\$ 5,619,166	\$ 5,292,098
Contributions and donations	634,617	681,034
Direct mail and fundraising revenues	684,141	596,384
Participant fees	52,617	28,160
Total Community Support	6,990,541	6,597,676
Revenues:		
Sales of food products	2,157,722	2,441,181
Insurance/government reimbursements	2,531,933	2,510,870
Investment income, net	79,611	29,966
Other income	162,864	125,131
Total Revenues	4,932,130	5,107,148
Net Assets Released from Restriction	445,480	619,420
Total Unrestricted Support and Revenues	12,368,151	12,324,244
Expenses (See Statements of Functional Expenses)	12,118,648	12,093,796
Increase in Unrestricted Net Assets	249,503	230,448
Temporarily Restricted Support:		
Grants and awards	358,118	255,070
Funds released for expenditures	(445,480)	(619,420)
Decrease in Temporarily Restricted Net Assets	(87,362)	(364,350)
Increase (Decrease) in Total Net Assets	\$ 162,141	\$ (133,902)

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets at June 30, 2015	\$ 5,422,109	\$ 1,330,716	\$ -	\$ 6,752,825
Increase (Decrease) in Net Assets, Year Ended June 30, 2016	<u>230,448</u>	<u>(364,350)</u>	<u>-</u>	<u>(133,902)</u>
Net Assets at June 30, 2016	5,652,557	966,366	-	6,618,923
Increase (Decrease) in Net Assets, Year Ended June 30, 2017	<u>249,503</u>	<u>(87,362)</u>	<u>-</u>	<u>162,141</u>
Net Assets at June 30, 2017	<u>\$ 5,902,060</u>	<u>\$ 879,004</u>	<u>\$ -</u>	<u>\$ 6,781,064</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 162,141	\$ (133,902)
Noncash Items Included in Increase (Decrease) in Net Assets:		
Depreciation	240,904	268,661
Loss on disposal of equipment	4	16,568
Unrealized and realized loss on investments	3,880	12,287
Changes in:		
Accounts, grants, and awards receivable	(199,107)	86,560
Inventory	35,404	(29,431)
Prepaid expenses	(35,129)	(13,674)
Accounts payable	46,256	(130,080)
Accrued liabilities	14,487	(86,024)
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	268,840	(9,035)
Cash Flows from Investing Activities:		
Purchase of equipment	(317,114)	(66,294)
Proceeds from sale of equipment	-	36,688
Purchases of investments	(490)	-
Proceeds from investments, net	(83,501)	(42,619)
Net Cash and Cash Equivalents Used in Investing Activities	(401,105)	(72,225)
Cash Flows from Financing Activities:		
Payments on note payable	(110,833)	(102,917)
Net Cash and Cash Equivalents Used in Financing Activities	(110,833)	(102,917)
Net Decrease in Cash and Cash Equivalents	(243,098)	(184,177)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	2,670,905	2,855,082
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 2,427,807	\$ 2,670,905
Supplemental Disclosure:		
Interest paid	\$ 45,500	\$ 61,533

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED JUNE 30, 2017

	Title III Services						Santa Ana VIP Center	Anaheim VIP Center
	Congregate Meals Program	Home-Bound Meals Program	Buena Park Adult Day Care Program	Case Management Program	Transportation Program	In-Home Support Services		
Unrestricted Support and Revenues:								
Community Support:								
Grants and awards	\$ 1,961,058	\$ 2,870,358	\$ 73,984	\$ 215,566	\$ 250,297	\$ 207,688	\$ -	\$ -
Contributions and donations	379,360	201,680	41,896	4,826	6,342	513	-	-
Department of Education meal revenues	-	-	-	-	-	-	-	-
Direct mail and fundraising revenues	750	1,750	16,950	500	5	-	450	450
Participant fees	-	-	-	-	-	-	4,523	48,094
Total Community Support	2,341,168	3,073,788	132,830	220,892	256,644	208,201	4,973	48,544
Revenues:								
Sales of food products	-	-	-	-	-	-	-	-
Insurance/government reimbursements	-	-	26,108	-	-	-	1,224,550	1,208,830
Investment income/loss	-	-	-	-	-	-	-	-
Other income	-	-	1,928	-	-	-	50,566	101,849
Total Revenues	-	-	28,036	-	-	-	1,275,116	1,310,679
Net Assets Released from Restriction	82,473	94,350	10,000	56,353	-	1,387	5,155	6,394
Total Unrestricted Support and Revenues	2,423,641	3,168,138	170,866	277,245	256,644	209,588	1,285,244	1,365,617
Expenses:								
Program Expenses:								
Contract expenses	172,729	273,394	2,224	20,119	194,391	127,857	147,190	104,578
Food and supply costs	727,639	1,186,333	24,398	-	-	-	78,665	77,021
Insurance	150,844	159,966	15,321	24,945	7,140	7,131	66,626	68,685
Other program expenses	3,088	2,359	78	379	102	131	18,078	22,560
Personnel expense	1,018,458	1,059,320	100,416	165,734	46,575	49,014	457,573	466,245
Transportation and travel	8,590	14,849	15,521	5,004	542	1,051	389,001	415,252
Vehicle and fuel	30,940	49,288	-	-	-	-	-	-
Total Program Expenses	2,112,288	2,745,509	157,958	216,181	248,750	185,184	1,157,133	1,154,341
Support Expenses:								
Depreciation	44,533	51,577	2,991	4,604	5,105	3,535	-	-
Employment expense	14,953	11,560	1,107	1,529	713	688	10,345	5,619
Direct mail and fundraising expenses	-	-	-	-	-	-	78	-
Insurance	33,485	38,723	2,034	2,034	-	2,034	11,189	11,189
Miscellaneous	1,987	2,888	213	189	144	115	13,390	11,819
Office expense	17,277	31,264	1,037	9,423	27	3,023	14,909	11,956
Professional fees	11,602	29,283	1,658	1,658	2,210	553	2,762	2,762
Rent	-	19,882	-	13,557	-	2,711	55,264	53,551
Repairs and maintenance	23,726	32,813	-	5,469	-	1,901	17,012	13,688
Small equipment	-	-	-	-	-	-	-	-
Technology	35,916	33,277	2,026	4,714	59	2,336	13,929	13,403
Telephone and utilities	62,072	79,701	2,890	16,270	257	7,055	23,057	15,816
Total Support Expenses	245,551	330,968	13,956	59,447	8,515	23,951	161,935	139,803
Other Expenses:								
Interest expense	-	-	-	-	-	-	-	-
Other expense	-	-	-	-	-	-	-	-
Total Other Expenses	-	-	-	-	-	-	-	-
Total Expenses	2,357,839	3,076,477	171,914	275,628	257,265	209,135	1,319,068	1,294,144
Increase (Decrease) in Unrestricted Net Assets	65,802	91,661	(1,048)	1,617	(621)	453	(33,824)	71,473
Temporarily Restricted Support:								
Grants and awards	82,473	94,350	10,000	56,353	-	1,387	5,155	6,394
Funds released for expenditures	(82,473)	(94,350)	(10,000)	(56,353)	-	(1,387)	(5,155)	(6,394)
Increase (Decrease) in Temporarily Restricted Net Assets	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ 65,802	\$ 91,661	\$ (1,048)	\$ 1,617	\$ (621)	\$ 453	\$ (33,824)	\$ 71,473

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES) (CONTINUED)
YEAR ENDED JUNE 30, 2017

	Fund Development	Cook/Chill	The Village	Care Transition	Social Meals	Other Grants	General	Total
Unrestricted Support and Revenues:								
Community Support:								
Grants and awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,524	\$ 691	\$ 5,619,166
Contributions and donations	-	-	-	-	-	-	-	634,617
Direct mail and fundraising revenues	658,207	-	-	-	-	1,500	3,579	684,141
Participant fees	-	-	-	-	-	-	-	52,617
Total Community Support	658,207	-	-	-	-	41,024	4,270	6,990,541
Revenues:								
Sales of food products	-	293,494	-	-	1,864,228	-	-	2,157,722
Insurance/government reimbursements	-	-	-	72,445	-	-	-	2,531,933
Investment income/loss	-	-	-	-	-	-	79,611	79,611
Other income	-	-	-	-	-	8,521	-	162,864
Total Revenues	-	293,494	-	72,445	1,864,228	8,521	79,611	4,932,130
Net Assets Released from Restriction	-	-	-	13,440	-	135,487	40,441	445,480
Total Unrestricted Support and Revenues	658,207	293,494	-	85,885	1,864,228	185,032	124,322	12,368,151
Expenses:								
Program Expenses:								
Contract expenses	56,772	7,674	-	29,653	340,733	-	-	1,477,314
Food and supply costs	-	189,113	-	-	896,570	-	-	3,179,739
Insurance	31,582	9,790	-	5,894	40,637	-	-	588,561
Other program expenses	2,942	172	-	1,108	1,649	-	18,918	71,564
Personnel expense	205,316	65,824	-	42,077	271,571	-	113,663	4,061,786
Transportation and travel	4,500	174	-	795	633	-	-	855,912
Vehicle and fuel	-	2,931	-	-	48,073	-	2,296	133,528
Total Program Expenses	301,112	275,678	-	79,527	1,599,866	-	134,877	10,368,404
Support Expenses:								
Depreciation	-	-	-	-	-	-	128,559	240,904
Employment expense	1,340	588	-	478	5,088	-	-	54,008
Direct mail and fundraising expenses	289,680	-	-	-	-	-	8,362	298,120
Insurance	-	6,986	-	-	22,650	-	9,044	139,368
Miscellaneous	3,296	1,268	-	1,196	919	51,958	50,767	140,149
Office expense	7	2,596	-	1,311	9,939	-	1,071	103,840
Professional fees	-	552	-	-	2,210	-	30,570	85,820
Rent	-	-	-	-	-	-	-	144,965
Repairs and maintenance	-	3,431	-	-	12,812	-	-	110,852
Small equipment	-	-	-	-	-	-	-	-
Technology	6,172	5,399	-	1,249	17,986	-	113	136,579
Telephone and utilities	1,328	8,132	-	1,270	31,653	-	638	250,139
Total Support Expenses	301,823	28,952	-	5,504	103,257	51,958	229,124	1,704,744
Other Expenses:								
Interest expense	-	-	-	-	-	-	45,500	45,500
Other expense	-	-	-	-	-	-	-	-
Total Other Expenses	-	-	-	-	-	-	45,500	45,500
Total Expenses	602,935	304,630	-	85,031	1,703,123	51,958	409,501	12,118,648
Increase (Decrease) in Unrestricted Net Assets	55,272	(11,136)	-	854	161,105	133,074	(285,179)	249,503
Temporarily Restricted Support:								
Grants and awards	-	-	-	13,440	-	48,125	40,441	358,118
Funds released for expenditures	-	-	-	(13,440)	-	(135,487)	(40,441)	(445,480)
Increase (Decrease) in Temporarily Restricted Net Assets	-	-	-	-	-	(87,362)	-	(87,362)
Increase (Decrease) in Net Assets	\$ 55,272	\$ (11,136)	\$ -	\$ 854	\$ 161,105	\$ 45,712	\$ (285,179)	\$ 162,141

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES)
YEAR ENDED JUNE 30, 2016

	Title III Services							
	Congregate Meals Program	Home-Bound Meals Program	Buena Park Adult Day Care Program	Case Management Program	Transportation Program	In-Home Support Services	Santa Ana VIP Center	
Unrestricted Support and Revenues:								
Community Support:								
Grants and awards	\$ 1,865,169	\$ 2,624,304	\$ 79,860	\$ 223,537	\$ 259,553	\$ 214,998	\$ -	\$ -
Contributions and donations	394,370	222,984	51,655	4,121	6,634	1,270	-	-
Department of Education meal revenues	-	-	-	-	-	-	-	-
Direct mail and fundraising revenues	300	-	7,592	-	7	-	-	15
Participant fees	-	-	-	-	-	-	-	28,160
Total Community Support	2,259,839	2,847,288	139,107	227,658	266,194	216,268	-	28,175
Revenues:								
Sales of food products	-	-	-	-	-	-	-	-
Insurance/government reimbursements	-	-	35,459	-	-	-	1,166,895	1,245,058
Investment income/loss	-	-	-	-	-	-	-	-
Other income	-	-	1,790	-	-	-	33,228	81,003
Total Revenues	-	-	37,249	-	-	-	1,200,123	1,326,061
Net Assets Released from Restriction	61,435	226,454	-	10,501	-	5,520	240	1,152
Total Unrestricted Support and Revenues	2,321,274	3,073,742	176,356	238,159	266,194	221,788	1,200,363	1,355,388
Expenses:								
Program Expenses:								
Contract expenses	195,643	246,507	3,982	12,438	208,857	151,293	130,503	94,897
Food and supply costs	695,024	1,235,655	29,363	-	-	-	80,100	78,708
Insurance	138,550	147,663	13,232	20,655	6,023	5,859	56,175	62,509
Other program expenses	3,824	4,459	194	733	300	275	15,023	20,820
Personnel expense	1,004,753	1,060,329	96,338	147,310	42,522	42,205	410,670	463,121
Transportation and travel	9,550	15,820	23,592	4,797	507	1,015	360,937	422,443
Vehicle and fuel	29,250	42,986	-	-	-	-	-	-
Total Program Expenses	2,076,594	2,753,419	166,701	185,933	258,209	200,647	1,053,408	1,142,498
Support Expenses:								
Depreciation	54,577	61,965	3,907	4,968	6,542	4,629	-	-
Employment expense	15,339	14,952	1,041	1,586	1,016	798	8,106	6,741
Direct mail and fundraising expenses	-	-	-	-	-	-	-	743
Insurance	36,502	41,581	1,748	2,230	-	2,230	12,750	12,750
Miscellaneous	1,861	2,561	208	152	127	89	9,811	5,848
Office expense	17,490	33,203	1,280	8,991	2	2,741	10,162	11,816
Professional fees	9,763	25,152	1,466	1,466	1,955	489	2,694	2,694
Rent	-	19,602	-	13,069	-	2,649	55,376	52,358
Repairs and maintenance	20,977	27,902	-	3,523	-	1,313	12,383	11,842
Small equipment	564	-	-	-	-	-	-	-
Technology	38,117	26,976	1,202	1,882	113	1,611	12,764	12,806
Telephone and utilities	64,140	82,955	2,710	15,570	220	6,385	21,901	15,355
Total Support Expenses	259,330	336,849	13,562	53,437	9,975	22,934	145,947	132,953
Other Expenses:								
Interest expense	-	-	-	-	-	-	-	-
Other expense	-	-	-	-	-	-	-	-
Total Other Expenses	-	-	-	-	-	-	-	-
Total Expenses	2,335,924	3,090,268	180,263	239,370	268,184	223,581	1,199,355	1,275,451
Increase (Decrease) in Unrestricted Net Assets	(14,650)	(16,526)	(3,907)	(1,211)	(1,990)	(1,793)	1,008	79,937
Temporarily Restricted Support:								
Grants and awards	61,435	226,454	-	10,501	-	5,520	240	1,152
Funds released for expenditures	(61,435)	(226,454)	-	(10,501)	-	(5,520)	(240)	(1,152)
Increase (Decrease) in Temporarily Restricted Net Assets	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets	\$ (14,650)	\$ (16,526)	\$ (3,907)	\$ (1,211)	\$ (1,990)	\$ (1,793)	\$ 1,008	\$ 79,937

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(INCLUDING CORRESPONDING REVENUES) (CONTINUED)
YEAR ENDED JUNE 30, 2016

	Fund Development	Cook/Chill	The Village	Care Transition	Social Meals	Other Grants	General	Total
Unrestricted Support and Revenues:								
Community Support:								
Grants and awards	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,748	\$ 9,929	\$ 5,292,098
Contributions and donations	-	-	-	-	-	-	-	681,034
Department of Education meal revenues	-	-	-	-	-	-	-	-
Direct mail and fundraising revenues	563,887	-	-	-	-	-	24,583	596,384
Participant fees	-	-	-	-	-	-	-	28,160
Total Community Support	563,887	-	-	-	-	14,748	34,512	6,597,676
Revenues:								
Sales of food products	-	198,260	-	-	2,242,921	-	-	2,441,181
Insurance/government reimbursements	-	-	-	63,458	-	-	-	2,510,870
Investment income/loss	-	-	-	-	-	-	29,966	29,966
Other income	-	-	-	-	-	9,110	-	125,131
Total Revenues	-	198,260	-	63,458	2,242,921	9,110	29,966	5,107,148
Net Assets Released from Restriction	-	-	48,306	15,188	-	202,865	47,759	619,420
Total Unrestricted Support and Revenues	563,887	198,260	48,306	78,646	2,242,921	226,723	112,237	12,324,244
Expenses:								
Program Expenses:								
Contract expenses	13,965	8,685	-	19,439	366,316	-	-	1,452,525
Food and supply costs	-	134,137	-	339	1,112,118	-	-	3,365,444
Insurance	27,087	9,296	5,850	6,497	39,553	-	-	538,949
Other program expenses	5,126	-	-	1,444	1,808	-	-	54,006
Personnel expense	193,273	67,018	42,111	46,043	287,121	-	65,820	3,968,634
Transportation and travel	4,800	240	111	900	830	-	19,791	865,333
Vehicle and fuel	-	2,063	-	-	49,106	-	54	123,459
Total Program Expenses	244,251	221,439	48,072	74,662	1,856,852	-	85,665	10,368,350
Support Expenses:								
Depreciation	-	-	-	-	-	-	132,073	268,661
Employment expense	1,809	835	526	479	7,663	-	21,504	82,395
Direct mail and fundraising expenses	275,387	-	383	-	-	25	8,961	285,499
Insurance	-	6,728	-	-	23,783	-	9,198	149,500
Miscellaneous	325	1,252	99	269	863	40,847	52,570	116,882
Office expense	-	2,400	39	264	10,228	-	650	99,266
Professional fees	-	489	(1,279)	-	2,701	-	1,895	49,485
Rent	-	-	-	-	-	-	2	143,056
Repairs and maintenance	-	2,265	-	-	11,703	-	95	92,003
Small equipment	-	-	-	-	-	-	-	564
Technology	6,104	4,347	422	649	15,382	-	-	122,375
Telephone and utilities	1,371	6,618	44	2,325	33,488	-	910	253,992
Total Support Expenses	284,996	24,934	234	3,986	105,811	40,872	227,858	1,663,678
Other Expenses:								
Interest expense	-	-	-	-	-	-	61,533	61,533
Other expense	-	235	-	-	-	-	-	235
Total Other Expenses	-	235	-	-	-	-	61,533	61,768
Total Expenses	529,247	246,608	48,306	78,648	1,962,663	40,872	375,056	12,093,796
Increase (Decrease) in Unrestricted Net Assets	34,640	(48,348)	-	(2)	280,258	185,851	(262,819)	230,448
Temporarily Restricted Support:								
Grants and awards	-	-	48,306	15,188	-	(161,485)	47,759	255,070
Funds released for expenditures	-	-	(48,306)	(15,188)	-	(202,865)	(47,759)	(619,420)
Increase (Decrease) in Temporarily Restricted Net Assets	-	-	-	-	-	(364,350)	-	(364,350)
Increase (Decrease) in Net Assets	\$ 34,640	\$ (48,348)	\$ -	\$ (2)	\$ 280,258	\$ (178,499)	\$ (262,819)	\$ (133,902)

The accompanying notes are an integral part of these financial statements.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Community SeniorServ, Inc. (the “Organization”) prepares and delivers nutritious Meals on Wheels (home delivered meals) to homebound older adults in 20 cities in central and north Orange County. The Organization also provides a Senior Lunch Program (congregate meals) at 26 senior centers. The Organization operates two freestanding adult day health-care centers in Anaheim and Santa Ana and one adult day care center in Buena Park. Additionally, the Organization plans and coordinates case management services for its Meals on Wheels participants and provides in-home supportive services consisting of homemaking, personal care, and chores for these participants as needed. The Organization manufactures bulk food and unitized meals for its social enterprise business. The Organization’s goal is to maintain and enhance the independence, well-being, and dignity of older adults.

Basis of Presentation

The Organization’s resources are classified for accounting and reporting purposes into three net asset categories according to the existence or absence of donor-imposed restrictions. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Accordingly, the net assets of the Organization are classified and reported as follows:

- *Unrestricted Net Assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - Net assets subject to donor-imposed stipulations that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- *Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Cash, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, cash, cash equivalents, and restricted cash include petty cash funds, bank checking accounts used for operating purposes, site deposits, and investments with maturities of three months or less from the original purchase dates.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses (including corresponding revenues). The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Support and Revenue

The majority of the Organization's grants and contracts support are federal pass-through funds from the County of Orange and the State of California. Support received from these grants is recognized on an accrual basis, which is based on funding provided through the term of the individual contracts as specified by the grantor. Other support is derived from client fees contributions from community individuals and businesses.

Revenue from sales of food products is recognized when (i) there is persuasive evidence that an arrangement exists, (ii) delivery of the products has occurred, (iii) the selling price is fixed or determinable, and (iv) collectability is reasonably assured.

Accounts, Grants, and Awards Receivable

The Organization's accounts, grants, and awards receivable is primarily reimbursements and fees from governmental agencies. It is based on services performed by the Organization as written under contractual agreements. Management believes the receivable is collectible and thus did not record an allowance for doubtful amounts for the years ended June 30, 2017 and 2016.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributed Services

A substantial number of volunteers have donated significant amounts of time in the operation of the Organization's various programs. These donated services do not meet the criteria of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605, *Accounting for Contributions Received and Contributions Made*, and accordingly have not been reflected in the accompanying financial statements. The value of such volunteer time was estimated using the minimum wage rates as follows (unaudited):

	2017		
	Number of Volunteers	Number of Hours	Value
Areas of Service:			
Congregate Meals	3,024	51,704	\$ 529,660
Home-Bound Meals	2,895	24,437	251,144
Buena Park Adult Day Care	53	2,682	27,392
Transportation	259	3,571	36,611
Santa Ana VIP Center	17	570	5,726
Anaheim VIP Center	98	688	7,087
Other - Kitchen/Office	<u>941</u>	<u>5,138</u>	<u>52,732</u>
Total	<u><u>7,287</u></u>	<u><u>88,790</u></u>	<u><u>\$ 910,352</u></u>
	2016		
	Number of Volunteers	Number of Hours	Value
Areas of Service:			
Congregate Meals	3,298	58,448	\$ 584,482
Home-Bound Meals	2,476	22,544	225,440
Buena Park Adult Day Care	94	3,164	31,645
Transportation	279	3,745	37,450
Santa Ana VIP Center	11	751	7,505
Anaheim VIP Center	68	738	7,380
Other - Kitchen/Office	<u>563</u>	<u>5,103</u>	<u>51,032</u>
Total	<u><u>6,789</u></u>	<u><u>94,493</u></u>	<u><u>\$ 944,934</u></u>

There were no contributed professional services during the years ended June 30, 2017 and 2016.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments

The Organization records equity securities with readily determinable fair values, and all investments in debt securities, in accordance with FASB ASC 958-320 and subsections (formerly Statement of Financial Accounting Standards No. 124, *Accounting for Certain Investments Held by Not-for-Profit Foundations*). This standard requires these types of investments to be reported at fair value, with gains and losses included in the statement of activities.

The Organization's investments are reported at their fair value in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, less external and direct internal investment expense. During the year ended June 30, 2017, the Organization incurred \$16,772 of management fees associated with its investments.

Inventory

Inventory is valued at cost using a weighted average on a first-in, first-out basis.

Property, Plant, and Equipment

All capital assets with a value of \$1,000 or more are capitalized into property, plant, and equipment. Property, plant, and equipment are stated at cost if purchased or estimated fair value if donated. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years for intellectual property, 3 to 15 years for equipment, furniture and fixtures, and vehicles, and over 20 to 50 years for building and improvements. Depreciation expense for the years ended June 30, 2017 and 2016, was approximately \$241,000 and \$269,000, respectively.

Unpaid Compensated Absences

The Organization accrues a liability for all employee vacation time and related benefits that have been earned but not paid. The amount of this liability at June 30, 2017 and 2016, totaled approximately \$191,000 and \$195,000, respectively (see Note 4).

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Unpaid Compensated Absences (Continued)

Employees of the Organization are entitled to be paid sick leave depending upon classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for such future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually incurred.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code") and corresponding state code as a charitable organization whereby only unrelated business income, as identified by Section 509(a)(1) of the Code, is subject to income tax. The Organization had no unrelated business income during the years ended June 30, 2017 and 2016. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). In accordance with ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of ASC 740-10-25 had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties. The Organization's tax returns from 2013 to 2015 are open to review for federal income tax purposes and tax returns from 2012 to 2015 are open to review for state income tax purposes.

Long-Lived Assets and Asset Impairment

The Organization accounts for long-lived assets in accordance with the FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. At June 30, 2017 and 2016, no impairment losses have been recorded.

Website Development

In accordance with FASB ASC 350-10, *Accounting for Web Site Development Costs*, the Organization has capitalized \$12,426, which is included in property, plant, and equipment at both June 30, 2017 and 2016. The capitalized amount is fully amortized and included in accumulated depreciation in the accompanying statements of financial position.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

Accounting Policy for Contributed Property and Equipment

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Use of Estimates

The preparation of 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 gains, and expenses and losses. 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.

Direct Mail and Fundraising Costs

Direct mail and fundraising costs are charged to operations when incurred.

New Pronouncements

In July 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-11, *Inventory (Topic 330)*, which requires inventory to be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The ASU does not apply to inventory that is measured using the last-in, first-out or retail inventory method. ASU 2015-11 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted prospectively as of the beginning of an interim or annual reporting period. The Organization is currently evaluating the impact of the provisions of ASU 2015-11 on the presentation of its financial statements.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize lease assets and liabilities for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies (Continued)

New Pronouncements

On August 18, 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which finalizes proposed ASU 2015-230 and simplifies and improves the manner in which a not-for-profit entity classifies its net assets, as well as the information that it presents in financial statements and notes concerning liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted prospectively as of the beginning of an interim or annual reporting period. The Organization is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Organization obtained a substantial portion of its support from two sources. During the years ended June 30, 2017 and 2016, support received from these sources aggregated approximately \$5,256,000 and \$6,383,000, respectively. At June 30, 2017 and 2016, amounts due from these sources included in accounts, grants, and awards receivable were approximately \$862,000 and \$897,000, respectively.

The Organization purchased approximately 26 percent of its raw materials from two suppliers during the year ended June 30, 2017. The Organization purchased approximately 16 percent of its raw materials from one supplier during the year ended June 30, 2016. At June 30, 2017 and 2016, amounts due to the suppliers reflected in accounts payable aggregated approximately \$100,000 and \$33,000, respectively.

Credit is extended for some customers and is based on financial condition, and generally, collateral is not required.

The Organization maintains cash and cash equivalent balances at a financial institution. At June 30, 2017 and 2016, the accounts were Federal Deposit Insurance Corporation insured up to \$250,000. At June 30, 2017 and 2016, the Organization's balance in excess of the federally insured limit was approximately \$2,360,000 and \$2,716,000, respectively.

The Organization also maintained cash equivalent balances at institutions that are insured by the Securities Investor Protection Corporation ("SIPC"). At June 30, 2017 and 2016, the Organization's balance in excess of the SIPC insured limit was approximately \$1,453,000 and \$1,385,000, respectively.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 3: Inventory

Inventory consists of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Food	\$ 82,544	\$ 106,033
Supplies	<u>60,517</u>	<u>72,432</u>
Total Inventory	<u>\$ 143,061</u>	<u>\$ 178,465</u>

Note 4: Accrued Liabilities

Accrued liabilities at June 30, 2017 and 2016, consist of the following:

	<u>2017</u>	<u>2016</u>
Accrued salaries, wages, and bonuses	\$ 351,226	\$ 354,228
Other accrued expenses	<u>506,893</u>	<u>489,404</u>
Total Accrued Liabilities	<u>\$ 858,119</u>	<u>\$ 843,632</u>

Note 5: Commitments and Contingencies

Grant Contingencies

Periodic audits may be performed by granting agencies, and certain costs may be questioned as not being reimbursable expenditures under the terms of various grant contracts. At June 30, 2016, there were no material contingent liabilities associated with these contracts.

Operating Leases

The Organization is obligated under the terms of operating leases for the rental of certain facilities and various office equipment. Total rental expense for the years ended June 30, 2017 and 2016, was approximately \$163,000 and \$143,000, respectively. These amounts are included in the statements of functional expenses (including corresponding revenues). Future minimum rental payments for each of the next five years ending June 30 are as follows:

2018	\$ 104,874
2019	61,132
2020	10,303
2021	10,303
2022	<u>8,586</u>
	<u>\$ 195,198</u>

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 6: Note Payable

Note payable as of June 30, 2017 and 2016, consists of the following:

	<u>2017</u>	<u>2016</u>
Note payable to California Health Facilities Financing Authority, payable in monthly principal and interest payments of approximately \$14,000, bearing interest at a rate of 6.5% annually. The note matures in December 2022 and is secured by real property.	\$ 732,917	\$ 843,750
Less: Current portion	(117,917)	(110,833)
Total Long-Term Debt	\$ 615,000	\$ 732,917

The following are the maturities of long-term debt for each of the next five years ending June 30:

2018	\$ 117,917
2019	125,833
2020	132,917
2021	140,833
2022 and thereafter	215,417
Total Long-Term Debt	\$ 732,917

Note 7: Employee Benefit Plan

The Organization has established a retirement savings plan under Code Section 403(b), whereby the Organization's employees may elect to defer portions of their compensation. In accordance with the terms of the plan, individuals may contribute compensation earnings pretax to the plan, up to the annual maximum as prescribed by law. The Organization may make discretionary contributions to the plan at the discretion of the Board of Directors. Plan assets are exclusively invested in tax-sheltered annuities in each individual's name with selected insurance companies. Distributions are made upon the occurrence of the participants' termination, retirement, death, or total disability and in a manner in accordance with the election made by the participant. Assets of the plan are not reflected in the accompanying financial statements. For the years ended June 30, 2017 and 2016, the Organization made matching contributions of approximately \$38,000 and \$35,000, respectively.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash and various capital assets net of accumulated depreciation. The restricted cash is for future expenditures in relation to various programs, and the debt service restricted cash is restricted until the note payable matures. The restricted various capital assets consist of capital assets that were purchased with pass-through federal funds and are net of accumulated depreciation. The capital assets are considered temporarily restricted due to the fact that the assets cannot be disposed of without approval from the program administrator. Temporarily restricted net assets as of June 30, 2017 and 2016, consist of the following:

	2017	2016
Debt service restricted cash	\$ 168,063	\$ 168,063
Various capital assets, net	282,326	322,766
Cash restricted for time or use	428,615	475,537
Total Temporarily Restricted Net Assets	\$ 879,004	\$ 966,366

Note 9: Allocation of Joint Costs

For the years ended June 30, 2017 and 2016, the Organization conducted activities that included appeals for contributions and incurred joint costs of \$298,120 and \$286,195, respectively. For the years ended June 30, 2017 and 2016, these activities included costs from direct mail campaigns totaling \$120,964 and \$103,724, respectively, and special event costs totaling \$177,156 and \$182,471, respectively.

Note 10: Fair Value Measurements

FASB ASC 820-10 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 10: Fair Value Measurements (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability'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.

The 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 June 30, 2017 and 2016.

Common Stocks, Corporate Bonds, and U.S. Government Securities: Valued at the closing price and reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange-Traded Products: An exchange-traded product tracks an index fund and trades like a common stock on a stock exchange, and it is valued throughout the trading day using the Intraday Indicative Value. This value is calculated by the exchange and is published throughout the trading day.

The preceding methods 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.

COMMUNITY SENIORSERV, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

Note 10: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets, measured on a recurring basis, at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash, money market, and bank deposits	\$ 9,981	\$ -	\$ -
Common stocks	71,008	-	-
Exchange-traded products	1,289,917	-	-
Mutual funds	<u>690,002</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,060,908</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets, measured on a recurring basis, at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash, money market, and bank deposits	\$ 10,011	\$ -	\$ -
Common stocks	62,701	-	-
Exchange-traded products	1,246,272	-	-
Mutual funds	<u>661,813</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,980,797</u>	<u>\$ -</u>	<u>\$ -</u>

Note 11: Related-Party Transactions

During the year ended June 30, 2017, the Organization paid one of its board members for consulting services totaling approximately \$15,000. At June 30, 2017, amount due to the related party totaled \$500. There were no related-party transactions for the year ended June 30, 2016.

Note 12: Subsequent Events

Events occurring after June 30, 2017, have been evaluated for possible adjustment to the financial statements or disclosure as of November 7, 2017, which is the date the financial statements were available to be issued.