

**ROCHESTER SENIOR CENTER FOUNDATION
ROCHESTER, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2010**

ROCHESTER SENIOR CENTER FOUNDATION

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Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rochester Senior Center Foundation
Rochester, Minnesota

We have audited the accompanying statements of financial position of Rochester Senior Center Foundation as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Senior Center Foundation as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
February 9, 2011

ROCHESTER SENIOR CENTER FOUNDATION

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 478,755	\$ 137,163
Investments, at market (Note 3):		
Money market accounts	20,262	47,765
Certificates of deposit		242,317
Mutual funds	560,372	680,676
Accounts receivable	3,182	3,843
Inventories	6,322	7,279
Prepaid expenses	725	600
Other	9,765	500
Total Current Assets	<u>1,079,383</u>	<u>1,120,143</u>
Property and Equipment		
Equipment	65,340	65,340
Less: Accumulated depreciation	<u>24,323</u>	<u>17,789</u>
Property and Equipment, Net	<u>41,017</u>	<u>47,551</u>
TOTAL ASSETS	<u>\$ 1,120,400</u>	<u>\$ 1,167,694</u>

See Notes to the Financial Statements

LIABILITIES AND NET ASSETS	2010	2009
Current Liabilities		
Grant payable to Senior Citizens Services, Inc.	\$ 21,415	\$ 28,465
Accounts payable:		
Senior Citizen Services, Inc.		17,069
Other	8,608	4,048
Funds held for the benefit of others (Note 4)	154,812	193,198
Accrued payroll and related liabilities	7,406	7,726
	<u>192,241</u>	<u>250,506</u>
Total Current Liabilities		
Net Assets		
Unrestricted	<u>928,159</u>	<u>917,188</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,120,400</u></u>	 <u><u>\$ 1,167,694</u></u>

ROCHESTER SENIOR CENTER FOUNDATION

STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2010 and 2009

	2010	2009
Investment Income		
Interest and dividend income	\$ 15,156	\$ 20,215
Realized and unrealized gain on investments	82,287	126,488
Total Investment Income	<u>97,443</u>	<u>146,703</u>
Charitable Gambling and Concessions (Note 2)		
Gambling and concession revenue, net of prizes	550,355	580,196
Gambling and concession operating expenses	(513,198)	(568,508)
Charitable Gambling, Net	<u>37,157</u>	<u>11,688</u>
Total Revenues	<u>134,600</u>	<u>158,391</u>
Public Support		
Contributions	<u>8,859</u>	<u>11,787</u>
Total Revenue and Public Support	<u>143,459</u>	<u>170,178</u>
Expenses		
Salaries and benefits	67,632	70,371
Fundraising	250	1,038
Depreciation	2,976	2,976
Professional fees	7,836	6,290
Insurance	1,148	1,148
Miscellaneous	2,331	1,533
Total Expenses	<u>82,173</u>	<u>83,356</u>
Change in Net Assets Before Contributions Made	61,286	86,822
Contributions to Senior Citizen's Services, Inc.	<u>50,315</u>	<u>54,373</u>
Change in Net Assets	10,971	32,449
Net Assets - January 1	<u>917,188</u>	<u>884,739</u>
Net Assets - December 31	<u>\$ 928,159</u>	<u>\$ 917,188</u>

See Notes to the Financial Statements

ROCHESTER SENIOR CENTER FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Interest and dividend income received	\$ 15,156	\$ 20,215
Contributions received	9,009	11,637
Cash received from gambling and concessions net of related operating expenses	46,798	11,222
Reimbursement paid to Senior Citizen's Services, Inc. for wages and benefits	(84,701)	(69,769)
Cash paid to vendors	(21,330)	(10,009)
Contributions to Senior Citizens Services, Inc.	(57,365)	(25,908)
Net Cash Used By Operating Activities	<u>(92,433)</u>	<u>(62,612)</u>
Cash Flows From Investing Activities		
Proceeds from sale (purchases) of investments	472,411	(122,235)
Increase (decrease) in funds held on behalf of others	(38,386)	92,702
Net Cash Provided (Used) By Investing Activities	<u>434,025</u>	<u>(29,533)</u>
Cash Flows From Financing Activities		
Principal payments on debt		<u>(8,715)</u>
Net Cash Used By Financing Activities		<u>(8,715)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	341,592	(100,860)
Cash and Cash Equivalents - January 1	137,163	238,023
Cash and Cash Equivalents - December 31	\$ 478,755	\$ 137,163
Reconciliation of Change in Net Assets to Net Cash Used By Operating Activities		
Change in Net Assets	\$ 10,971	\$ 32,449
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	6,533	6,533
Realized and unrealized gain on investments	(82,287)	(142,955)
(Increase) decrease in accounts receivable	661	(574)
(Increase) decrease in inventory and prepaid expenses	(8,432)	376
Increase (decrease) in accounts payable	(12,509)	13,564
Increase (decrease) in grant payable to Senior Citizen Services, Inc.	(7,050)	28,465
Increase (decrease) in accrued liabilities	(320)	(470)
Net Cash Used By Operating Activities	<u>\$ (92,433)</u>	<u>\$ (62,612)</u>

See Notes to the Financial Statements

ROCHESTER SENIOR CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Organization

Rochester Senior Center Foundation, the Organization, provides financial resources and fundraising services to Senior Citizens Services, Inc. which is the sole member of the Foundation.

Tax Status

The Organization is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

The Organization's federal income tax returns are subject to examination by the IRS, generally for three years after they were filed.

Cash and Cash Equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit, money market and mutual funds valued at fair value.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. No allowance for bad debts has been recorded in the financial statements. Management believes all accounts receivable are collectable. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory is stated at cost on a first-in first-out basis.

Property and Depreciation

Property is recorded at cost. Donated property is recorded at the estimated fair value of the items at the date of receipt. Expenditures for repairs and maintenance are charged to expense as incurred, while betterments are capitalized. Depreciation is computed using the straight-line method based on the following estimated useful lives of the property:

Equipment

10 Years

ROCHESTER SENIOR CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor's restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 activity as net assets released from restrictions.

Contributions, including unconditional promises to give, are recorded as made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value.

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills. No contributed services were recognized by the Organization during the years ended December 31, 2010 and 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the period. Actual results could differ from the estimates.

Fair Value

Certificates of deposits are carried in the financial statements at cost, which approximates fair value due to the short-term duration of the maturities. Fair value is measured using level one inputs, defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Money market accounts and mutual funds are carried in the financial statements at fair value. Fair value is measured using level one inputs, defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

ROCHESTER SENIOR CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Charitable Gambling and Concessions Operations

The Organization operates a charitable gambling operation at Flamingo Bingo in Rochester, Minnesota and reports the results of its charitable gambling operations to the State of Minnesota's Gambling Control Board. Net charitable gambling and concessions revenues for the years ended December 31, 2010 and 2009 were as follows:

	Bingo Games	Pull-Tab Games	Other	Concessions	2010	2009
Gross Income	\$ 1,153,540	\$ 229,740	\$ 3,182	\$ 103,680	\$ 1,490,142	1,583,293
Prize pay-outs	(781,169)	(158,618)			(939,787)	(1,003,097)
Net Charitable Gambling Revenue	\$ 372,371	\$ 71,122	\$ 3,182	\$ 103,680	\$ 550,355	\$ 580,196

Charitable gambling and concessions operating expenses for the years ended December 31, 2010 and 2009 were as follows:

Charitable gambling operating expenses

	2010	2009
Salaries and benefits	\$ 164,258	\$ 186,330
Cost of goods sold	29,711	29,212
Rent	42,816	52,464
Utilities	48,245	49,701
Professional fees	10,470	23,615
Equipment and maintenance	16,126	16,377
Taxes, fees and insurance	78,373	81,877
Depreciation	3,007	3,007
Miscellaneous	15,740	14,033
Total charitable gambling operating costs	408,746	456,616

Concessions expenses

Salaries and benefits	34,816	35,130
Purchases	56,964	63,250
Utilities	2,280	2,321
Taxes, fees and insurance	7,931	8,179
Depreciation	550	550
Miscellaneous	1,911	2,462
Total concessions operating costs	104,452	111,892
Total gambling and concessions expenses	\$ 513,198	\$ 568,508

ROCHESTER SENIOR CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Investments

	Cost	Market Value	Unrealized Gain
<u>December 31, 2010</u>			
Money market accounts	\$ 20,262	\$ 20,262	\$
Mutual funds	460,971	560,372	99,401
Total	<u>\$ 481,233</u>	<u>\$ 580,634</u>	<u>\$ 99,401</u>
<u>December 31, 2009</u>			
Money market accounts	\$ 47,765	\$ 47,765	\$
Certificates of deposit	242,317	242,317	
Mutual funds	657,375	686,716	29,341
Total	<u>\$ 947,457</u>	<u>\$ 976,798</u>	<u>\$ 29,341</u>

4. Funds Held For the Benefit of Others

The Foundation has received funds from Senior Citizen's Services, Inc. to be held by the Foundation and invested for the benefit of Senior Citizen's Services, Inc. The receipt of these funds and any related investment earnings related to these funds are not included in the revenues of the Foundation. Investments and an offsetting liability are recorded in the accompanying statement of financial position.

5. Commitments

The Foundation leases its charitable gambling facility under a lease arrangement expiring December 31, 2010, which requires the Foundation to make monthly payments of \$4.75 per square foot for 2009 and \$3.88 per square foot for 2010 for 11,040 square feet, not to exceed \$4,372 in 2009 and \$3,568 in 2010 per month. Rental expense under this agreement totaled \$42,816 and \$52,464 for the years ended December 31, 2010 and 2009. A new lease agreement was signed in January 2011 which requires monthly payments of \$3.96 per square foot for 2011. The lease is month to month and can be terminated by providing notice 30 days prior to termination.

ROCHESTER SENIOR CENTER FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Purchase of Real Estate

The Foundation signed a purchase agreement to acquire real estate for a new Senior Center facility with an expected closing date of February 15, 2011. The agreement requires \$5,000 earnest money deposit and \$495,000 due on the closing date. The property will be leased back under a net lease to the seller for five years with payments of \$38,400 annually. The tenant will pay all maintenance, repairs, replacements, utilities, real estate taxes, services and expenses related to the leased premises during the term of the lease.

7. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 9, 2011, the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

ROCHESTER SENIOR CENTER FOUNDATION

STATEMENTS OF FINANCIAL POSITION BY FUND

December 31, 2010

(With Comparative Totals for December 31, 2009)

ASSETS	General Operations	Charitable Gambling	Concessions	Eliminations	2010	2009
Current Assets						
Cash and cash equivalents	\$ 396,463	\$ 78,626	\$ 3,666	\$	\$ 478,755	\$ 137,163
Investments, at market:						
Money market accounts	20,262				20,262	47,765
Certificates of deposit						242,317
Mutual funds	560,372				560,372	680,676
Accounts receivable		3,182			3,182	3,843
Inventories		2,851	3,471		6,322	7,279
Receivable from Charitable Gambling and Concessions	92,500			(92,500)		
Prepaid expenses		725			725	600
Other	9,765				9,765	500
Total Current Assets	1,079,362	85,384	7,137	(92,500)	1,079,383	1,120,143
Property and Equipment						
Equipment	29,765	30,075	5,500		65,340	65,340
Less: Accumulated depreciation	10,427	11,696	2,200		24,323	17,789
Property and Equipment, Net	19,338	18,379	3,300		41,017	47,551
TOTAL ASSETS	\$ 1,098,700	\$ 103,763	\$ 10,437	\$ (92,500)	\$ 1,120,400	\$ 1,167,694

LIABILITIES AND NET ASSETS	General Operations	Charitable Gambling	Concessions	Eliminations	2010	2009
Current Liabilities						
Grant payable to Senior Citizens Services, Inc.	\$ 21,415	\$	\$	\$	\$ 21,415	\$ 28,465
Accounts payable:						
Senior Citizen Services, Inc.						17,069
Others		6,083	2,525		8,608	4,048
Funds held for the benefit of others	154,812				154,812	193,198
Accrued payroll and related liabilities		5,890	1,516		7,406	7,726
Payable to General Operations		65,000	27,500	(92,500)		
Total Liabilities	176,227	76,973	31,541	(92,500)	192,241	250,506
Net Assets						
Unrestricted	922,473	26,790	(21,104)		928,159	917,188
TOTAL LIABILITIES AND NET ASSETS	\$ 1,098,700	\$ 103,763	\$ 10,437	\$ (92,500)	\$ 1,120,400	\$ 1,167,694

ROCHESTER SENIOR CENTER FOUNDATION

STATEMENTS OF ACTIVITY AND CHANGES IN NET ASSETS BY FUND
 For the Year Ended December 31, 2010
 (With Comparative Totals for the Year Ended December 31, 2009)

	Unrestricted			Eliminations	2010	2009
	General Operations	Charitable Gambling	Concessions			
Investment Income						
Interest and dividend income	\$ 15,037	\$ 119	\$	\$	\$ 15,156	\$ 20,215
Realized and unrealized gain on investments	82,287				82,287	126,488
Total Investment Income	97,324	119			97,443	146,703
Charitable Gambling						
Gambling proceeds, net of prizes		446,675			446,675	469,675
Concession sales			103,680		103,680	110,521
Gambling expenses		(408,746)			(408,746)	(456,616)
Concessions operating expenses			(104,452)		(104,452)	(111,892)
Charitable Gambling, Net		37,929	(772)		37,157	11,688
Total Revenues	97,324	38,048	(772)		134,600	158,391
Public Support						
Contributions	8,859				8,859	11,787
Total Revenue and Public Support	106,183	38,048	(772)		143,459	170,178
Expenses						
Salaries and benefits	67,632				67,632	70,371
Fundraising	250				250	1,038
Depreciation	2,976				2,976	2,976
Professional fees	7,836				7,836	6,290
Insurance	1,148				1,148	1,148
Miscellaneous	2,331				2,331	1,533
Total Expenses	82,173				82,173	83,356
Change in Net Assets Before Contributions Made	24,010	38,048	(772)		61,286	86,822
Contributions to Senior Citizen's Services, Inc.	21,415	28,900			50,315	54,373
Change in Net Assets	2,595	9,148	(772)		10,971	32,449
Net Assets - January 1	919,878	17,642	(20,332)		917,188	884,739
Net Assets - December 31	\$ 922,473	\$ 26,790	\$ (21,104)	\$	\$ 928,159	\$ 917,188

ROCHESTER SENIOR CENTER FOUNDATION

STATEMENTS OF CASH FLOWS BY FUND

For the Year Ended December 31, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Unrestricted			Consolidating Eliminations	2010	2009
	General Operations	Charitable Gambling	Concessions			
Cash Flows From Operating Activities						
Interest and dividend income received	\$ 15,037	\$ 119	\$	\$	\$ 15,156	\$ 20,215
Contributions received	9,009				9,009	11,637
Cash received from gambling and concessions net of related operating expenses		44,713	2,085		46,798	11,222
Reimbursement paid to Senior Citizen's Services, Inc. for wages and benefits	(84,701)				(84,701)	(69,769)
Cash paid to vendors	(21,330)				(21,330)	(10,009)
Contributions to Senior Citizens Services, Inc.	(28,465)	(28,900)			(57,365)	(25,908)
Net Cash Provided (Used) By Operating Activities	(110,450)	15,932	2,085		(92,433)	(62,612)
Cash Flows From Investing Activities						
Proceeds from sale (purchases) of investments	472,411				472,411	(122,235)
Increase (decrease) in funds held for others	(38,386)				(38,386)	92,702
Net Cash Provided (Used) By Investing Activities	434,025				434,025	(29,533)
Cash Flows From Financing Activities						
Principal payments on debt						(8,715)
Net Increase (Decrease) in Cash and Cash Equivalents	323,575	15,932	2,085		341,592	(100,860)
Cash and Cash Equivalents - January 1	72,888	62,694	1,581		137,163	238,023
Cash and Cash Equivalents - December 31	\$ 396,463	\$ 78,626	\$ 3,666		\$ 478,755	\$ 137,163

Reconciliation of Change in Net Assets to
Net Cash Provided By (Used In) Operating Activities

Change in Net Assets	\$ 2,595	\$ 9,148	\$ (772)	\$	\$ 10,971	\$ 32,449
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
Depreciation	2,976	3,007	550		6,533	6,533
Realized and unrealized (gain) on investments	(82,287)				(82,287)	(142,955)
(Increase) decrease in accounts receivable	150	511			661	(574)
(Increase) in inventory		394	564		958	126
(Increase) decrease in prepaid expenses	(9,765)	(125)			(9,890)	250
(Increase) in other assets		500			500	
Increase (decrease) in accounts payable	(17,069)	2,714	1,846		(12,509)	13,564
Increase (decrease) in grants payable to Senior Citizen Services, Inc.	(7,050)				(7,050)	28,465
Increase (decrease) in accrued liabilities		(217)	(103)		(320)	(470)
Net Cash Provided (Used) By Operating Activities	\$ (110,450)	\$ 15,932	\$ 2,085		\$ (92,433)	\$ (62,612)