

**SENIOR CITIZENS SERVICES, INC.
ROCHESTER, MINNESOTA**

**FINANCIAL STATEMENT
DECEMBER 31, 2010**

SENIOR CITIZENS SERVICES, INC.

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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
Senior Citizens Services, Inc.
Rochester, Minnesota

We have audited the accompanying statement of financial position of Senior Citizens Services, Inc. as of December 31, 2010 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated February 8, 2010, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 Senior Citizens Services, Inc. as of December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
February 9, 2011

SENIOR CITIZENS SERVICES, INC.

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

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 139,820	\$ 54,703
Investments, at market	154,812	193,198
Accounts receivable	39,869	24,981
Receivable from Rochester Senior Center Foundation:		
Grant	21,415	28,465
Other		17,069
Pledges receivable (Note 4):		
Estate bequest		97,719
Prepaid expenses	11,518	10,956
	<u>367,434</u>	<u>427,091</u>
Property and Equipment, at cost		
Land	147,588	147,588
Leasehold improvements	357,372	354,837
Parking lot improvements	70,625	70,625
Office furniture and equipment	123,436	122,205
Equipment	252,896	250,096
Total Property and Equipment	<u>951,917</u>	<u>945,351</u>
Less: Accumulated depreciation	<u>602,368</u>	<u>559,189</u>
	<u>349,549</u>	<u>386,162</u>
Other Assets		
Interest in net assets of Rochester Senior Center Foundation (Note 3)	<u>928,159</u>	<u>917,188</u>
TOTAL ASSETS	<u>\$ 1,645,142</u>	<u>\$ 1,730,441</u>

See Notes to the Financial Statements

LIABILITIES AND NET ASSETS	2010	2009
Current Liabilities		
Accounts payable	\$ 14,330	\$ 8,796
Accrued liabilities	819	657
Current maturities of long-term debt (Note 5)	1,478	2,848
Deferred revenue	22,180	22,180
	<hr/>	<hr/>
Total Current Liabilities	38,807	34,481
Long Term Debt (Note 5)		
	<hr/>	1,478
Total Liabilities	38,807	35,959
Net Assets		
Unrestricted:		
Undesignated:		
General	327,427	395,458
Invested in property and equipment, net of debt	348,071	381,836
Temporarily restricted (Note 9)	2,678	
Interest in Rochester Senior Center Foundation	928,159	917,188
	<hr/>	<hr/>
Total Net Assets	1,606,335	1,694,482
TOTAL LIABILITIES AND NET ASSETS	\$ 1,645,142	\$ 1,730,441
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SENIOR CITIZENS SERVICES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

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

	2010			2009 Totals
	Unrestricted	Temporarily Restricted	Totals	
Public Support				
Contributions:				
General	\$ 73,294	\$ 2,500	\$ 75,794	\$ 151,625
United Way	2,626		2,626	
In-kind contributions	197,305		197,305	193,449
Special events, net (Note 6)	52,946		52,946	36,248
Grants	104,938	36,902	141,840	144,240
Total Public Support	431,109	39,402	470,511	525,562
Revenues				
Purchase of service contracts	247,727		247,727	272,572
Headstart service contract, net (Note 8)	60,736		60,736	60,848
Membership dues	47,366		47,366	46,297
Program fees	165,566		165,566	188,102
Miscellaneous	42,343		42,343	49,340
Total Revenues	563,738		563,738	617,159
Net Assets Released from Restrictions (Note 9)				
	36,724	(36,724)		
Total Support and Revenues	1,031,571	2,678	1,034,249	1,142,721
Expenses				
Program services				
Senior Center activities	573,171		573,171	648,582
Dining	454,758		454,758	473,903
Senior support services	49,238		49,238	47,390
Total Program Services	1,077,167		1,077,167	1,169,875
Supporting services				
Fundraising	11,730		11,730	13,684
General and administrative	97,405		97,405	112,805
Total Supporting Services	109,135		109,135	126,489
Total Expenses	1,186,302		1,186,302	1,296,364
Operating Income (Loss)	(154,731)	2,678	(152,053)	(153,643)
Non-Operating Income (Expense)				
Equity transactions with Rochester Senior Center Foundation (Note 3)				
	50,315		50,315	54,373
Change in interest in net assets of Rochester Senior Center Foundation				
	10,971		10,971	32,449
Interest income	2,620		2,620	3,454
Change in Net Assets	(90,825)	2,678	(88,147)	(63,367)
Net Assets - January 1	1,694,482		1,694,482	1,757,849
Net Assets - December 31	\$ 1,603,657	\$ 2,678	\$ 1,606,335	\$ 1,694,482

See Notes to the Financial Statements

SENIOR CITIZENS SERVICES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Contributions received	\$ 214,946	\$ 350,409
Grants received	104,938	123,340
Purchase of service contracts received	307,714	356,742
Member dues received	47,366	50,212
Program fees received	165,566	188,102
Interest income received	2,620	3,454
Other miscellaneous cash receipts	42,343	49,340
Cash paid to vendors	(423,632)	(513,571)
Cash paid to employees	(463,081)	(539,806)
	<u>(1,220)</u>	<u>68,222</u>
Net Cash Provided (Used) By Operating Activities		
Cash Flows From Investing Activities		
Net (increase) decrease in investments	38,386	(92,702)
Equipment purchases and building improvements	(6,566)	(9,268)
	<u>31,820</u>	<u>(101,970)</u>
Net Cash Provided (Used) By Investing Activities		
Cash Flows From Financing Activities		
Equity transactions with Rochester Senior Center Foundation	57,365	25,908
Payment of long-term debt	(2,848)	(2,710)
	<u>54,517</u>	<u>23,198</u>
Net Cash Provided By Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	85,117	(10,550)
Cash and Cash Equivalents - January 1	54,703	65,253
Cash and Cash Equivalents - December 31	\$ 139,820	\$ 54,703

See Notes to the Financial Statements

	2010	2009
Reconciliation of Change in Net Assets to Net Cash Provided (Used) By Operating Activities		
Change in Net Assets	\$ (88,147)	\$ (63,367)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	43,179	48,536
Change in interest in net assets of Rochester Senior Center Foundation	(61,286)	(86,822)
Decrease in receivables	99,900	170,644
(Increase) decrease in prepaid expenses	(562)	1,372
Increase (decrease) in accounts payable	5,534	(6,056)
Increase in other liabilities	162	3,915
Net Cash Provided (Used) By Operating Activities	<u>\$ (1,220)</u>	<u>\$ 68,222</u>
Supplemental Disclosure of Non-cash Transactions		
Donated facility use and waste removal	\$ 197,305	\$ 193,449
Facility maintenance paid by the City of Rochester	36,902	20,900

See Notes to the Financial Statements

SENIOR CITIZENS SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010

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

	Program Services			
	Senior Center Activities	Dining	Senior Support Services	Total
Salaries	\$ 192,107	\$ 139,892	\$ 41,613	\$ 373,612
Employee benefits	19,012	9,603		28,615
Payroll taxes and workmen's compensation	16,482	15,099	3,598	35,179
Total salaries and related expenses	227,601	164,594	45,211	437,406
Professional fees	6,605	3,407	379	10,391
Recreation and supplies	78,870	14,257	450	93,577
Telephone	4,979	5,740	632	11,351
Postage	2,331	906	372	3,609
Rent	117,428	63,527		180,955
Insurance	7,316	9,641		16,957
Equipment and building repairs	3,509	3,922		7,431
Maintenance	27,683	20,270		47,953
Printing and copying	814		64	878
Contract fees		28,092		28,092
Raw foods		96,402		96,402
Subscriptions	1,767	445		2,212
Utilities	42,514	23,150		65,664
Conferences	2,426	284	125	2,835
Accreditation	3,150			3,150
Service agreements	9,988	5,277	729	15,994
Transportation	55	3,702	909	4,666
Marketing	5,470	246		5,716
Miscellaneous	161	193		354
Total expenses before depreciation	542,667	444,055	48,871	1,035,593
Depreciation expense	30,504	10,703	367	41,574
TOTAL EXPENSES	\$ 573,171	\$ 454,758	\$ 49,238	\$ 1,077,167

See Notes to the Financial Statements

Supporting Services

Fundraising	General and Administrative	Total	Totals	
			2010	2009
\$ 7,895	\$ 63,158	\$ 71,053	\$ 444,665	\$ 479,713
781	6,251	7,032	35,647	44,879
677	5,419	6,096	41,275	50,896
9,353	74,828	84,181	521,587	575,488
	348	348	10,739	11,930
	4,481	4,481	98,058	109,458
	356	356	11,707	11,397
	167	167	3,776	4,259
1,925	9,625	11,550	192,505	202,905
	590	590	17,547	21,100
	283	283	7,714	15,817
	2,233	2,233	50,186	32,260
			878	2,084
			28,092	28,153
			96,402	111,965
	93	93	2,305	3,201
452	2,261	2,713	68,377	81,448
			2,835	3,353
			3,150	
	526	526	16,520	18,241
			4,666	6,701
			5,716	5,648
	9	9	363	2,420
11,730	95,800	107,530	1,143,123	1,247,828
	1,605	1,605	43,179	48,536
\$ 11,730	\$ 97,405	\$ 109,135	\$ 1,186,302	\$ 1,296,364

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Senior Citizens Services, Inc. is a non-profit corporation organized under the laws of the State of Minnesota for the purpose of providing a broad spectrum of services, including health, social, educational, and recreational services, and to serve as a focal point for the delivery of services to older adults in the community. Through programs and services where older adults come together Senior Citizens Services, Inc. enriches the lives of older adults by utilizing their experience and skills, responding to their needs and interests, enhancing their dignity, supporting their independence, and encouraging their involvement in the community.

The Organization's primary sources of revenue are from grants, purchase of service contracts, and public contributions.

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 activities as net assets released from restrictions.

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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.

Functional Allocation of Expenses

Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on space utilization.

Donated Materials

Contributed materials are recorded as revenue at their estimated value on the date of receipt.

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.

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Investments

Investments consist of funds held and invested by the Rochester Senior Center Foundation for the benefit of the Organization and 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.

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.

Property and Depreciation

Property and equipment are 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. It is the policy of the Organization to provide depreciation based on the estimated useful life of individual assets. Assets are depreciated on the straight-line method over an estimated useful life of three to twenty years.

Prior Year Comparative Totals

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Revenue Recognition

Membership dues are recognized as revenue on a pro-rata basis over the period to which the membership relates. Dues received related to future periods are recorded as deferred revenue.

Tax Status

The Organization is exempt from state and federal income taxes under Sec. 501(c)(3) of the Internal Revenue Code and similar provisions of Minnesota statutes.

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

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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 reporting period. Actual results could differ from the estimates.

2. Vulnerability Due to Concentration of Funding Sources

The Organization received approximately \$415,613 and \$430,286 of support from federal, state and local governments for the years ended December 31, 2010 and 2009, respectively. A significant reduction in the level of this support, if this were to occur, may have a significant impact on the Organization's programs and activities.

3. Rochester Senior Center Foundation

Senior Citizens Services, Inc. is affiliated with Rochester Senior Center Foundation. The Foundation is a nonprofit corporation organized under the laws of the State of Minnesota for the purpose of assisting and furthering the activities carried on by Senior Citizens Services, Inc. The Foundation solicits contributions for the sole purpose of providing financial support to Senior Citizens Services, Inc. As Senior Citizens Services, Inc. is the sole beneficiary of the net assets of the Foundation, Senior Citizens Services, Inc.'s beneficial interest in the Foundation's net assets has been recorded in these financial statements.

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Rochester Senior Center Foundation (Continued)

Summarized financial information for Rochester Senior Center Foundation is as follows:

	<u>2010</u>	<u>2009</u>
Cash and investments	\$ 1,059,389	\$ 1,107,921
Other assets	61,011	59,773
Total Assets	<u>1,120,400</u>	<u>1,167,694</u>
Total Liabilities	<u>192,241</u>	<u>250,506</u>
Net Assets	<u>\$ 928,159</u>	<u>\$ 917,188</u>
Contributions revenue	\$ 8,859	\$ 11,787
Charitable gambling activities, net	37,157	11,688
Investment income	97,443	146,703
Operating expenses	(82,173)	(83,356)
Contributions to Senior Citizens Services, Inc.	<u>(50,315)</u>	<u>(54,373)</u>
Increase in Net Assets	<u>\$ 10,971</u>	<u>\$ 32,449</u>

4. Pledges Receivable

The Organization recognizes unconditional pledges in the year the pledges are made. Pledges receivable of \$97,719 at December 31, 2009 were collected during 2010.

5. Capital Lease

	<u>2010</u>	<u>2009</u>
Capital lease due in monthly installments of \$250 through June 2011	\$ 1,478	\$ 4,326
Less: Current Maturities	<u>1,478</u>	<u>2,848</u>
Long-Term Debt	<u>\$</u>	<u>\$ 1,478</u>

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Special Events

Special events during 2010 and 2009 consisted of the following:

	Hole-in-one	Senior Citizens Club Activities	Quilt Gala	Other Fundraising	2010 Total
Revenues	\$ 30,588	\$ 23,316	\$ 22,259	\$ 2,981	\$ 79,144
Expenses	(6,393)	(13,842)	(3,292)	(2,671)	(26,198)
Net Revenues	\$ 24,195	\$ 9,474	\$ 18,967	\$ 310	\$ 52,946

	Hole-in-one	Senior Citizens Club Activities	Other Fundraising	2009 Total
Revenues	\$ 31,833	\$ 22,583	\$ 2,687	\$ 57,103
Expenses	(6,325)	(13,180)	(1,350)	(20,855)
Net Revenues	\$ 25,508	\$ 9,403	\$ 1,337	\$ 36,248

7. Retirement Plan

The Organization maintains a retirement plan covering substantially all of its employees. There were no employer contributions to the plan for the years ended December 31, 2010 and 2009.

8. Headstart Program

Dining services provided for the Headstart program are recorded net of direct costs in the financial statements as follows:

	2010	2009
Direct revenues	\$ 88,097	\$ 92,083
Direct expenses	(27,361)	(31,235)
Net Revenues	\$ 60,736	\$ 60,848

SENIOR CITIZENS SERVICES, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Building improvements	\$ 178	\$
Computers	1,500	
New building	<u>1,000</u>	
Total	<u>\$ 2,678</u>	<u>\$</u>

Temporarily restricted net assets released during 2010 were as follows:

Building improvements	<u>\$ 36,724</u>
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10. Building Lease

In February 1978, the Organization executed a fifty year lease of its Senior Center with the City of Rochester. Lease terms made available city land and HUD Community Development Block Grant funds for development of the center. The annual rental commitment for the Center is \$1. Under the terms of the lease agreement, leasehold improvements revert to the City upon termination of the lease and, the lease terminates if the building ceases to be used for senior citizens' services. Rent expense of \$192,505 and \$188,649 and an equal in-kind contribution has been recorded in 2010 and 2009, respectively. The basis used for valuing the in-kind contribution is an average of the rental rates paid by other local nonprofit organizations and a rate calculated based on a fair return on investment.

11. 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 of the financial statements were available to be issued.
