

**COOPERATIVE ELDER SERVICES, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

COOPERATIVE ELDER SERVICES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
COOPERATIVE ELDER SERVICES, INC.

Report on the Financial Statements

We have audited the accompanying financial statements of Cooperative Elder Services, Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Cooperative Elder Services, Inc. as of June 30, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be considered in assessing the results of our audit.


KOUNDAKJIAN & COMPANY, P.C.

September 14, 2015

COOPERATIVE ELDER SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 907,249	\$ 1,185,580
Investments - mutual funds and certificates of deposit	2,750,019	2,645,147
Accounts receivable, net of allowance for doubtful accounts	395,133	305,850
Prepaid expenses	<u>39,906</u>	<u>40,807</u>
Total Current Assets	<u>4,092,307</u>	<u>4,177,384</u>
Property, Plant and Equipment		
Office equipment	128,773	65,458
Day care equipment	3,984	3,984
Leasehold improvements	829,495	829,495
Furniture & fixtures	<u>77,471</u>	<u>77,471</u>
	1,039,723	976,408
Less: Accumulated depreciation	<u>(866,904)</u>	<u>(811,602)</u>
Total Property, Plant and Equipment	<u>172,819</u>	<u>164,806</u>
Other Assets		
Deposits	<u>15,541</u>	<u>15,541</u>
Total Other Assets	<u>15,541</u>	<u>15,541</u>
TOTAL ASSETS	<u>\$ 4,280,667</u>	<u>\$ 4,357,731</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 91,869	\$ 92,044
Accrued expenses	<u>121,527</u>	<u>105,763</u>
Total Liabilities	<u>213,396</u>	<u>197,807</u>
Net Assets		
Unrestricted		
Board designated	500,303	482,806
Operating	3,498,259	3,655,874
Temporarily restricted	<u>68,709</u>	<u>21,244</u>
Total Net Assets	<u>4,067,271</u>	<u>4,159,924</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,280,667</u>	<u>\$ 4,357,731</u>

See independent auditors' report and accompanying notes to the financial statements.

COOPERATIVE ELDER SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015		June 30, 2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Total	Total
Revenues				
Fees for service	\$ 3,056,382	\$ -	\$ 3,501,244	\$ -
Dividend income	177,937	-	113,845	-
Realized and unrealized gain/(loss) on investments	(75,176)	-	234,544	-
Interest income	2,777	-	6,544	-
Support				
Grants	73,500	60,272	71,603	2,830
Contributions	45,499	6,000	49,420	10,303
Net assets released from restriction				
Restriction satisfied by program purchases	<u>18,807</u>	<u>(18,807)</u>	<u>16,338</u>	<u>(16,338)</u>
	<u>3,299,726</u>	<u>47,465</u>	<u>3,993,538</u>	<u>(3,205)</u>
Total Revenues and Support		<u>3,347,191</u>		<u>3,990,333</u>
Expenses				
Program services	2,805,333	-	2,994,395	-
Management and general	569,902	-	493,785	-
Fundraising	64,609	-	62,750	-
Total Expenses	<u>3,439,844</u>	<u>-</u>	<u>3,550,930</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>(140,118)</u>	<u>47,465</u>	<u>442,608</u>	<u>(3,205)</u>
Net Assets, Beginning	<u>4,138,680</u>	<u>21,244</u>	<u>3,696,072</u>	<u>24,449</u>
Net Assets, Ending	<u>\$ 3,998,562</u>	<u>\$ 68,709</u>	<u>\$ 4,138,680</u>	<u>\$ 21,244</u>
		<u>\$ 4,067,271</u>		<u>\$ 4,159,924</u>

See independent auditor's report and accompanying notes to the financial statements.

COOPERATIVE ELDER SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	June 30, 2015			June 30, 2014				
	Program Services	Management and General	Fund Raising	TOTAL	Program Services	Management and General	Fund Raising	TOTAL
Salaries	\$ 1,407,266	\$ 348,001	\$ 62,030	\$ 1,817,297	\$ 1,445,646	\$ 294,971	\$ 60,307	\$ 1,800,924
Fringe benefits	79,516	23,116	-	102,632	82,356	23,555	-	105,911
Contract services	19,010	-	-	19,010	24,509	-	-	24,509
Payroll taxes	109,484	30,624	1,276	141,384	129,577	26,092	1,087	156,756
Travel	2,673	4,531	-	7,204	2,487	4,064	-	6,551
Rent	212,502	31,585	-	244,087	215,729	31,755	-	247,484
Activities	29,807	-	-	29,807	29,079	-	-	29,079
Food	137,519	-	-	137,519	164,385	-	-	164,385
Transportation	626,860	-	-	626,860	720,401	-	-	720,401
Supplies	4,806	-	-	4,806	4,951	408	-	5,359
Repairs and maintenance	3,909	690	-	4,599	4,494	793	-	5,287
Telephone, office and postage	26,521	9,252	661	36,434	23,217	8,710	625	32,552
Insurance	41,738	7,365	-	49,103	34,560	6,099	-	40,659
IT expenses	-	21,634	-	21,634	-	-	-	-
Pension expense	16,810	3,074	128	20,012	23,512	4,299	180	27,991
Bad debts	-	1,144	-	1,144	-	3,780	-	3,780
Legal and accounting	-	22,885	-	22,885	-	14,784	-	14,784
Utilities	19,401	1,228	-	20,629	25,760	958	-	26,718
Other	12,772	64,773	514	78,059	6,185	54,817	551	61,553
Executive Director search	-	-	-	-	-	18,700	-	18,700
Loss on disposal of assets	-	-	-	-	1,097	-	-	1,097
Depreciation	54,739	-	-	54,739	56,450	-	-	56,450
	<u>\$ 2,805,333</u>	<u>\$ 569,902</u>	<u>\$ 64,609</u>	<u>\$ 3,439,844</u>	<u>\$ 2,994,395</u>	<u>\$ 493,785</u>	<u>\$ 62,750</u>	<u>\$ 3,550,930</u>

See independent auditors' report and accompanying notes to the financial statements.

COOPERATIVE ELDER SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows From Operating Activities :		
Increase (decrease) in net assets	\$ (92,653)	\$ 439,403
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	54,739	56,450
Realized and unrealized (gain) loss on marketable securities	75,176	(234,544)
Loss on disposal of fixed assets	-	1,097
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(89,283)	139,334
(Increase) decrease in prepaid expenses	901	(834)
Increase (decrease) in accounts payable	(175)	(13,128)
Increase (decrease) in accrued expenses	<u>15,764</u>	<u>11,358</u>
Net Cash From Operating Activities	<u>(35,531)</u>	<u>399,136</u>
Cash Flows From Investing Activities :		
Purchases of investments	(334,187)	(1,122,285)
Reinvested income	(177,937)	(113,545)
Proceeds from sale of investments	332,639	1,115,474
Purchases of fixed assets	<u>(63,315)</u>	<u>(13,369)</u>
Net Cash Used In Investing Activities	<u>(242,800)</u>	<u>(133,725)</u>
Net Increase (Decrease) in Cash	(278,331)	265,411
Cash and Cash Equivalents, Beginning of Period	<u>1,185,580</u>	<u>920,169</u>
Cash and Cash Equivalents, End of Period	<u>\$ 907,249</u>	<u>\$ 1,185,580</u>

See independent auditors' report and accompanying notes to the financial statements.

COOPERATIVE ELDER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. **Summary of Significant Accounting Policies**

Cooperative Elder Services, Inc. (the "Organization") is a not-for-profit corporation which provides day care services for frail, elderly and handicapped people. The Organization operates five sites in the metropolitan Boston area which serve approximately 700 clients. Significant accounting policies followed in the preparation of these financial statements are as follows:

- a. Basis of Presentation - Financial statement presentation follows the recommendations of the FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- b. Program service revenues are recorded at the rates allowed by the applicable funding source.
- c. If purchased, furniture, equipment and leasehold improvements are stated at cost. If donated, furniture, equipment and leasehold improvements are stated at fair market value on the date donated. Depreciation of furniture and equipment is computed on a straight-line basis over the estimated useful lives ranging from five to ten years. Depreciation of the leasehold improvements is computed on a straight-line basis over the life of the lease. Maintenance and repairs are charged to expense as incurred and major renewals and betterments are capitalized.

- d. Investments are carried at fair market value and are summarized as follows:

	2015	2014
Investments - mutual funds and certificates of deposit at cost	\$2,378,686	\$2,199,300
Valuation allowance	<u>371,333</u>	<u>445,847</u>
Market value	<u>\$2,750,019</u>	<u>\$2,645,147</u>

- e. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of 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.

- f. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COOPERATIVE ELDER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

- g. For the purpose of the statement of cash flows, the Organization considers cash reserve investments to be cash equivalents.
- h. Accounts receivable are carried at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Organization's policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely. Bad debt expense was \$1,144 and \$3,780 for 2015 and 2014, respectively.
- i. Advertising costs are expensed as incurred by the Organization. Advertising expenses amounted to \$5,660 and \$1,316 for 2015 and 2014, respectively and are recorded as part of other expenses in the statement of functional expenses.
- j. The costs of providing the various programs and activities have been summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- k. Subsequent events have been evaluated through September 14, 2015, which is the date the financial statements were issued.
- g. The Organization adopted the criteria of Financial Accounting Standards Board ASC 820-10, "Fair Value Measurements". FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework under FASB ASC 820-10 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The Organization's management values all qualifying assets and liabilities using Level I inputs.

Investments consist of mutual funds and investment cash.

COOPERATIVE ELDER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

2. **Federal Income Taxes**

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on trade or business profits generated by activities related to the Organization's exempt function. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization adopted ASC No. 740-10-25, which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. ASC 740-10-25 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting for interim periods and disclosures for uncertain tax positions.

The Organization's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of activities and changes in net assets. As of June 30, 2015, the Organization has not accrued interest and penalties for uncertain tax positions, as management believes the Organization has not generated any unrelated business taxable income.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to fiscal year ended June 30, 2012, except for tax returns for unrelated business taxable income, for which it has never filed a return.

3. **Leased Facilities**

The Organization leases space as follows: in Concord, a site under a lease expiring September 30, 2018; in Arlington, a site under a lease expiring October 1, 2016; and in Groton, a site under a lease expiring January 31, 2018. The Organization is a tenant-at-will at sites in Burlington, Lexington, and Milton.

At June 30, 2015, the future minimum lease payments under the operating leases with initial or noncancellable lease terms in excess of one year are as follows:

Year ended June 30	
2016	\$ 177,180
2017	111,858
2018	65,814
thereafter	<u>10,386</u>
	<u>\$ 365,238</u>

COOPERATIVE ELDER SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

3. **Leased Facilities** (Continued)

The total rent expense for the year ended June 30, 2015 is as follows:

<i>Site</i>	<i>Total</i>
Arlington	\$ 99,333
Concord	41,316
Groton	42,755
Burlington	28,025
Milton	11,124
Lexington (admin)	<u>21,534</u>
	<u>\$244,087</u>

4. **Donated Services and Materials**

The value of donated services is not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs.

During 2015 and 2014, the Organization did not record any donated equipment or food.

5. **Cooperative Elder Services, Inc. Pension Plan**

The Organization has a defined contribution plan (the "Plan") which funds individual tax deferred annuity contracts for full and part-time permanent employees who have attained one year of service and work at least twenty (20) hours per week. There is a three year vesting period for these participants. Under the provisions of the Plan, the Organization is required to make contributions equal to 2% of each participant's salary. In addition, employees may make voluntary contributions to the plan. Pension expense for the years ended June 30, 2015 and 2014 amounted to \$20,012 and \$27,991, respectively.

6. **Restriction on Net Assets**

Temporarily restricted net assets consist of cash held for the purchase of fixed assets, scholarships and for operating expenses earmarked for specific sites.

7. **Concentration of Credit Risk**

The Organization maintains two bank accounts in two financial institutions located in Lexington, Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The institutions are not members of the Depositor's Insurance Fund which insures deposits in excess of the federal limit. Cash balances exceeded the federal insured limit by \$408,768 at one bank and did not exceed the federal limit at the other bank. Other cash is held in an investment account which is uninsured. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Cooperative Elder Services, Inc.

We have audited, 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, the financial statements of Cooperative Elder Services, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given the limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KOUNDAKJIAN & COMPANY, P.C.

September 14, 2015