

**SENIOR CITIZEN SERVICES
OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009**

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)

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Leduc & Phillips, LLC

Certified Public Accountants

Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Officers of
Senior Citizen Services of Metropolitan Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated statement of financial position of Senior Citizen Services of Metropolitan Atlanta, Inc. (A Nonprofit Organization) as of June 30, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 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 consolidated financial statements referred to above present fairly, in all material respects the consolidated financial position of Senior Citizen Services of Metropolitan Atlanta, Inc. as of June 30, 2009, and the consolidated changes in net assets and its consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2010 on our consideration of Senior Citizen Services of Metropolitan Atlanta, Inc.'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 important for assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Senior Citizen Services of Metropolitan Atlanta, Inc., taken as a whole. The accompanying supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Senior Citizen Services of Metropolitan Atlanta, Inc.

Leduc & Phillips, LLC

January 12, 2010
Covington, Georgia

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

| ASSETS | <u>2009</u> |
|---|----------------------------|
| CURRENT | |
| Cash and cash equivalents | \$ 173,413 |
| Accounts receivable | |
| Grants or contracts receivable | 339,912 |
| Promises to give | 7,304 |
| Prepaid expenditures and deposits | <u>30,131</u> |
| Total current assets | <u>550,760</u> |
| INVESTMENTS | <u>694,540</u> |
| PROPERTY AND EQUIPMENT, net | |
| of accumulated depreciation | <u>1,251,711</u> |
| Total assets | <u><u>\$ 2,497,011</u></u> |
| LIABILITIES AND NET ASSETS | |
| CURRENT | |
| Accounts payable | \$ 136,925 |
| Accrued expenses and other liabilities | 139,501 |
| Current portion of long-term debt and capital lease obligation | <u>9,837</u> |
| Total current liabilities | <u>286,263</u> |
| LONG-TERM LIABILITIES | |
| Long-term debt and capital lease obligation, net of current portion | <u>7,984</u> |
| Total long-term liabilities | <u>7,984</u> |
| Total liabilities | <u>294,247</u> |
| NET ASSETS | |
| Unrestricted | 2,195,460 |
| Temporarily restricted | <u>7,304</u> |
| Total net assets | <u>2,202,764</u> |
| Total liabilities and net assets | <u><u>\$ 2,497,011</u></u> |

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

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

| | 2009 | | |
|---|---------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total |
| Public support and revenues | | | |
| Public support: | | | |
| Government fees, grants & contracts | \$ 1,631,150 | \$ - | \$ 1,631,150 |
| General contributions | 335,176 | 3,000 | 338,176 |
| United Way | 192,322 | 4,304 | 196,626 |
| Special events, benefit donations and other, net of \$176,547 expenses | 287,412 | - | 287,412 |
| In-kind | 28,669 | - | 28,669 |
| Assets released from restrictions | | | |
| Time restriction | 10,000 | (10,000) | - |
| Total public support | <u>2,484,729</u> | <u>(2,696)</u> | <u>2,482,033</u> |
| Revenues: | | | |
| Program service fees | 39,114 | - | 39,114 |
| Other | 145,788 | - | 145,788 |
| Investment income (loss) | (175,561) | - | (175,561) |
| Total public support and revenues | <u>2,494,070</u> | <u>(2,696)</u> | <u>2,491,374</u> |
| Expenses: | | | |
| Marketing/fund raising | 263,256 | - | 263,256 |
| Supporting services | 247,359 | - | 247,359 |
| Program services | 2,275,026 | - | 2,275,026 |
| Total expenses | <u>2,785,642</u> | <u>-</u> | <u>2,785,642</u> |
| Change in net assets | (291,572) | (2,696) | (294,268) |
| Net assets, at beginning of year | <u>2,487,032</u> | <u>10,000</u> | <u>2,497,032</u> |
| Net assets, at end of year | <u>\$ 2,195,460</u> | <u>\$ 7,304</u> | <u>\$ 2,202,764</u> |

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

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

| | 2009 | | | Total |
|---|---------------------------|------------------------|---------------------|---------------------|
| | Marketing/ Fundraising | Supporting Services | Program Services | |
| Salaries | \$ 131,310 | \$ 81,460 | \$ 883,515 | \$ 1,096,285 |
| Fringe benefits | 14,315 | 13,250 | 77,836 | 105,401 |
| Payroll taxes | 11,010 | 6,830 | 82,168 | 100,008 |
| Total compensation and benefits | <u>156,635</u> | <u>101,540</u> | <u>1,043,519</u> | <u>1,301,694</u> |
| Meals | 110 | 113 | 336,843 | 337,066 |
| Supplies | 5,705 | 5,872 | 204,421 | 215,998 |
| Occupancy | 21,811 | 30,346 | 45,769 | 97,926 |
| Travel | 472 | 486 | 49,976 | 50,934 |
| Insurance | 16,802 | 14,847 | 27,150 | 58,799 |
| Telephone | 4,759 | 4,899 | 23,521 | 33,179 |
| Professional fees and contract labor | 5,213 | 26,340 | 402,427 | 433,980 |
| Interest expense and bank fees | 1,099 | 7,979 | 7,010 | 16,088 |
| Miscellaneous | 47,288 | 51,476 | 54,994 | 153,758 |
| Total expenses before depreciation | <u>259,894</u> | <u>243,898</u> | <u>2,195,630</u> | <u>2,699,422</u> |
| Depreciation & gain (loss) on assets sold | <u>3,362</u> | <u>3,461</u> | <u>79,396</u> | <u>86,220</u> |
| Total expenses | <u>\$ 263,256</u> | <u>\$ 247,359</u> | <u>\$ 2,275,026</u> | <u>\$ 2,785,642</u> |

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

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2009

| | <u>2009</u> |
|--|--------------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ <u>(294,268)</u> |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 86,220 |
| (Gain) loss on disposal of assets and investments | 233,128 |
| Unrealized (gain) loss on investments | (26,390) |
| Noncash donations | (28,669) |
| Noncash expenditures | 28,669 |
| Change in grants and contracts receivable | (133,296) |
| Change in accrued interest | (43) |
| Change in promises to give | 2,696 |
| Change in prepaid expenses and deposits | 1,691 |
| Change in accounts payable and bank overdraft | 12,350 |
| Change in accrued expenses and other liabilities | <u>(9,327)</u> |
| | <u>167,029</u> |
| Net cash provided (used) by operating activities | <u>(127,239)</u> |
| Cash flows from investing activities | |
| Purchase of fixed assets | (12,000) |
| Purchase of investments | (362,770) |
| Sale of investments | <u>26,471</u> |
| Net cash provided (used) by investing activities | <u>(348,299)</u> |
| Cash flows from financing activities | |
| Payments on long-term debt and capital lease obligations | <u>(9,368)</u> |
| Net cash used by financing activities | <u>(9,368)</u> |
| Increase (decrease) in cash and cash equivalents | (163,078) |
| Cash and cash equivalents at beginning of year | <u>336,491</u> |
| Cash and cash equivalents at end of year | <u><u>\$ 173,413</u></u> |
| Disclosure of accounting policy: | |
| For purposes of the statement of cash flows, the Organization considers all highly liquid unrestricted investment instruments with original maturities of three months or less and all money market accounts to be cash equivalents. | |
| Supplemental disclosure of amounts paid for: | |
| Interest | <u><u>\$ 4,681</u></u> |

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

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009

1. ORGANIZATION

Senior Citizen Services of Metropolitan Atlanta, Inc. (the “Organization”) is a voluntary health and welfare organization established to assess, promote and care for the interests and welfare of elderly people through programs funded by governmental units and various public and private entities in the metropolitan Atlanta area. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The Center Management and Congregate Meals program operates eight (8) senior center locations which provide meals, programs and trips to enhance the lives of seniors both mentally and physically.

Volunteer Services include the generation of resources for the Organization by the development of relationships with individual volunteers, community service workers, and community and service group volunteers to provide assistance with delivering meals, shopping, yard work, or correspondence with seniors and to provide assistance in the senior centers.

The Home Delivered Meals program provides “Meals on Wheels” for seniors who have difficulty preparing meals for themselves by providing meals five days per week to seniors at home.

Transportation Services program provides seniors with transportation to and from the Organization’s centers, adult day care centers and other transportation needs.

The Adult Day Care center provides day care for seniors that are semi-dependent and have mild to moderate Alzheimer’s/ Dementia to prolong the senior’s sense of independence while providing needed respite for caregivers.

The Homes program provides assistance to seniors to enable them to remain in their homes through the assistance of major, minor and maintenance related home repairs.

Program income is earned from activities and the confidential contributions by program participants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation - Senior Citizen's Foundation, Inc. (the "Foundation") is affiliated with the Senior Citizen Services of Metropolitan Atlanta, Inc. (the "Organization") through either common board members or the fact that the Organization has the ability to elect a percentage of the board members of the Foundation. The Organization has prepared consolidated financial statements with Senior Citizen's Foundation, Inc. The two entities are legally separate and file separate tax returns and different types of returns and have different fiscal year ends. The Organization files a form 990, while the Foundation files a form 990PF. The Organization has a fiscal year end of June 30 while the Foundation has a fiscal year end of September 30.

Property, equipment, and depreciation - Property and equipment are stated at cost, or if donated, at the fair market value on the date the asset is donated. Depreciation is computed over the estimated useful lives of these assets (3 to 30 years) using the straight-line method. Depreciation expense charged to operations was \$86,220 for the year ended June 30, 2009. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$2,500 are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved, and any gain or loss is included in operations.

Expense allocation - Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Expenses are allocated to programs based on the amount of time that personnel spend on the program, or based on the percentage the particular program is estimated to use the particular expense, whether it is square footage of space used or another reasonable method based on the type of expense.

In-kind contributions - Donated materials and equipment are reflected as contributions in the accompanying statement at their estimated value on the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or increase non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

In addition, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services. The value of this time donated is not included in the value of contributed services, as it does not meet the criteria specified in the preceding paragraph.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenue – Grant revenue is recognized as revenue in the period in which it is expended for cost reimbursed agreements. Unexpended funds received under these grants and contracts are recorded as deferred revenue.

Financial statement presentation - Financial statement presentation follows the accrual basis of accounting and the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein 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 will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization other than a private foundation under Section 509(a) (2).

Senior Citizen’s Foundation, Inc. (the “Foundation”) which is included in the consolidation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. The Foundation has been determined by the Internal Revenue Service to be a “Private Foundation” within the meaning of Section 509 (a) of the code and is subject to excise taxes on net investment income, including realized gains, as defined in the act. Accordingly Federal excise taxes have either been paid or accrued. The tax reform act requires that certain minimum distributions be made in accordance with a specified formula. As of September 30, 2008, the Foundation had distributed \$118,557 more than was required.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued) - It is the policy of the Organization, in accordance with FASB Interpretation No. 48 (FIN48), Accounting for Uncertainty in Income Taxes, to assess any uncertain tax provisions and, if necessary, record a tax asset or liability, and the related income tax expense, for any uncertain tax provision. The Organization does not believe that it has any uncertain tax positions or unrelated business income.

Investments – Investments in marketable equity securities with readily determinable fair values are stated at the fair market value. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income or gains are recognized. Investments in real estate are carried at the fair market value on the date of donation and any gain or loss are recognized in the reporting period in which the real estate is sold in unrestricted net assets unless the gains or losses have been restricted by the donors or unless impairment to the asset is significant.

Estimates - The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from these estimates.

Promises to give - Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities or expenses, depending on the form of the benefits received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. There is \$7,304 of unconditional promises to give at the end of fiscal year 2009.

Promises to give that are expected to be collected within one year are recorded at the net realizable value. Since all promises to give are deemed fully collectible within one year, no allowance for collectability was needed and no discount to present value was required.

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. Federal grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Receivables – Receivables represent amounts due from grants. A provision for uncollectable accounts is provided by using the allowance method based on management estimates and past experience. The Organization considers receivables as of June 30, 2009 to be fully collectable. Therefore, no provision for uncollectable accounts is recorded. Since, all grants are expected to be collected within one year, they are recorded at the net realizable value.

Benefits Purchased by Donors at Special Events- The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at the special events is measured at the actual cost to the Organization. The direct costs of the special events that ultimately benefit the donor rather than the Organization rather than the Organization and are recorded as exchange transaction income and exchange transaction expense. All proceeds received for the event in excess of the direct costs are recorded as special events revenue in the accompanying consolidated statement of activities.

Recent Accounting Pronouncements- In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (“SFAS 157”) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of SFAS 157 are generally required to be applied on a prospective basis for financial statements issued for fiscal years beginning after November 15, 2007. In February, 2008, the FASB issued FSP No. 157-2 which delayed the effective date of SFAS 157 one year for all non-financial assets and nonfinancial liabilities, except for those recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization has adopted SFAS No. 157 for the year ending June 30, 2009.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | |
|-------------------------------------|---------------------|
| | <u>2009</u> |
| Building and improvements | \$ 1,993,574 |
| Land | 196,000 |
| Equipment and vehicles | 150,374 |
| Furniture and fixtures | 36,000 |
| Equipment held under capital leases | <u>20,857</u> |
| | 2,396,805 |
| Less: accumulated depreciation | <u>(1,145,094)</u> |
| Net property and equipment | <u>\$ 1,251,711</u> |

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

4. CAPITAL LEASE OBLIGATION

The Organization is the lessee of various copiers, which expire at various dates through June 2011. The asset and liability under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

The asset is amortized over the lower of the related lease term or its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for the year ended June 30, 2009

Following is a summary of the property held under capital leases at June 30:

| | |
|--------------------------|------------------|
| | <u>2009</u> |
| Assets | \$ 20,857 |
| Accumulated amortization | <u>(9,136)</u> |
| | <u>\$ 11,721</u> |

The interest rate on the capitalized lease is 24.529% and is imputed based on the lessor's implicit rate of return at the date of the origination of the lease.

Minimum future lease payments under capital leases as of June 30, 2009 and for each of the next five years, and in aggregate are as follows:

| | | |
|--|--|-----------------|
| 2010 | | \$ 9,084 |
| 2011 | | 9,084 |
| 2012 | | -0- |
| 2013 | | -0- |
| 2014 and subsequent | | <u>-0-</u> |
| Total Minimum lease payments | | 18,168 |
| Less: Amount representing interest | | <u>(3,921)</u> |
| Present value of net minimum lease payment | | 14,247 |
| Less current portion | | <u>(6,263)</u> |
| Long – term portion | | <u>\$ 7,984</u> |

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

5. PENSION PLAN AND CONTINGENCY

On January 1, 1993, the Organization adopted a defined contribution plan. Under the terms of the plan, all full-time and permanent employees with at least six months tenure are eligible to participate. The Organization discovered its original plan was not in compliance with IRS guidelines and plans to file under a delinquent filer voluntary compliance program and has accrued an estimated amount of \$85,045 to cover amounts that may be due. This however is a significant estimate subject to change. The Organization began a new plan effective January 1, 2005 and rolled over employee funds from the old plan. The Organization's contribution to the new plan is specified at 3% of eligible employees' compensation. In addition, the Organization implemented a 403(b) profit sharing plan for all eligible employees. Participant contributions are matched 50% by the Organization up to a maximum of 5% of the employee's salary.

Both these plans were amended during fiscal year 2009. Effective January 1, 2009, the plans were amended to allow all employees except those not expected to work regularly at least 20 hours per week to be eligible for participation. Then effective March 1, 2009, the Organization amended the plan to remove the basic contribution of 3% for all eligible employees and currently there is no longer any basic contribution. The 403(b) profit sharing plan under the terms of the new eligibility requirements effective January 1, 2009 was amended March 1, 2009 to state that the Organization would match 50% of the participant elected deferral up to a maximum of 6% of compensation as defined in the plan for employees meeting the eligibility requirements. The Organization's contributions to these plans totaled \$24,133 for fiscal year ended June 30, 2009.

The employee contributions are 100% vested and the employer contributions are vested as follows:

| <u>Years</u> | <u>Percent Vested</u> |
|--------------|-----------------------|
| Less than 1 | 0% |
| 1 | 25% |
| 2 | 50% |
| 3 | 75% |
| 4 or more | 100% |

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2009

6. EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS AND GRANT FUNDING SOURCES

The Organization depends heavily on contributions and grants from public, federal, state and county sources and the Foundation for its revenue. The ability of certain of these contributors and grantors to continue giving amounts comparable with prior years may be dependent upon deductibility for income tax purposes of contributions and grants to the Organization, as well as government approved funding. While the Organization's board of directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

The Organization is subject to possible examinations by federal, state and county agencies to determine compliance with terms, conditions, laws and regulations governing the grants given to the Organization.

The Organization obtained approximately 65% of its total revenue from city, county, state and federal assistance programs for the year ended June 30, 2009. If grant funding of the Organization were to decrease significantly, current programs and operations would be considerably affected. Due to there being a number of governmental grants from various government entities, as well as several grant agencies, concentration risk is minimized.

7. LONG-TERM DEBT

Long-term debt consists of the following:

| | |
|---|----------------|
| Interest at 8.31% with monthly payments of principal and interest of \$414. Any accrued interest and unpaid principal are due March 2010. The note is secured by a vehicle. | \$ 3,574 |
| Less current portion: | <u>(3,574)</u> |
| Long-term portion: | <u>\$ -0-</u> |

Aggregate annual principal payments for the five years subsequent to June 30, 2009 are as follows:

| | |
|-------|-----------------|
| 2010 | \$ 3,546 |
| 2011 | -0- |
| 2012 | <u>-0-</u> |
| Total | <u>\$ 3,546</u> |

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

8. RESTRICTIONS ON NET ASSETS

As of June 30, 2009 the Organization does not have any permanent restrictions on net assets. As of June 30, 2009 temporarily restricted net assets are as follows:

| | |
|-----------------------------------|-----------------|
| | <u>2009</u> |
| Restricted for future time-period | <u>\$ 7,304</u> |

9. INVESTMENTS

Investments are reported on the basis of quoted market prices and consist primarily of government securities, mutual funds and common stocks, net of short sales of common stocks as follows:

| | <u>Cost</u> | <u>Market Value</u> | <u>Unrealized Appreciation (Depreciation)</u> |
|-----------------------|-------------------|---------------------|---|
| | <u>2009</u> | <u>2009</u> | <u>2009</u> |
| Government Securities | \$ 120,650 | \$ 128,283 | \$ 7,633 |
| Equities | 360,942 | 398,840 | 37,898 |
| Mutual Funds | <u>162,556</u> | <u>130,417</u> | <u>(32,139)</u> |
| Total | <u>\$ 644,148</u> | <u>\$ 657,540</u> | <u>\$ 13,392</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|---------------------|
| | <u>2009</u> | <u>2009</u> | <u>2009</u> |
| Interest and Dividend Income | \$ 31,177 | \$ -0- | \$ 31,177 |
| Net Realized and Unrealized gains (losses) | <u>(206,738)</u> | <u>-0-</u> | <u>(206,738)</u> |
| Total Investment Return | <u>\$ (175,561)</u> | <u>\$ -0-</u> | <u>\$ (175,561)</u> |

In addition the Organization has a long-term investment in land which is \$37,000, the fair value on the date that the land was contributed to the Organization which was in 2000. The Organization does not believe that the value has declined below this amount but this is a significant estimate subject to change.

10. OPERATING LEASES

The Organization leases equipment under operating leases expiring at various dates through July, 2012.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

10. OPERATING LEASES (CONTINUED)

Minimum future rental payments under these non-cancelable operating leases are:

| <u>Year ended June 30:</u> | |
|--------------------------------------|------------------|
| 2010 | \$ 3,914 |
| 2011 | 3,325 |
| 2012 | 2,940 |
| 2013 | <u>245</u> |
| Total minimum future rental payments | <u>\$ 10,424</u> |

The total expenses charged to operations on these leases were \$4,464 for the year ended June 30, 2009.

11. CONCENTRATIONS AND CREDIT RISK

Concentration of credit risk arising from cash deposits and investments in excess of insured limits – The Organization maintains cash balances at several financial institutions located in Atlanta, Georgia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no credit risk of uninsured cash and cash investment balances at June 30, 2009.

12. COMMITMENT

The Organization had a program for a very brief time in history for a limited number of employees which offered this “group of selected retirees” life insurance. It has been more than a decade since this benefit has been offered to anyone and all of the individuals qualifying for this benefit have been retired for a number of years. This appears to be a verbal agreement as no documents have been found that detail the specifics of this benefit by either the Organization or the retirees. The program is thought to currently include twenty-one retirees with coverage ranging from \$4,000 to \$34,000 of life insurance and was offered to retirees for the duration of their lives. This benefit is funded by paying UNUM annually the premium for coverage of the potential benefit. The Organization has lost contact with a number of these individuals and is in the process of determining whether the employees are deceased. If deceased, the Organization is attempting to reach the beneficiaries of the retirees to terminate coverage. The Organization has successfully, with the assistance of a former executive, reached some beneficiaries and terminated coverage for retirees found to be deceased. However, this process is not complete as of the date of issuance of the report. The agreement would permit the Organization to terminate the commitment in the event that funds were insufficient and would terminate should the Organization cease operations. No amounts have been accrued under the terms of this agreement since the benefits are funded by paying an annual premium. This is a significant estimate subject to change.

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

13. FAIR VALUE MEASUREMENTS

The financial accounting standards Board Statement established a framework for measuring fair value under accounting principles generally accepted in the United States of America. 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 the 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 are described below:

Level 1- Quoted prices are available in active markets for identical investments as of the measurement date. These types of quoted prices would generally include publicly traded securities, listed equities, listed derivative and most U.S. government securities.

Level 2- Pricing inputs (other than quoted prices included in Level 1) that are observable for the assets, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of Senior Citizen Services of Metropolitan Atlanta, Inc. These types of sources would include quoted prices for similar assets, models or other valuation methodologies. Investments which are generally included in this category include corporate and municipal bond, and restricted stock.

Level 3- Pricing inputs that are unobservable for the asset. Unobservable inputs are those that reflect Senior Citizen Services of Metropolitan Atlanta's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds and certain limited partnerships.

The following table sets forth, by level, within the fair value hierarchy, amounts recorded on Senior Citizen's financial statements at fair value at June 30, 2009:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|-------------------|----------------|------------------|-------------------|
| Investments | | | | |
| Publically traded Equities | \$ 398,840 | \$ -0- | \$ -0- | \$ 398,840 |
| Mutual Funds | 130,417 | -0- | -0- | 130,417 |
| U.S Government Securities | 128,283 | -0- | -0- | 128,283 |
| Real Estate | <u>-0-</u> | <u>-0-</u> | <u>37,000</u> | <u>37,000</u> |
| Total Investments | <u>\$ 657,540</u> | <u>\$ -0-</u> | <u>\$ 37,000</u> | <u>\$ 694,540</u> |

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2009

14. NEW GRANTS

The Organization has received new grants and commitments to the Organization for the Adult Day Care of \$116,025, Senior Center Management of \$503,370, Volunteer Programs of \$39,337, Careshare Program of \$15,000, and the Homes Program of \$600,000, for the fiscal year ending June 30, 2010.

The Corporation for National and Community Service (CNCS) selected Senior Citizens Services of Metropolitan Atlanta, Inc. as the new sponsor of the metropolitan Atlanta Senior Companion Program (SCP) effective July 1, 2009 and committed funds of \$202,575.

The Department of Human Resources transportation program was renewed and funded at \$80,053 for the fiscal year ending June 30, 2010.

In addition, the Organization was approved by the Federal Home Loan Bank of Atlanta and works in conjunction with SunTrust Bank to provide services for Home Repairs up to \$1,000,000.

SUPPLEMENTAL MATERIAL

SENIOR CITIZEN SERVICES OF METROPOLITAN ATLANTA, INC.
(A Nonprofit Organization)
CONSOLIDATED SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS, BY PROGRAM
YEAR ENDED JUNE 30, 2009

| | Homes | Home Delivered Meals | Senior Center Mgmt. | Adult Day Care | Volunteer Services | Other | Total |
|---|----------------|----------------------------|---------------------------|-------------------|-----------------------|----------------|------------------|
| Public support and revenues | | | | | | | |
| State revenues | \$ - | \$ - | \$ - | \$ 80,453 | \$ - | \$ - | \$ 80,453 |
| City of Atlanta | - | 27,971 | - | 30,269 | - | - | 58,240 |
| County revenues | 808,713 | - | 503,370 | 116,025 | 51,038 | - | 1,479,146 |
| Other | - | 13,311 | - | - | - | - | 13,311 |
| General contributions | 16,687 | 137,701 | 59,991 | 208 | 5,320 | 118,269 | 338,176 |
| United Way | - | 125,442 | - | 26,250 | - | 44,934 | 196,626 |
| Special events, benefit donations, misc., net of expenses | (4,244) | 283,213 | - | 50 | - | 8,393 | 287,412 |
| In-kind | 20,169 | - | - | - | - | 8,500 | 28,669 |
| Other revenues and investment income (loss) | - | 2,158 | 1,400 | - | - | (33,331) | (29,773) |
| Program service fees | 1,355 | - | - | 37,759 | - | - | 39,114 |
| Total public support and revenue | 842,680 | 589,796 | 564,761 | 291,014 | 56,358 | 146,765 | 2,491,374 |
| Expenses | | | | | | | |
| Personnel costs | 289,367 | 173,289 | 364,545 | 130,990 | 41,471 | 302,033 | 1,301,695 |
| Meals | 103 | 325,238 | 37 | 11,434 | 14 | 241 | 337,067 |
| Supplies | 186,496 | 3,001 | 11,979 | 2,025 | 543 | 11,954 | 215,998 |
| Occupancy | 4,893 | 7,354 | 9,820 | 12,983 | 2,560 | 60,316 | 97,926 |
| Travel | 14,296 | 21,061 | 1,387 | 12,952 | 60 | 1,179 | 50,935 |
| Insurance | 7,298 | 4,032 | 5,162 | 5,005 | 2,701 | 34,601 | 58,799 |
| Telephone | 5,136 | 1,475 | 12,114 | 1,547 | 602 | 12,305 | 33,179 |
| Professional fees and contract labor | 310,160 | 4,114 | 78,308 | 6,686 | 1,439 | 33,273 | 433,980 |
| Depreciation and gain on disposal of assets | 11,755 | 7,488 | 16,632 | 25,052 | 4,472 | 20,821 | 86,220 |
| Interest expense and bank fees | 1,025 | 3,777 | 421 | 357 | 139 | 10,369 | 16,088 |
| Miscellaneous | 12,977 | 8,826 | 10,398 | 11,994 | 2,961 | 106,599 | 153,755 |
| Total expenses | 843,506 | 559,655 | 510,803 | 221,025 | 56,962 | 593,691 | 2,785,642 |
| Excess (deficit) of public support and revenues over expenses | (826) | 30,141 | 53,958 | 69,989 | (604) | (446,925) | (294,268) |
| Net assets, beginning of year | (118,872) | (80,832) | 180,016 | 371,288 | 10,765 | 2,134,667 | 2,497,032 |
| Net assets, end of year | \$ (119,698) | \$ (50,691) | \$ 233,974 | \$ 441,277 | \$ 10,161 | \$ 1,687,742 | \$ 2,202,764 |

See accountant's report.