ST. JOSEPH COMMUNITY SERVICES, INC.

Financial Statements

For the Year Ended September 30, 2016

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Joseph Community Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of St. Joseph Community Services, Inc., which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 St. Joseph Community Services, Inc. as of September 30, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's fiscal year 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of St. Joseph Community Services, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Joseph Community Services, Inc.'s internal control over financial reporting and compliance.

Melanson Heath

November 17, 2016

ST. JOSEPH COMMUNITY SERVICES, INC.

Statement of Financial Position

September 30, 2016

(with comparative totals as of September 30, 2015)

	Unrestricted				
ASSETS	Unrestricted	Board Designated	Temporarily Restricted	2016 Total	2015 Total
Current Assets:					
Cash and cash equivalents	$ 1,158,751	$ 118,537	$ 10,000	$ 1,287,288	$ 1,066,536
Grants receivable, net	184,676	-	-	184,676	210,186
Promises to give	125,461	-	105,000	230,461	109,773
Other current assets	14,107	-	-	14,107	25,117
Total Current Assets	1,482,995	118,537	115,000	1,716,532	1,411,612
Noncurrent Assets:					
Property and equipment, net	124,523	-	-	124,523	135,634
Promises to give	-	-	65,000	65,000	-
Total Noncurrent Assets	124,523	-	65,000	189,523	135,634
TOTAL ASSETS	$ 1,607,518	$ 118,537	$ 180,000	$ 1,906,055	$ 1,547,246
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	$ 116,142	$ -	$ -	$ 116,142	$ 110,805
Accrued expenses	71,884	-	-	71,884	103,286
Total Current Liabilities	188,026	-	-	188,026	214,091
Net Assets:					
Unrestricted	1,419,492	-	-	1,419,492	1,194,618
Board designated	-	118,537	-	118,537	128,537
Temporarily restricted	-	-	180,000	180,000	10,000
Total Net Assets	1,419,492	118,537	180,000	1,718,029	1,333,155
TOTAL LIABILITIES AND NET ASSETS	$ 1,607,518	$ 118,537	$ 180,000	$ 1,906,055	$ 1,547,246

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

ST. JOSEPH COMMUNITY SERVICES, INC.

Statement of Activities

For the Year Ended September 30, 2016

(with comparative totals for the year ended September 30, 2015)

	Unrestricted				
	Unrestricted	Board Designated	Temporarily Restricted	2016 Total	2015 Total
Support and Revenue:					
Bureau of Elderly and Adult Services:					
Title III and related programs	$ 1,684,113	$ -	$ -	$ 1,684,113	$ 1,695,859
Nutrition Services Incentive Program	256,298	-	-	256,298	241,848
CFI	269,511	-	-	269,511	242,911
Contributions	902,699	-	205,000	1,107,699	763,792
Fundraising, net	46,689	-	-	46,689	46,407
In-kind services	249,689	-	-	249,689	243,778
Interest income	4,999	-	-	4,999	2,188
Other income	9,580	-	-	9,580	6,892
Net assets released from restriction	45,000	(10,000)	(35,000)	-	-
Total Support and Revenue	3,468,578	(10,000)	170,000	3,628,578	3,243,675
Expenses:					
Programs	2,755,617	-	-	2,755,617	2,716,279
Management and general	252,075	-	-	252,075	266,880
Fundraising	236,012	-	-	236,012	196,441
Total Expenses	3,243,704	-	-	3,243,704	3,179,600
Change in net assets	224,874	(10,000)	170,000	384,874 *	64,075
Net Assets, Beginning of Year	1,194,618	128,537	10,000	1,333,155	1,269,080
Net Assets, End of Year	$ 1,419,492	$ 118,537	$ 180,000	$ 1,718,029	$ 1,333,155

* The Change in Net Assets includes funds pledged, to be received in future years.

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

ST. JOSEPH COMMUNITY SERVICES, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2016

(with comparative totals for the year ended September 30, 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Accounting fees	$ -	$ 13,250	$ -	$ 13,250	$ 13,113
Advertising	1,814	155	108	2,077	5,980
Depreciation	5,355	5,354	2,677	13,386	15,050
Dues and subscriptions	4,286	474	332	5,092	4,086
Employee benefits	74,261	21,691	21,219	117,171	133,045
Food	1,156,073	-	-	1,156,073	1,142,379
Insurance	37,911	2,146	391	40,448	47,044
Legal fees	1,250	2,809	-	4,059	2,475
Other expenses	17,486	5,373	1,868	24,727	22,329
Occupancy	316,156	7,862	7,399	331,417	316,672
Office expenses	66,022	6,206	19,683	91,911	88,760
Payroll taxes	58,833	12,149	11,885	82,867	79,043
Retirement contributions	13,760	6,025	5,894	25,679	23,045
Salaries and wages	772,790	167,285	163,649	1,103,724	1,049,313
Staff development	7,052	673	471	8,196	17,655
Supplies	131,681	-	-	131,681	131,457
Travel	90,887	623	436	91,946	88,154
Total Functional Expenses	$ 2,755,617	$ 252,075	$ 236,012	$ 3,243,704	$ 3,179,600

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

ST. JOSEPH COMMUNITY SERVICES, INC.

Statement of Cash Flows

For the Year Ended September 30, 2016

(with comparative totals for the year ended September 30, 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 384,874	$ 64,075
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	13,386	15,050
(Increase) decrease in:		
Grants receivable	25,510	(352)
Promises to give	(185,688)	47,960
Other current assets	11,010	9,905
Increase (decrease) in:		
Accounts payable	5,336	(9,208)
Accrued expenses	(31,402)	16,515
Net Cash Provided By Operating Activities	223,026	143,945
Cash Flows From Investing Activities:		
Purchase of fixed assets	(2,274)	(3,977)
Net Cash Used By Investing Activities	(2,274)	(3,977)
Net Increase in Cash and Cash Equivalents	220,752	139,968
Cash and Cash Equivalents, Beginning	1,066,536	926,568
Cash and Cash Equivalents, Ending	$ 1,287,288	$ 1,066,536

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

1. Organization

St. Joseph Community Services, Inc. (the Organization), is a nonprofit health and welfare organization. The Organization provides services to elderly and low-income individuals. The primary sources of revenue are federal and state grants or contracts, in addition to individual and outside contributions. Services are provided according to the following program categories:

Title III B - Provides health and welfare counseling, escort and transportation services, information, referral, recreational activities, nutritional education, and outreach services for the elderly.

Title III C - Provides congregate and home delivered meals for people over 60 years of age.

Title XX - Provides home delivered meals for people that meet income and disability requirements.

Other Programs - Revenues and expenses from various fundraising and non-program activities.

2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies of the Organization used in preparing and presenting the accompanying financial statements.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Accounting for Contributions and Financial Statement Presentation

The Organization follows *Accounting for Contributions Received and Contributions Made* and *Financial Statements of Not-for-Profit Organizations* as required by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under these guidelines, the Organization is required to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services, meeting certain criteria at fair values. These reporting standards establish standards for financial statements of not-for-profit organizations and require a Statement of Financial Position, a Statement of Activities, a Statement of Functional Expenses, and a Statement of Cash Flows.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. Under this basis, revenues, other than contributions, and expenses are reported when incurred, without regard to the date of receipt or payment of cash. Contributions are reported in accordance with FASB ASC *Accounting for Contributions Received and Contributions Made*.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

The adequacy of the allowance for doubtful accounts for receivables is reviewed on an ongoing basis by the Organization’s management and adjusted as required through the provision for doubtful accounts (bad debt expense). In determining the amount required in the allowance account for the year ended September 30, 2016, management has taken into account a variety of factors.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at estimated fair market value at the date of donation. Major additions and improvements are capitalized, while ordinary maintenance and repairs are charged to expense. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Assets not in service are not depreciated.

Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services

The Organization received a substantial amount of services donated by individuals in carrying out its programs. The value of these contributed services is not reflected in the financial statements. The estimated value for these services for the year ended September 30, 2016 is $505,062.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

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, 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. Accordingly, actual amounts could differ from those estimates.

Tax Status

St. Joseph Community Services, Inc. is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FASB ASC 740-10 did not have a material impact on the Organization's financial statements.

The Organization's Federal Form 990 (Return of Organization Exempt From Income Tax) is subject to examination by the IRS, generally for three years after filing.

The Organization recognizes interest related to unrecognized tax benefits in interest expense and penalties that are included within reported expenses. During the year ended September 30, 2016, the Organization had no interest or penalties accrued related to unrecognized tax benefits.

3. Concentration of Credit Risk - Cash and Cash Equivalents

The carrying amount of the Organization's deposits with financial institutions was $1,287,288 at September 30, 2016. The difference between the carrying amount and the bank balance represents reconciling items such as deposits in transit and outstanding checks, which have not been processed by the bank at September 30, 2016. The bank balance is categorized as follows:

Insured by the FDIC	$ 600,674
Uninsured or uncollateralized	687,296
Total bank balance	$ 1,287,970

4. Grants Receivable, Net

Grants receivable are comprised of the following at September 30:

	2016	2015
State of New Hampshire	$ 122,811	$ 148,262
Nutrition Services Incentive Program	39,966	26,621
Other receivables	21,899	35,303
Total	$ 184,676	$ 210,186

5. Other Current Assets

Other current assets consist of the following at September 30:

	2016	2015
Prepaid insurance	$ 9,465	$ 20,475
Other prepaid expenses	4,642	4,642
Total	$ 14,107	$ 25,117

6. Property, Equipment, and Depreciation

A summary of the components of property and equipment is presented below:

	2016	2015
Building	$ 313,776	$ 311,501
Furniture and equipment	240,002	240,002
Vehicles	71,990	71,990
Subtotal	625,768	623,493
Less: accumulated depreciation	(501,245)	(487,859)
Total	$ 124,523	$ 135,634

Depreciation expense for the year ended September 30, 2016 and 2015 totaled $13,386 and $15,050, respectively.

7. Accrued Expenses

Accrued expenses consist of the following at September 30:

	2016	2015
Accrued payroll and related expenses	$ 22,174	$ 57,466
Accrued compensated absences	41,710	45,820
Other accrued expenses	8,000	-
Total	$ 71,884	$ 103,286

8. Board Designated Net Assets

On September 22, 1982, the Board of Directors voted to designate two specific purpose funds. These funds cannot be used without the approval of the Board of Directors. The following schedule summarizes the Organization's board designated funds for the fiscal year ended:

	2016	2015
Replacement of assets for expenditures for minor assets	$ 49,953	$ 64,953
Capital reserve for expenditures for major assets	48,584	63,584
Reinstatement project reserve	20,000	-
Total	$ 118,537	$ 128,537

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 consist of:

	2016	2015
Time restrictions	$ 50,000	$ 10,000
Reinstatement Project	130,000	-
Total	$ 180,000	$ 10,000

10. Net Assets Released from Restriction

Net assets are released from program restrictions by incurring expenses satisfying the restricted purpose or by the passage of time.

11. Transactions with Related Parties

The Organization procures a portion of their legal services from a local law firm that employs an attorney who also serves on the Organization's Board of Directors. The attorney board member does not personally perform the legal services. For the years ended September 30, 2016 and 2015, the total legal expense from related parties was $2,809 and $1,555, respectively. There were no amounts owed by the Organization for legal services at September 30, 2016 and 2015.

The Organization purchases insurance through an insurance broker that has a principal who serves on the Organization's Board of Directors. The principal board member does not personally benefit from the relationship with the Organization. There were no expenses paid to this insurance broker for the year ended September 30, 2016.

12. Tax-deferred Annuity Plan

During the year ended September 30, 2016, the Organization offered a tax-deferred annuity plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization contributes 4% of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Plan expenses were $25,679 and $23,045 for the years ended September 30, 2016 and 2015, respectively.

13. Operating Leases

The Organization leases office space and other facilities under the terms of non-cancellable lease agreements that expired at various times during fiscal year 2016. The Organization also rents additional facilities on a month-to-month basis. Rent expense under these agreements totaled $52,195 and $50,740 for the years ended September 30, 2016 and 2015, respectively.

14. Concentrations of Risk

A material part of the Organization's revenue is dependent upon government sources, the loss of which would have a materially adverse effect on the Organization. During the years ended September 30, 2016 and 2015, the Bureau of Elderly and Adult Services accounted for 61% and 67%, respectively, of total revenues.

The Organization, by contract, relies 100% on one vendor to provide food services required to carry out the purpose of the Organization. The Organization's contract with this vendor expired on September 30, 2016.

15. Fair Value Measurements

FASB ASC, *Fair Value Measurements*, provides guidance for using fair value to measure assets and liabilities. *Fair Value Measurements* applies whenever other standards require or permit assets or liabilities to be measured at their fair market value. The standard does not expand the use of fair value in any new circumstances. Under *Fair Value Measurements*, fair value refers to the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. *Fair Value Measurements* clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions.

Under *Fair Value Measurements*, the Organization categorizes its fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of financial instruments included in Level 1 are highly liquid instruments with quoted prices;
- Level 2 - Inputs from active markets, other than quoted prices for identical instruments, are used to model fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued; and
- Level 3 - Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available; however, significant judgment is required by management in developing the inputs.

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is determined based on discounted future cash flows.

16. <u>In-kind Services</u>

In-kind services consist primarily of donated rent at estimated fair market value.

17. <u>Subsequent Events</u>

In accordance with the provisions set forth by FASB ASC, *Subsequent Events*, events and transactions from October 1, 2016 through November 17, 2016, the date the financial statements were available to be issued, have been evaluated by management for disclosure. Management has determined that there were no material events that would require disclosure in the Organization’s financial statements through this date.