

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Financial Statements,
Independent Auditor's Report,
and Supplemental Information
December 31, 2016 and 2015

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Independent Auditor's Report

The Board of Governors
Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying combining financial statements of Senior Friendship Centers, Inc. and Senior Friendship Centers Foundation, Inc. (collectively, the Organization), which comprise the combining statements of financial position as of December 31, 2016 and 2015, and the related combining statements of activities, cash flows and functional expenses (for the Center only) for the years then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining 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 audit to obtain reasonable assurance about whether the combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the financial position of Senior Friendship Centers, Inc. and Senior Friendship Centers Foundation, Inc. as of December 31, 2016 and 2015, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other information

Our audits were conducted for the purpose of forming an opinion on the combining financial statements as a whole. The Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, *Rules of the Auditor General*, is presented for the purposes of additional analysis and is not a required part of the combining financial statements. Such information is the responsibility of the Organization's management and was derived from and relates directly to the underlying accounting and other records used to prepare the combining financial statements. The information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combining financial statements or to the combining financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combining financial statements as a whole.

Other Reporting Required by the Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 7, 2017 on our consideration of Senior Friendship Centers, Inc.'s internal control over financial reporting and on our tests of 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* in considering the Organization's internal control over financial reporting and compliance.



Sarasota, Florida
April 7, 2017

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Financial Position
December 31, 2016

	<u>Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Total</u>
Assets				
Cash and cash equivalents	\$ 1,377,338	\$ 505,237	\$ -	\$ 1,882,575
Investments	358,265	5,624,148	-	5,982,413
Grants and other receivables	1,705,302	6,190	(6,190)	1,705,302
Prepaid expenses	110,356	-	-	110,356
Contributions receivable from split interest agreements	-	140,563	-	140,563
Beneficial interest in perpetual trust	-	155,091	-	155,091
Trust receivable, net	696,557	-	-	696,557
Property and equipment, net	4,134,319	-	-	4,134,319
Total Assets	<u>\$ 8,382,137</u>	<u>\$ 6,431,229</u>	<u>\$ (6,190)</u>	<u>\$ 14,807,176</u>
Liabilities and Net Assets				
Accounts payable	\$ 1,098,940	\$ -	\$ (6,190)	\$ 1,092,750
Accrued expenses	354,348	-	-	354,348
Refundable advances	403,918	-	-	403,918
Total Liabilities	<u>1,857,206</u>	<u>-</u>	<u>(6,190)</u>	<u>1,851,016</u>
Net Assets:				
Unrestricted:				
Investment in property and equipment	4,134,319	-	-	4,134,319
Board designated	1,027,741	3,766,513	-	4,794,254
Total unrestricted	5,162,060	3,766,513	-	8,928,573
Temporarily restricted	1,328,723	2,627,607	-	3,956,330
Permanently restricted	34,148	37,109	-	71,257
Total Net Assets	<u>6,524,931</u>	<u>6,431,229</u>	<u>-</u>	<u>12,956,160</u>
Total Liabilities and Net Assets	<u>\$ 8,382,137</u>	<u>\$ 6,431,229</u>	<u>\$ (6,190)</u>	<u>\$ 14,807,176</u>

See accompanying notes to combining financial statements.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Financial Position
December 31, 2015

	<u>Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined Total</u>
Assets				
Cash and cash equivalents	\$ 871,157	\$ 572,496	\$ -	\$ 1,443,653
Investments	337,953	5,444,082	-	5,782,035
Grants and other receivables	1,543,750	-	(6,449)	1,537,301
Prepaid expenses	102,225	-	-	102,225
Contributions receivable from split interest agreements	-	117,042	-	117,042
Beneficial interest in perpetual trust	-	160,942	-	160,942
Trust receivable, net	690,455	-	-	690,455
Property and equipment, net	4,414,230	-	-	4,414,230
Total Assets	<u>\$ 7,959,770</u>	<u>\$ 6,294,562</u>	<u>\$ (6,449)</u>	<u>\$ 14,247,883</u>
Liabilities and Net Assets				
Accounts payable	\$ 1,066,357	\$ -	\$ -	\$ 1,066,357
Accrued expenses	350,932	6,451	(6,449)	350,934
Refundable advances	337,960	-	-	337,960
Total Liabilities	<u>1,755,249</u>	<u>6,451</u>	<u>(6,449)</u>	<u>1,755,251</u>
Net Assets:				
Unrestricted:				
Investment in property and equipment	4,414,230	-	-	4,414,230
Board designated	210,643	3,496,805	-	3,707,448
Total unrestricted	<u>4,624,873</u>	<u>3,496,805</u>	<u>-</u>	<u>8,121,678</u>
Temporarily restricted	1,545,500	2,754,197	-	4,299,697
Permanently restricted	34,148	37,109	-	71,257
Total Net Assets	<u>6,204,521</u>	<u>6,288,111</u>	<u>-</u>	<u>12,492,632</u>
Total Liabilities and Net Assets	<u>\$ 7,959,770</u>	<u>\$ 6,294,562</u>	<u>\$ (6,449)</u>	<u>\$ 14,247,883</u>

See accompanying notes to combining financial statements.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Activities
Year Ended December 31, 2016

	Center			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue:				
Contributions	\$ 1,794,780	\$ 383,391	\$ -	\$ 2,178,171
In-kind contributions	2,223,125	-	-	2,223,125
Special events revenue	308,534	-	-	308,534
Federal and state grants/contracts	7,826,193	-	-	7,826,193
Local assistance	1,187,024	-	-	1,187,024
Private grants	305,350	-	-	305,350
Program income	228,568	-	-	228,568
Investment income	13,219	-	-	13,219
Fees for services	2,137,117	-	-	2,137,117
Other income, net	536,479	-	-	536,479
Realized/unrealized gain on investments, net	5,825	-	-	5,825
Change in value of split interest agreements	-	-	-	-
Change in value of trust receivable	-	54,502	-	54,502
Total support and revenue	<u>16,566,214</u>	<u>437,893</u>	<u>-</u>	<u>17,004,107</u>
Net assets released from restrictions	<u>654,670</u>	<u>(654,670)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>17,220,884</u>	<u>(216,777)</u>	<u>-</u>	<u>17,004,107</u>
Expenses:				
Program services	15,296,706	-	-	15,296,706
Management and general	1,306,784	-	-	1,306,784
Fundraising	80,207	-	-	80,207
Program support	-	-	-	-
Total expenses	<u>16,683,697</u>	<u>-</u>	<u>-</u>	<u>16,683,697</u>
Change in net assets	537,187	(216,777)	-	320,410
Net assets at beginning of year	<u>4,624,873</u>	<u>1,545,500</u>	<u>34,148</u>	<u>6,204,521</u>
Net assets at end of year	<u>\$ 5,162,060</u>	<u>\$ 1,328,723</u>	<u>\$ 34,148</u>	<u>\$ 6,524,931</u>

Foundation					
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Combined Total
\$ 45,909	\$ -	\$ -	\$ 45,909	\$ (275,000)	\$ 1,949,080
-	-	-	-	-	2,223,125
-	-	-	-	-	308,534
-	-	-	-	-	7,826,193
-	-	-	-	-	1,187,024
-	-	-	-	-	305,350
-	-	-	-	-	228,568
182,271	-	-	182,271	-	195,490
-	-	-	-	-	2,137,117
-	-	-	-	(58,712)	477,767
274,530	-	-	274,530	-	280,355
-	17,670	-	17,670	-	17,670
-	-	-	-	-	54,502
<u>502,710</u>	<u>17,670</u>	<u>-</u>	<u>520,380</u>	<u>(333,712)</u>	<u>17,190,775</u>
<u>144,260</u>	<u>(144,260)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>646,970</u>	<u>(126,590)</u>	<u>-</u>	<u>520,380</u>	<u>(333,712)</u>	<u>17,190,775</u>
-	-	-	-	-	15,296,706
-	-	-	-	-	1,306,784
202,262	-	-	202,262	(158,712)	123,757
175,000	-	-	175,000	(175,000)	-
<u>377,262</u>	<u>-</u>	<u>-</u>	<u>377,262</u>	<u>(333,712)</u>	<u>16,727,247</u>
269,708	(126,590)	-	143,118	-	463,528
<u>3,496,805</u>	<u>2,754,197</u>	<u>37,109</u>	<u>6,288,111</u>	<u>-</u>	<u>12,492,632</u>
<u>\$ 3,766,513</u>	<u>\$ 2,627,607</u>	<u>\$ 37,109</u>	<u>\$ 6,431,229</u>	<u>\$ -</u>	<u>\$ 12,956,160</u>

See accompanying notes to combining financial statements.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Activities
Year Ended December 31, 2015

	Center			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenue:				
Contributions	\$ 681,872	\$ 403,135	\$ -	\$ 1,085,007
In-kind contributions	2,536,913	-	-	2,536,913
Special events revenue	472,191	-	-	472,191
Federal and state grants/contracts	6,906,564	-	-	6,906,564
Local assistance	572,445	-	-	572,445
Private grants	729,583	-	-	729,583
Program income	112,113	-	-	112,113
Investment income	12,845	-	-	12,845
Fees for services	2,544,870	-	-	2,544,870
Other income, net	107,176	-	-	107,176
Realized/unrealized (loss) on investments, net	(10,757)	-	-	(10,757)
Change in value of split interest agreements	-	-	-	-
Change in value of trust receivable	-	90,364	-	90,364
Realized gain on sale of property and equipment	6,917	-	-	6,917
Total support and revenue	<u>14,672,732</u>	<u>493,499</u>	<u>-</u>	<u>15,166,231</u>
Net assets released from restrictions	<u>286,013</u>	<u>(286,013)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>14,958,745</u>	<u>207,486</u>	<u>-</u>	<u>15,166,231</u>
Expenses:				
Program services	14,322,636	-	-	14,322,636
Management and general	1,026,015	-	-	1,026,015
Fundraising	126,174	-	-	126,174
Program support	-	-	-	-
Total expenses	<u>15,474,825</u>	<u>-</u>	<u>-</u>	<u>15,474,825</u>
Change in net assets	(516,080)	207,486	-	(308,594)
Net assets at beginning of year	<u>5,140,953</u>	<u>1,338,014</u>	<u>34,148</u>	<u>6,513,115</u>
Net assets at end of year	<u>\$ 4,624,873</u>	<u>\$ 1,545,500</u>	<u>\$ 34,148</u>	<u>\$ 6,204,521</u>

Foundation					
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Eliminations</u>	<u>Combined Total</u>
\$ 207,553	\$ -	\$ -	\$ 207,553	\$ (463,525)	\$ 829,035
-	-	-	-	-	2,536,913
-	-	-	-	-	472,191
-	-	-	-	-	6,906,564
-	-	-	-	-	572,445
-	-	-	-	-	729,583
-	-	-	-	-	112,113
203,256	-	-	203,256	-	216,101
-	-	-	-	-	2,544,870
-	-	-	-	(87,756)	19,420
(316,336)	-	-	(316,336)	-	(327,093)
-	(23,483)	-	(23,483)	-	(23,483)
-	-	-	-	-	90,364
-	-	-	-	-	6,917
<u>94,473</u>	<u>(23,483)</u>	<u>-</u>	<u>70,990</u>	<u>(551,281)</u>	<u>14,685,940</u>
<u>67,408</u>	<u>(67,408)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>161,881</u>	<u>(90,891)</u>	<u>-</u>	<u>70,990</u>	<u>(551,281)</u>	<u>14,685,940</u>
-	-	-	-	-	14,322,636
-	-	-	-	-	1,026,015
206,152	-	-	206,152	(151,438)	180,888
<u>399,843</u>	<u>-</u>	<u>-</u>	<u>399,843</u>	<u>(399,843)</u>	<u>-</u>
<u>605,995</u>	<u>-</u>	<u>-</u>	<u>605,995</u>	<u>(551,281)</u>	<u>15,529,539</u>
(444,114)	(90,891)	-	(535,005)	-	(843,599)
<u>3,940,919</u>	<u>2,845,088</u>	<u>37,109</u>	<u>6,823,116</u>	<u>-</u>	<u>13,336,231</u>
<u>\$ 3,496,805</u>	<u>\$ 2,754,197</u>	<u>\$ 37,109</u>	<u>\$ 6,288,111</u>	<u>\$ -</u>	<u>\$ 12,492,632</u>

See accompanying notes to combining financial statements.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Cash Flows
Year Ended December 31, 2016

	<u>Center</u>	<u>Foundation</u>	<u>Combined Total</u>
Cash Flows from Operating Activities:			
Change in net assets	\$ 320,410	\$ 143,118	\$ 463,528
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	502,827	-	502,827
Realized/unrealized gain on investments, net	(5,825)	(274,530)	(280,355)
Change in value of split interest agreements	-	(17,670)	(17,670)
Change in value of trust receivable	(54,502)	-	(54,502)
Change in operating assets:			
Grants and other receivables	(161,552)	(6,190)	(167,742)
Prepaid expenses	(8,131)	-	(8,131)
Trust receivable	48,400	-	48,400
Change in operating liabilities:			
Accounts payable	32,583	-	32,583
Accrued expenses	3,416	(6,451)	(3,035)
Refundable advances	65,958	-	65,958
Total adjustments	423,174	(304,841)	118,333
Net cash provided by (used in) operating activities	743,584	(161,723)	581,861
Cash Flows from Investing Activities:			
Purchases of property and equipment	(222,916)	-	(222,916)
Purchases of investments	(57,798)	(561,290)	(619,088)
Proceeds from sales of investments	43,311	655,754	699,065
Net cash provided by (used in) investing activities	(237,403)	94,464	(142,939)
Change in cash and cash equivalents	506,181	(67,259)	438,922
Cash and cash equivalents - beginning of year	871,157	572,496	1,443,653
Cash and cash equivalents - end of year	\$ 1,377,338	\$ 505,237	\$ 1,882,575

See accompanying notes to combining financial statements.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Combining Statement of Cash Flows
Year Ended December 31, 2015

	Center	Foundation	Combined Total
Cash Flows from Operating Activities:			
Change in net assets	\$ (308,594)	\$ (535,005)	\$ (843,599)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	428,804	-	428,804
Gain on sale of property and equipment	(6,917)	-	(6,917)
Realized/unrealized loss on investments, net	10,757	316,336	327,093
Change in value of split interest agreements	-	23,483	23,483
Change in value of trust receivable	(90,364)	-	(90,364)
Change in operating assets:			
Grants and other receivables	(53,042)	-	(53,042)
Prepaid expenses	61,487	-	61,487
Trust receivable	48,400	-	48,400
Change in operating liabilities:			
Accounts payable	183,281	-	183,281
Accrued expenses	(97,679)	(30,236)	(127,915)
Refundable advances	74,307	-	74,307
Total adjustments	559,034	309,583	868,617
Net cash provided by (used in) operating activities	250,440	(225,422)	25,018
Cash Flows from Investing Activities:			
Purchases of property and equipment	(592,305)	-	(592,305)
Purchases of investments	-	(1,146,737)	(1,146,737)
Proceeds from sales of property and equipment	6,917	-	6,917
Proceeds from sales of investments	31,638	1,454,234	1,485,872
Net cash provided by (used in) investing activities	(553,750)	307,497	(246,253)
Change in cash and cash equivalents	(303,310)	82,075	(221,235)
Cash and cash equivalents - beginning of year	1,174,467	490,421	1,664,888
Cash and cash equivalents - end of year	\$ 871,157	\$ 572,496	\$ 1,443,653

See accompanying notes to combining financial statements.

Senior Friendship Centers, Inc.
Statement of Functional Expenses - Center
Year Ended December 31, 2016
(With Comparative Totals For 2015)

	<u>Eldercare Nutrition Services</u>	<u>Supportive Aging Services</u>	<u>Healthy Aging Services</u>	<u>Education, Advocacy & Engagement Services</u>	<u>Total Program Services</u>
Personnel	\$ 741,855	\$ 1,829,837	\$ 1,590,897	\$ 96,337	\$ 4,258,926
In-kind contribution expense	-	-	2,223,125	-	2,223,125
Travel	13,648	39,757	8,029	5,115	66,549
Rent	46,264	53,034	87,342	1,451	188,091
Communications and utilities	53,769	75,995	83,196	3,777	216,737
Program supplies	63,716	60,604	306,420	3,467	434,207
Food/meals	1,157,621	68,713	20,204	-	1,246,538
Professional fees	47,441	86,877	96,982	4,465	235,765
Service subcontracts	-	5,020,044	686,018	2,246	5,708,308
Maintenance and repairs	75,432	124,574	146,006	6,265	352,277
Insurance	20,471	27,054	30,200	5,022	82,747
Special events expense	-	-	-	-	-
Other	18,218	24,388	-	8,309	50,915
Total expenses before depreciation, amortization and interfund charges	<u>2,238,435</u>	<u>7,410,877</u>	<u>5,278,419</u>	<u>136,454</u>	<u>15,064,185</u>
Depreciation and amortization	9,917	-	160,485	-	170,402
Interfund Charges:					
Use of facilities	5,196	18,672	36,223	2,028	62,119
Total expenses	<u>\$ 2,253,548</u>	<u>\$ 7,429,549</u>	<u>\$ 5,475,127</u>	<u>\$ 138,482</u>	<u>\$ 15,296,706</u>

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>2016 Total</u>	<u>2015 Total</u>
\$ 504,788	\$ -	\$ 504,788	\$ 4,763,714	\$ 4,505,619
-	-	-	2,223,125	2,536,913
21,993	-	21,993	88,542	93,081
21,823	-	21,823	209,914	223,792
47,319	-	47,319	264,056	287,590
186,923	-	186,923	621,130	365,266
13,438	-	13,438	1,259,976	1,249,572
128,538	-	128,538	522,864	433,893
-	-	-	5,549,747	4,615,755
65,982	-	65,982	418,259	424,644
11,858	-	11,858	94,605	102,724
-	80,207	80,207	80,207	126,174
33,816	-	33,816	84,731	80,998
<u>1,036,478</u>	<u>80,207</u>	<u>1,116,685</u>	<u>16,180,870</u>	<u>15,046,021</u>
332,425	-	332,425	502,827	428,804
(62,119)	-	(62,119)	-	-
<u>\$ 1,306,784</u>	<u>\$ 80,207</u>	<u>\$ 1,386,991</u>	<u>\$ 16,683,697</u>	<u>\$ 15,474,825</u>

See accompanying notes to combining financial statements.

Senior Friendship Centers, Inc.

Statement of Functional Expenses - Center

Year Ended December 31, 2015

(With Comparative Totals For 2016)

	<u>Eldercare Nutrition Services</u>	<u>Supportive Aging Services</u>	<u>Healthy Aging Services</u>	<u>Community Engagement Services</u>	<u>Total Program Services</u>
Personnel	\$ 757,824	\$ 1,803,905	\$ 1,347,488	\$ 130,497	\$ 4,039,714
In-kind contribution expense	-	-	2,536,913	-	2,536,913
Travel	15,193	39,731	15,175	5,684	75,783
Rent	50,319	59,310	89,377	2,492	201,498
Communications and utilities	57,846	84,747	97,857	6,161	246,611
Program supplies	23,423	31,985	270,995	5,184	331,587
Food/meals	1,141,736	70,933	19,046	44	1,231,759
Professional fees	46,324	110,271	176,052	16,665	349,312
Services subcontracts	4,177	4,054,061	557,517	-	4,615,755
Maintenance and repairs	69,042	136,226	155,314	8,765	369,347
Insurance	23,061	31,487	31,016	5,398	90,962
Special events expense	-	-	-	-	-
Grants to Foundation and other	5,252	13,688	27,672	12,018	58,630
Total expenses before depreciation, amortization and interfund charges	<u>2,194,197</u>	<u>6,436,344</u>	<u>5,324,422</u>	<u>192,908</u>	<u>14,147,871</u>
Depreciation and amortization	5,093	412	103,666	1,394	110,565
Interfund Charges:					
Use of facilities	5,379	19,254	37,848	1,719	64,200
Total expenses	<u>\$ 2,204,669</u>	<u>\$ 6,456,010</u>	<u>\$ 5,465,936</u>	<u>\$ 196,021</u>	<u>\$ 14,322,636</u>

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>2015 Total</u>	<u>2016 Total</u>
\$ 465,905	\$ -	\$ 465,905	\$ 4,505,619	\$ 4,763,714
-	-	-	2,536,913	2,223,125
17,298	-	17,298	93,081	88,542
22,294	-	22,294	223,792	209,914
40,979	-	40,979	287,590	264,056
33,679	-	33,679	365,266	621,130
17,813	-	17,813	1,249,572	1,259,976
84,581	-	84,581	433,893	522,864
-	-	-	4,615,755	5,549,747
55,297	-	55,297	424,644	418,259
11,762	-	11,762	102,724	94,605
-	126,174	126,174	126,174	80,207
<u>22,368</u>	<u>-</u>	<u>22,368</u>	<u>80,998</u>	<u>84,731</u>
771,976	126,174	898,150	15,046,021	16,180,870
318,239	-	318,239	428,804	502,827
(64,200)	-	(64,200)	-	-
<u>\$ 1,026,015</u>	<u>\$ 126,174</u>	<u>\$ 1,152,189</u>	<u>\$ 15,474,825</u>	<u>\$ 16,683,697</u>

See accompanying notes to combining financial statements.

Senior Friendship Centers, Inc. and Senior Friendship Centers Foundation, Inc.

Notes to Combining Financial Statements
December 31, 2016 and 2015

1. Organization and Nature of Operations

The accompanying combining financial statements include the accounts of Senior Friendship Centers, Inc. and Senior Friendship Centers Foundation, Inc. All material inter-company accounts and transactions have been eliminated.

Senior Friendship Centers, Inc. (Center) was founded in 1973 with the mission of assisting seniors in maintaining their self-sufficiency and independence, and the goal of preventing premature institutionalization. This mission is achieved through a variety of services to seniors which address physical and emotional health needs such as meal and nutrition programs, transportation, case management, senior centers dedicated to senior socialization, adult day care, Alzheimer's services, in-home services, dental services, health services provided by a unique retired physician program and many volunteer opportunities for participants.

Funding for these programs is provided through federal, state, and local contracts and grants, fees for services, contributions, and volunteer support.

The Senior Friendship Centers Foundation, Inc. (Foundation) was organized in 1992 for the purpose of supporting the long-term mission of Senior Friendship Centers, Inc.

2. Summary of Significant Accounting Policies

Combining Financial Statements

The combining financial statements and notes are representations of the Center's and Foundation's management who are responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the combining financial statements.

Use of Estimates and Assumptions

The preparation of combining financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Center and Foundation consider all cash on hand, bank accounts and certificates of deposit with an original maturity of less than three months as cash and cash equivalents.

Grants and Other Receivables

Grants and other receivables pertain primarily to amounts due to the Center from federal, state and local contracts and grants for which the Center has incurred expenses at December 31, 2016 and 2015. Management believes these receivables are fully collectible and therefore has made no provision for uncollectible amounts.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost if purchased and fair market value at the date of gift if donated. Major renewals, betterments and replacements in excess of \$2,500 are capitalized. Maintenance and repairs are charged to expense as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. A summary of depreciable lives follows:

	Years
Buildings and improvements	3 - 35
Equipment and transportation vehicles	3 - 5
Furniture and fixtures	3 - 15
Leasehold improvements	3 - 15
Computer and phone equipment	3 - 15

Several of the Center's assets were purchased with grant funds. The grantor maintains a reversionary interest in these assets.

Refundable Advances

Refundable advances consist of advances received from government contracts for services to be provided in the subsequent fiscal year.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and grants received with donor and grantor stipulations that limit the use of donated assets are treated as temporarily restricted net assets. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combining statement of activities as net assets released from restrictions. All donor restricted contributions and grants whose restrictions are met in the same fiscal year as the donation is received are recorded as unrestricted support.

Grants or contributions restricted for the purpose of acquiring or constructing long-lived assets are recorded as temporarily restricted net assets until the long-lived asset is acquired or constructed; at such time the net assets are released from the restriction and reclassified to unrestricted net assets. Absent donor restrictions as to how long long-lived assets must be maintained, expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service.

Contributions subject to donor-imposed restrictions that they must be maintained permanently are treated as permanently restricted net assets. The donor of those assets permits the use of income earned on related investments for general purposes.

Donated Services

A substantial number of volunteers have made significant contributions of their time to support the programs of the Center. The Center has recorded the revenue and expense relating to medical services and dental services donated by physicians and dentists. The value of these services recorded in the accompanying combining financial statements amounted to \$2,223,125 and \$2,536,913 for the years ended December 31, 2016 and 2015, respectively.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Donated Services (Continued)

The value of all other volunteer hours has not been recorded in the accompanying combining financial statements because they did not meet the criteria for recognition as revenue under generally accepted accounting principles. However, management estimates that the fair value of these services contributed to the Center during the years ended December 31, 2016 and 2015 amounted to \$1,024,603 and \$956,807, respectively.

Income Taxes

The Internal Revenue Service has determined that the Center and Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Center and Foundation are not-for-profit Florida corporations and, therefore, are not subject to state income taxes. Donations to the Center and Foundation qualify as a charitable contribution.

Under the Income Taxes Topic of the FASB Accounting Standards Codification, the Center and Foundation have reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the combining financial statements.

The Center and Foundation file tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Center and Foundation are subject include the years ended December 31, 2013 through December 31, 2016.

Functional Allocation of Expenses

The costs of programs and activities have been summarized on a functional basis in the combining statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Trust Receivable, Net

In 1998, the Center was listed as a beneficiary of a trust agreement (the Trust). The agreement states that 22% of the Trust's annual net income will be distributed to the Center for a period of 50 years. In the year which includes the 50th anniversary of the donor's date of death (Year 2048), the Trust will terminate and the Center will receive 25% of the remaining principal and any accrued income. The trust receivable, discounted to present value at a rate of 1.70%, totaled \$696,557 and \$690,455 as of December 31, 2016 and 2015, respectively. Distributions received from the Trust in 2016 and 2015 totaled \$48,400 and \$48,400, respectively.

Split Interest Agreements

The Foundation is a beneficiary of a perpetual trust agreement whereby the Foundation has the irrevocable right to receive the income earned on trust assets in perpetuity. The principal may be distributed pursuant to the discretion of the trustee. Also, the Foundation and Center entered into a charitable remainder unitrust, and a gift annuity, whereby the donor's designated beneficiary receives payments for the remainder of their life with any remainder at death reverting to the Foundation and Center. The amount of contribution recorded as revenue is the fair value of the trust assets and is classified as temporarily restricted support. The Center and Foundation did not recognize any new contributions during 2016 or 2015.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

Bequests

The Organization has been named beneficiary in a number of bequests. Bequests that have not been recorded in the accompanying combining financial statements are those where the donors' wills have not yet been declared valid by the probate court and the value of the amounts to be received is not yet determinable.

Interfund Charges

During the course of the year, certain programs require the use of the Center's facilities. Each program is charged, based on use and pre-established fees that reflect the costs of operations.

Financial Instruments Not Measured at Fair Value

Certain of the Center's and Foundation's financial instruments are not measured at fair value on a recurring basis. However, they are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, grants and other receivables, prepaid expenses, accounts payable, accrued expenses and refundable advances.

Reclassifications

To facilitate comparison of financial data, certain amounts in the 2015 combining financial statements have been reclassified to conform to the 2016 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Investments

Investments are recorded in the accompanying combining financial statements at fair market value. The combined cost, market value and provision for unrealized gains on investments in the aggregate are summarized as follows at December 31:

	2016		
	Cost	Market Value	Provision for Unrealized Gains(loss)
Certificates of deposits	\$ 20,160	\$ 20,160	\$ -
Common stocks	611,862	703,093	91,231
Mutual funds	4,468,111	4,999,504	531,393
Corporate obligations	265,235	259,656	(5,579)
	<u>\$ 5,365,368</u>	<u>\$ 5,982,413</u>	<u>\$ 617,045</u>
	2015		
	Cost	Market Value	Provision for Unrealized Gains(loss)
Certificates of deposits	\$ 20,140	\$ 20,140	\$ -
Common stocks	598,402	622,927	24,525
Mutual funds	4,616,486	4,867,277	250,791
Corporate obligations	277,858	271,691	(6,167)
	<u>\$ 5,512,886</u>	<u>\$ 5,782,035</u>	<u>\$ 269,149</u>

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

3. Investments (Continued)

For the year ended December 31, 2016, the Center's total investment components of cost, market value and provision for unrealized gains equaled \$319,393, \$358,265 and \$38,871, respectively. The Foundation's total investment components of cost, market value and provision for unrealized gain equaled \$5,045,966, \$5,624,148 and \$578,174, respectively.

For the year ended December 31, 2015, the Center's total investment components of cost, market value and provision for unrealized gains equaled \$304,405, \$337,953 and \$33,544, respectively. The Foundation's total investment components of cost, market value and provision for unrealized gain equaled \$5,208,481, \$5,444,082 and \$235,605, respectively.

The Center recognized unrealized gains (losses) on investments of \$4,773 and \$(10,771) for the years ended December 31, 2016 and 2015 respectively, and realized gains of \$1,052 and \$14 for the years ended December 31, 2016 and 2015, respectively.

The Foundation recognized unrealized gains (losses) on investments of \$250,445 and \$(600,693) for the years ended December 31, 2016 and 2015, respectively, and realized gains of \$24,085 and \$284,357 for the years ended December 31, 2016 and 2015, respectively.

4. Fair Value of Financial Assets and Liabilities

The Organization values certain assets and liabilities in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions. The Organization has adopted Accounting Standards Update No. 2010-06, Improving Disclosures about Fair Value Measurements, which requires the Organization to present fair value measurements separately for each class of assets and liabilities held as of December 31, 2016 and 2015.

The following table presents information about the classes of assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2016 and 2015, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quotes prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Organization's assumptions based on the best information available in the circumstance.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)
December 31, 2016 and 2015

4. Fair Value of Financial Assets and Liabilities (Continued)

For the year ended December 31, 2016:

Description	Balance	Level 1	Level 2	Level 3
Investments:				
Common stock				
U.S. large cap	\$ 623,560	\$ 623,560	-	-
U.S. mid cap	79,533	79,533	-	-
Total common stock	703,093	703,093	-	-
Mutual funds - equity:				
U.S. large cap	948,529	948,529	-	-
U.S. mid cap	317,356	317,356	-	-
U.S. small cap	164,034	164,034	-	-
International developed	795,560	795,560	-	-
International emerging	178,459	178,459	-	-
Mutual funds - fixed income:				
Intermediate term bond	1,146,311	1,146,311	-	-
High yield bond	610,994	610,994	-	-
Inflation-protected bond	133,602	133,602	-	-
Ultra-short bond	406,689	406,689	-	-
U.S. government bond	56,012	56,012	-	-
Mutual funds - asset-backed:				
Global real estate	24,056	24,056	-	-
Commodities	217,902	217,902	-	-
Total mutual funds	4,999,504	4,999,504	-	-
Corporation obligations	259,656	-	259,656	-
Certificate of deposits	20,160	-	20,160	-
Total investments	5,982,413	5,702,597	279,816	-
Contributions receivable from split interest agreements	140,563	-	-	140,563
Beneficial interest in perpetual trust	155,091	-	-	155,091
Trust receivable, net	696,557	-	-	696,557
Total assets and liabilities at fair value	\$ 6,974,624	\$ 5,702,597	\$ 279,816	\$ 992,211

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

4. Fair Value of Financial Assets and Liabilities (Continued)

For the year ended December 31, 2015:

Description	Balance	Level 1	Level 2	Level 3
Investments:				
Common stock				
U.S. large cap	\$ 554,291	\$ 554,291	\$ -	\$ -
U.S. mid cap	68,636	68,636	-	-
Total common stock	622,927	622,927	-	-
Mutual funds - <i>equity</i> :				
U.S. large cap	900,437	900,437	-	-
U.S. mid cap	294,240	294,240	-	-
U.S. small cap	136,963	136,963	-	-
International developed	802,097	802,097	-	-
International emerging	192,813	192,813	-	-
Mutual funds - <i>fixed income</i> :				
Intermediate term bond	1,149,389	1,149,389	-	-
High yield bond	575,034	575,034	-	-
Inflation-protected bond	110,116	110,116	-	-
Ultra-short bond	476,071	476,071	-	-
U.S. government bond	56,183	56,183	-	-
Mutual funds - <i>asset-backed</i> :				
Global real estate	28,708	28,708	-	-
Commodities	145,226	145,226	-	-
Total mutual funds	4,867,277	4,867,277	-	-
Corporation obligations	271,691	-	271,691	-
Certificate of deposits	20,140	-	20,130	-
Total investments	5,782,035	5,490,204	291,831	-
Contributions receivable from split interest agreements	117,042	-	-	117,042
Beneficial interest in perpetual trust	160,942	-	-	160,942
Trust receivable, net	690,455	-	-	690,455
Total assets and liabilities at fair value	\$ 6,750,474	\$ 5,490,204	\$ 291,831	\$ 968,439

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

4. Fair Value of Financial Assets and Liabilities (Continued)

Level 3 assets represent interests in assets or non-liquid assets. The change in fair value of the Organization's assets valued using significant unobservable inputs (level 3) is shown below:

	Contribution receivable from split interest agreements	Beneficial interest in perpetual trust	Trust receivable, net	Total
Balance, 12/31/2014	\$ 132,575	\$ 168,892	\$ 648,491	\$ 949,958
Change in value	(15,533)	(7,950)	90,364	68,881
Distributions received	-	-	(48,400)	(48,400)
Balance, 12/31/2015	117,042	\$ 160,942	\$ 690,455	\$ 968,439
Change in value	23,521	(5,851)	54,502	72,172
Distributions received	-	-	(48,400)	(48,400)
Balance, 12/31/2016	\$ 140,563	\$ 155,091	\$ 696,557	\$ 992,211

The fair value of level 3 assets and liabilities is based on the fair value of the underlying assets. Where applicable, distributions and payments are based on terms of the underlying agreements and have been discounted to present value at a rate of 1.8% and 2.0% for the years ended December 31, 2016 and 2015, respectively. All changes in value in such assets and liabilities are included in the combining statement of activities as change in value of split interest agreements and change in value of trust receivable.

5. Property and Equipment

Property and equipment consists of the following as of December 31:

Center:	2016	2015
Land, buildings and improvements	\$ 7,875,740	\$ 7,875,740
Equipment and transportation vehicles	1,805,807	1,877,024
Furniture and fixtures	165,088	172,381
Leasehold improvements	1,014,923	1,043,880
Work in Progress	-	159,044
	<u>10,861,558</u>	<u>11,128,069</u>
Less accumulated depreciation and amortization	(6,727,239)	(6,713,839)
Center property and equipment, net	<u>4,134,319</u>	<u>4,414,230</u>
 Foundation:	 2016	 2015
Computer and phone equipment	19,897	19,897
Furniture and fixtures	6,265	6,265
	<u>26,162</u>	<u>26,162</u>
Less accumulated depreciation and amortization	(26,162)	(26,162)
Foundation property and equipment, net	-	-
Combined property and equipment, net	<u>\$ 4,134,319</u>	<u>\$ 4,414,230</u>

Depreciation expense for the years ended December 31, 2016 and 2015 amounted to \$502,827 and \$428,804, respectively.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

6. Board Designated Net Assets

The Board has designated unrestricted net assets as of December 31, for the following purposes:

Center:	2016	2015
Operating reserves	\$ 351,188	\$ (376,173)
Property & equipment reserves	627,498	556,185
Cash match for federal and state contracts	37,046	18,622
Enrichment fund	11,588	11,588
Camera club	421	421
Subtotal	1,027,741	210,643
Foundation:		
Endowment	3,766,513	3,496,805
Combined Board designated assets	\$ 4,794,254	\$ 3,707,448

During 2000, the Foundation's Board decided to designate its net assets as a board designated endowment. The Foundation contributed \$175,000 and \$399,843 to the Center during the years ended December 31, 2016 and 2015, respectively.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes at December 31:

Center:	2016	2015
Beauty and the bench	\$ -	\$ 4,941
Community engagement - Charlotte	8,791	8,791
Doorways	28,435	28,660
Emergency fund	127	127
Fundraising - Sarasota	38,704	10,346
Fundraising - Collier	47,200	102,118
Healthy aging services - Lee	6,784	6,436
Healthy aging services - Collier	19,744	-
Healthy aging services - Sarasota	998,544	1,285,926
Hurricane relief	1,471	1,471
Nutrition services - Lee	2,992	3,704
Nutrition services - Sarasota	5,325	5,325
Fundraising - Lee	-	1,500
Supportive aging services - Sarasota	94,366	77,562
Supportive aging services - Desoto	-	634
Corporate administration - Sarasota	76,240	7,959
Subtotal	1,328,723	1,545,500

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

7. Temporarily Restricted Net Assets (Continued)

	2016	2015
Foundation:		
Health services	4,152	4,152
Venice senior center	458,567	507,848
Sarasota senior center	259,173	352,900
Venice transportation	55,121	55,997
Collier nutrition	10,325	10,325
Contributions receivable from split interest agreements	140,563	117,042
Beneficial interest in perpetual trust	155,091	160,942
Center for healthy aging	1,220,385	1,220,385
Naples health services	15,000	15,000
Lee county adult services	102,974	102,974
Transportation services - Sarasota	206,257	206,632
Subtotal	2,627,607	2,754,197
Combined temporarily restricted net assets	\$ 3,956,330	\$ 4,299,697

8. Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes at December 31:

	2016	2015
Center:		
Emergency funds	\$ 34,148	\$ 34,148
Subtotal	34,148	34,148
Foundation:		
Health services	10,000	10,000
Dr. Arthur Sandler Dental Endowment	27,109	27,109
Subtotal	37,109	37,109
Combined permanently restricted net assets	\$ 71,257	\$ 71,257

9. Net Assets Released from Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes were as follows for the year ended December 31:

	2016	2015
Center:		
Beauty and the Bench	\$ 4,941	\$ -
Community engagement - Lee	10,347	1,000
Doorways	225	999
Fundraising - Sarasota	116,199	8,300
Fundraising - Lee	1,500	-
Healthy aging services - Collier	91,876	13,662
Healthy aging services - Lee	4,652	1,332
Healthy aging services - Sarasota	365,148	194,116
Nutrition services - Lee	-	2,037
Supportive aging services - Sarasota	57,646	60,025
Supportive aging services - Desoto	634	4,542
Supportive Aging Services - Lee	1,503	-
Total	\$ 654,670	\$ 286,013

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

9. Net Assets Released from Restrictions (Continued)

Foundation:	2016	2015
Venice senior center	\$ 49,281	\$ 13,290
Sarasota senior center	93,727	51,783
Venice transportation	877	1,855
Sarasota transportation	375	480
Total	<u>\$ 144,260</u>	<u>\$ 67,408</u>

10. Operating Lease Commitments

The Center has lease agreements with three municipalities for the rental of real property on which the Center has constructed its facilities and a building used to conduct its operations. One agreement requires the Center to pay the municipality one dollar per year until the agreement expires in the year 2037. Two other agreements include rent-free terms, one for an indefinite period of time and one on an annual renewal basis. The fair market value of the leasehold agreements is not determinable and therefore has not been recorded in these combining financial statements.

The Center leases certain equipment, as well as space in various locations in three counties in the State of Florida. Some of the lease agreements are for a term of one year and are renewed on an annual basis. Rent expense amounted to \$223,941 and \$223,974 for the years ended December 31, 2016 and 2015, respectively.

Minimum annual rental payments for leases in effect at December 31, 2016 and in the aggregate are as follows:

2017	\$ 118,941
2018	102,930
2019	100,458
2020	93,108
2021	18,740
Thereafter	18
Total	<u>\$ 434,195</u>

11. Pension Plan

The Center has a defined contribution pension plan. The plan covers all full-time employees who are at least 21 years of age and have completed one year of service. The Center makes monthly contributions to the plan equal to 4% of each covered employee's compensation. In addition, the Center will match the lesser of 1/2 of the employee's deferral percentage up to 4%, or 2% of the employee's compensation. The Center's contribution to the plan for the years ended December 31, 2016 and 2015 amounted to \$171,033 and \$161,269, respectively.

12. Concentrations of Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents, which at times, exceeds federally insured limits.

**Senior Friendship Centers, Inc. and
Senior Friendship Centers Foundation, Inc.**

Notes to Combining Financial Statements (Continued)

December 31, 2016 and 2015

12. Concentrations of Risk (Continued)

The Organization invests in a variety of investment vehicles that are exposed to interest rate, market, credit, and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors may result in changes in the value of the Organization's investments, which could materially affect the amounts reported in the combining financial statements.

13. Endowments

As of December 31, 2016 and 2015, the Foundation's endowment consisted of funds designated by the Board of Governors to function as an endowment (quasi-endowments). As required by generally accepted accounting principles, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to generate growth of the assets over the long-term horizon sufficient to provide endowment funding for Senior Friendship Centers, Inc.'s operations. The endowment assets are invested in a manner that is intended to earn a target return rate between 6% - 8%. Furthermore, the objective is to earn a long-term rate of return that is at least 4% greater than the rate of inflation as measured by the Consumer Price Index, while assuming a conservative to moderate risk tolerance. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and a current yield. The Foundation targets a diversified asset allocation that focuses on maximizing returns within reasonable and prudent levels of risk, while minimizing the costs of administering and managing the portfolio.

Spending Policy

Prior to 2014, five percent (5%) of the endowment was to be contributed annually to the Center. Due to special considerations related to the funding of services, the Board authorized an additional allocation of 1.5%, bringing the total allocation from the Foundation to the Center to 6.5% in 2015. During 2016, the Endowment contribution represented 4.6% based on balances in funds within the Endowment. In establishing this policy, the Foundation expects the current spending policy to allow its endowment to grow between 1% - 3%, and continue to generate sufficient income and maintain sufficient liquidity to fund the annual operating budget of the Foundation.

14. Subsequent Events

The Organization has evaluated all subsequent events through the date these combining financial statements were available to be issued, April 7, 2017, and has determined there are no subsequent events that require disclosure.

Supplemental Information

Senior Friendship Centers, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance
 Year Ended December 31, 2016

Grantor/Program Title	Federal CFDA Number/ State CSFA Number	Grant/Contract Number
Federal Contracts and Grants		
Aging Cluster		
U.S. Department of Health and Human Services		
Passed through the State of Florida Department of Elder Affairs - Area Agency on Aging of Southwest Florida Older Americans Act:		
Special Programs for the Aging (Title III-B) Supportive Services - Sarasota County	93.044	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-B) Supportive Services - Desoto County	93.044	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-B) Supportive Services - Lee County	93.044	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-B) Supportive Services - Charlotte County	93.044	210, 211, 212, 217.15, 217.16
(Title III-C-1) Nutrition Services - Sarasota County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-1) Nutrition Services - Desoto County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-1) Nutrition Services - Lee County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-1) Nutrition Services - Charlotte County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-2) Nutrition Services - Charlotte County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-2) Nutrition Services - Sarasota County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-2) Nutrition Services - Desoto County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging (Title III-C-2) Nutrition Services - Lee County	93.045	210, 211, 212, 217.15, 217.16
Special Programs for the Aging		
U.S. Department of Agriculture		
Passed through the State of Florida Department of Elder Affairs - Area Agency on Aging of Southwest Florida Older Americans Act:		
Nutrition Services Incentive - Sarasota County	93.053	NSIP 210, 211, 212, 217.15, 217.16
Nutrition Services Incentive - Desoto County	93.053	NSIP 210, 211, 212, 217.15, 217.16
Nutrition Services Incentive - Lee County	93.053	NSIP 210, 211, 212, 217.15, 217.16
Nutrition Services Incentive - Charlotte County	93.053	NSIP 210, 211, 212, 217.15, 217.16
Total Aging Cluster		

<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
\$ 550,715	\$ -	\$ 550,715
74,115	-	74,115
685,105	-	685,105
<u>48,117</u>	<u>-</u>	<u>48,117</u>
<u>1,358,052</u>	<u>-</u>	<u>1,358,052</u>
285,171	-	285,171
14,171	-	14,171
482,814	-	482,814
157,515	-	157,515
132,040	-	132,040
316,416	-	316,416
65,539	-	65,539
423,407	-	423,407
<u>1,877,073</u>	<u>-</u>	<u>1,877,073</u>
58,998	-	58,998
4,714	-	4,714
88,674	-	88,674
28,407	-	28,407
<u>180,793</u>	<u>-</u>	<u>180,793</u>
<u>\$ 3,415,918</u>	<u>\$ -</u>	<u>\$ 3,415,918</u>

Senior Friendship Centers, Inc.
 Schedule of Expenditures of Federal Awards
 and State Financial Assistance (Continued)
 Year Ended December 31, 2016

Grantor/Program Title	Federal CFDA Number/ State CSFA Number	Grant/Contract Number
Federal Contracts and Grants (Continued)		
U.S. Department of Health and Human Services		
Passed through the State of Florida Department of Elder Affairs - Area Agency on Aging of Southwest Florida Older Americans Act:		
National Family Caregiver Support (Title III-E) Caregiver Support - Sarasota County	93.052	210, 211, 212, 217.15, 217.16
National Family Caregiver Support (Title III-E) Caregiver Support - Desoto County	93.052	210, 211, 212, 217.15, 217.16
National Family Caregiver Support (Title III-E) Caregiver Support - Lee County	93.052	210, 211, 212, 217.15, 217.16
Corporation for National and Community Service		
Retired and Senior Volunteer Program - Lee County	94.002	14SR5FL001
Passed through the State of Florida Department of Education		
Child and Adult Care Food Program	10.558	Y5002, Y6002
Total Federal Contracts and Grants		
State Contracts and Grants		
State of Florida Department of Elder Affairs		
Passed through Area Agency on Aging of Southwest Florida		
Home Care for the Elderly - Sarasota County	65.001	HCE 210, 211, 212.15, 212.16
Home Care for the Elderly - Desoto County	65.001	HCE 210, 211, 212.15, 212.16
Home Care for the Elderly - Lee County	65.001	HCE 210, 211, 212.15, 212.16
Alzheimer's Respite Services / Special Projects - Sarasota County	65.004	ADI 210,211,212.15, 212.16
Alzheimer's Respite Services / Special Projects - Desoto County	65.004	ADI 210,211,212.15, 212.16
Alzheimer's Respite Services / Special Projects - Lee County	65.004	ADI 210,211,212.15, 212.16
State Contracts and Grants (Continued)		
Respite for Elders Living in Everyday Families - RELIEF	65.006	Relief 211.15, 211.16
Community Care for the Elderly - Sarasota County	65.010	CCE 210,211,212.15, 212.16
Community Care for the Elderly - Desoto County	65.010	CCE 210,211,212.15, 212.16
Community Care for the Elderly - Lee County	65.010	CCE 210,211,212.15, 212.16
Total State Contracts and Grants		
Total Federal and State Contracts and Grants		

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal and state granting activity of Senior Friendship Centers, Inc. (SFC), and is presented on the Generally Accepted Accounting Principles basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Indirect Cost Election

SFC has not elected to use the 10% de minimis cost rate as covered in 2 CFR section 200.414 and has a federally negotiated rate with their cognizant agency.

<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Total Expenditures</u>
\$ 117,181	\$ -	\$ 117,181
18,774	-	18,774
<u>227,286</u>	<u>-</u>	<u>227,286</u>
<u>363,241</u>	<u>-</u>	<u>363,241</u>
49,703	-	49,703
<u>49,703</u>	<u>-</u>	<u>49,703</u>
26,600	-	26,600
<u>26,600</u>	<u>-</u>	<u>26,600</u>
<u>3,855,462</u>	<u>-</u>	<u>3,855,462</u>
-	44,961	44,961
-	2,032	2,032
-	134,400	134,400
<u>-</u>	<u>181,393</u>	<u>181,393</u>
-	384,132	384,132
-	23,850	23,850
-	419,639	419,639
\$ <u>-</u>	\$ <u>827,621</u>	\$ <u>827,621</u>
-	31,153	31,153
<u>-</u>	<u>31,153</u>	<u>31,153</u>
-	1,137,633	1,137,633
-	288,171	288,171
-	1,504,760	1,504,760
<u>-</u>	<u>2,930,564</u>	<u>2,930,564</u>
-	3,970,731	3,970,731
\$ <u>3,855,462</u>	\$ <u>3,970,731</u>	\$ <u>7,826,193</u>

Contract Compliance

Senior Friendship Centers, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)

yes no

Identification of major programs and major projects:

CFDA Number(s)

93.044, 93.045, 93.053
93.052

Name of Federal Program or Cluster

The Aging Cluster
National Family Caregiver Support

CSFA Number(s)

65.004
65.010

Name of State Project

Alzheimer's Respite Services
Community Care for the Elderly

Dollar threshold used to distinguish between type A and type B Federal programs: \$ 750,000
Dollar threshold used to distinguish between type A and type B State projects: \$ 300,000

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Senior Friendship Centers, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

Section III - Federal and State Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings and Questioned Costs

None

Section V - Other

No management letter is required because there were no findings to be reported in a management letter as required by Section 215.97(9)(f) and 215.97(10)(d) of the Florida Statutes, Auditor General Rule 10.654(1)(e) or 10.656(3)(e).

**Report of Independent Auditor 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**

The Board of Governors
Senior Friendship Centers, Inc.

We have audited, in accordance with the 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 and Chapter 10.650, *Rules of the Auditor General*, the combining financial statements of Senior Friendship Centers, Inc. (Center) and Senior Friendship Centers Foundation, Inc. (Foundation), which comprise the combining statement of financial position as of December 31, 2016 and 2015, and the related combining statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 7, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the combining 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 combining 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 combining financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combining 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sarasota, Florida
April 7, 2017

Handwritten signature in cursive script that reads "Kerkering Associates & Co."

Report of Independent Auditor on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida

The Board of Governors
Senior Friendship Centers, Inc.

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Senior Friendship Centers, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services Statements Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and state financial assistance projects for the year ended December 31, 2016. The Organization's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General*. Those standards, and the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650 *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and the Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Sarasota, Florida
April 7, 2017