

FRIENDS OF CANBY ADULT CENTER, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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Board of Directors
FRIENDS OF CANBY ADULT CENTER, INC.
Canby, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Friends of Canby Adult Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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.

Auditor's 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. 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 auditor's 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 Friends of Canby Adult Center, Inc. as of June 30, 2014, and the changes in its 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 of Summarized Comparative Information

We have previously audited Friends of Canby Adult Center, Inc.'s June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wilcox Arredondo & Co.

Certified Public Accountants
November 17, 2014

FRIENDS OF CANBY ADULT CENTER, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014 with Comparative
Totals for 2013

	ASSETS	
	<u>2014</u>	<u>2013</u>
Cash	\$ 137,702	\$ 210,302
Accounts receivable	2,936	10,581
Inventory	10,591	9,943
Investments	6,633,652	5,900,626
Property and equipment, net	<u>65,688</u>	<u>37,605</u>
Total Assets	<u><u>\$ 6,850,569</u></u>	<u><u>\$ 6,169,057</u></u>
	LIABILITIES	
Accounts payable	\$ 14,871	\$ 12,986
Accrued payroll and related taxes	7,664	10,086
Accrued vacation payable	<u>8,970</u>	<u>10,100</u>
Total Liabilities	<u>31,505</u>	<u>33,172</u>
	NET ASSETS	
Net Assets		
Unrestricted	6,767,758	6,084,579
Temporarily restricted, Note 6	756	756
Permanently restricted, Note 7	<u>50,550</u>	<u>50,550</u>
Total Net Assets	<u>6,819,064</u>	<u>6,135,885</u>
Total Liabilities and Net Assets	<u><u>\$ 6,850,569</u></u>	<u><u>\$ 6,169,057</u></u>

See notes to the basic financial statements.

FRIENDS OF CANBY ADULT CENTER, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014 with Comparative
Totals for 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals
Revenue, Gains, and Other Support					
Public support					
Contributions and gifts	\$ 172,005	\$ 2,794	\$ -	\$ 174,799	\$ 164,385
Meal donations	55,578	-	-	55,578	54,007
Total Public Support	227,583	2,794	-	230,377	218,392
Fees and grants from					
Governmental agencies	141,080	-	-	141,080	159,339
Other revenue					
Program service fees	22,442	-	-	22,442	21,540
Investment income	314,398	-	-	314,398	230,029
Miscellaneous	7,861	-	-	7,861	8,381
Net realized gains (losses)					
from disposal of property and equip.	-	-	-	-	(225)
from investments	108,548	-	-	108,548	84,576
Unrealized gains (losses)					
from investments	502,244	-	-	502,244	314,962
Total Other Revenue	955,493	-	-	955,493	659,263
Total Revenue, Gains, and Other Support	1,324,156	2,794	-	1,326,950	1,036,994
Expenses					
Program services	483,887	2,794	-	486,681	497,235
Supporting services					
Management and general	110,794	-	-	110,794	115,077
Fundraising	46,296	-	-	46,296	38,760
Total Expenses	640,977	2,794	-	643,771	651,072
Change in Net Assets	683,179	-	-	683,179	385,922
Net Assets, beginning of year	6,084,579	756	50,550	6,135,885	5,749,963
Net Assets, end of year	\$ 6,767,758	\$ 756	\$ 50,550	\$ 6,819,064	\$ 6,135,885

See notes to the basic financial statements.

FRIENDS OF CANBY ADULT CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014 with
Comparative Totals for 2013

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Supporting Services	2014 Total	2013 Total
Administration						
Bank service charges	\$ 66	\$ 21	\$ 5	\$ 26	\$ 92	\$ -
Board expense	-	237	-	237	237	81
Computer expense	527	168	37	205	732	420
Copy machine services	3,699	1,182	257	1,439	5,138	5,171
Directors expense	-	488	-	488	488	827
Subscriptions	182	58	13	71	253	495
Insurance	8,817	2,816	612	3,428	12,245	9,625
Legal & professional	7,740	2,473	537	3,010	10,750	11,420
Miscellaneous	346	110	24	134	480	104
Office supplies	1,923	614	134	748	2,671	3,390
Postage	1,939	619	135	754	2,693	2,459
Taxes/licenses/fees	878	280	61	341	1,219	817
Telephone	2,425	775	168	943	3,368	3,282
Depreciation	6,938	2,218	481	2,699	9,637	10,466
Total Administration	35,480	12,059	2,464	14,523	50,003	48,557
Building						
General building expenses	11	3	1	4	15	-
Rent	43,200	13,800	3,000	16,800	60,000	60,000
Janitorial - supplies	3,546	1,133	246	1,379	4,925	4,612
Repairs & maintenance - bldg	406	130	28	158	564	485
Repairs & maintenance - kitchen	2,387	762	166	928	3,315	1,889
Replacements/furnishings	718	229	50	279	997	2,159
Security and fire alarms	1,094	349	76	425	1,519	1,469
Small tools/equip under \$500	58	19	4	23	81	66
Utilities	7,285	2,328	506	2,834	10,119	9,594
Total Building	58,705	18,753	4,077	22,830	81,535	80,274
Designated Funds						
Designated pets & fans	-	-	-	-	-	228
Designated kitchen equipment	-	-	-	-	-	110
Designated trips pass thru	2,794	-	-	-	2,794	4,014
Total Designated Funds	2,794	-	-	-	2,794	4,352

See notes to the basic financial statements.

FRIENDS OF CANBY ADULT CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014 with
Comparative Totals for 2013

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Supporting Services	2014 Total	2013 Total
Fundraising						
Advertising/marketing	\$ -	\$ -	\$ 2,374	\$ 2,374	\$ 2,374	\$ 1,807
Bingo - DOJ/paper	-	-	748	748	748	461
Bingo - non-paper/raffle	-	-	308	308	308	142
Bingo food	-	-	922	922	922	487
Building monitor	-	-	1,491	1,491	1,491	1,302
Entertainment books	-	-	360	360	360	510
Catering	-	-	3,018	3,018	3,018	3,923
Annual appeal	-	-	1,341	1,341	1,341	1,228
Share a meal	-	-	1,384	1,384	1,384	105
Events - holiday bazaar	-	-	231	231	231	786
Events - spring bazaar	-	-	634	634	634	443
Events - salmon bake	-	-	-	-	-	1,579
Misc fundraising expense	-	-	6,649	6,649	6,649	5,653
Payroll - fundraising	-	-	2,596	2,596	2,596	793
Rental expense	-	-	-	-	-	(25)
Soft drink machine	-	-	313	313	313	537
Total Fundraising Expenses	-	-	22,369	22,369	22,369	19,731
Programs						
Classes	1,195	-	-	-	1,195	-
Client services-expense	206	-	-	-	206	256
Decorations/parties	1,280	-	-	-	1,280	790
Food purchase	80,248	-	-	-	80,248	85,414
Misc. center programs	377	-	-	-	377	11
Entertainment	694	-	-	-	694	918
Mileage	142	-	-	-	142	307
Non-consumable supplies	2,537	-	-	-	2,537	4,992
Non consumables - MOW	10,659	-	-	-	10,659	10,524
Share/warmth payroll	661	-	-	-	661	893
T.R.P.& SR CIT council expense	776	-	-	-	776	1,302
Trip expense	1,190	-	-	-	1,190	556
Bus transport	7,152	-	-	-	7,152	6,550
Van transport	2,028	-	-	-	2,028	1,691
Non-cash donations	29,791	-	-	-	29,791	31,015
Volunteer appreciation	389	-	-	-	389	812
Total Programs	139,325	-	-	-	139,325	146,031
Staffing/Payroll						
Staff appreciation	1,296	414	90	504	1,800	2,442
Hiring staff	72	23	5	28	100	253
Training staff	83	26	6	32	115	399
Workers compensation (SAIF)	1,427	456	99	555	1,982	1,618
Payroll service	246	79	17	96	342	345
Payroll wages & salaries	219,405	70,088	15,236	85,324	304,729	298,529
Health insurance	6,912	2,208	480	2,688	9,600	13,200
Miscellaneous	-	-	-	-	-	(1,255)
Payroll tax expense	20,936	6,688	1,453	8,141	29,077	32,245
Total Staffing/Payroll	250,377	79,982	17,386	97,368	347,745	347,776
Total Functional Expenses	\$ 486,681	\$ 110,794	\$ 46,296	\$ 157,090	\$ 643,771	\$ 646,721

See notes to the basic financial statements.

FRIENDS OF CANBY ADULT CENTER, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014 with
Comparative Totals for 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in Net Assets	<u>\$ 683,179</u>	<u>\$ 385,922</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and amortization	9,637	10,466
Realized (gain) loss on sale of investments	(108,548)	(84,576)
Unrealized (gain)/loss on investments	(502,244)	(314,962)
(Increase)/decrease in accounts receivable	7,645	166
(Increase)/decrease in inventory	(648)	27
Increase/(decrease) in accounts payable	1,885	2,911
Increase/(decrease) in accrued payroll and related taxes	(3,552)	3,780
Total Adjustments	<u>(595,825)</u>	<u>(382,188)</u>
Net Cash Provided (Used) by Operating Activities	<u>87,354</u>	<u>3,734</u>
Cash Flows from Investing Activities		
Acquisition of equipment	(37,720)	(14,005)
Purchase of investment securities	(847,635)	(1,146,811)
Proceeds from sale of equipment	-	225
Proceeds from sale of securities	725,401	1,303,163
Net Cash Provided (Used) by Investing Activities	<u>(159,954)</u>	<u>142,572</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(72,600)	146,306
Cash and Cash Equivalents		
Beginning of year	<u>210,302</u>	<u>63,996</u>
End of year	<u><u>\$ 137,702</u></u>	<u><u>\$ 210,302</u></u>

See notes to the basic financial statements.

FRIENDS OF CANBY ADULT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014

Note 1. The Organization and Summary of Significant Accounting Policies

Friends of Canby Adult Center, Inc. is a not-for-profit corporation organized in the State of Oregon in 1987. The Friends of Canby Adult Center, Inc's mission is to help senior citizens live independently and with dignity as long as possible, creating opportunities for them to thrive amongst their peers, make realistic choices, and enjoy enriching experiences.

The following is a summary of significant accounting policies of the Organization:

Basis of Accounting and Presentation

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

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all short-term investments with original maturities of three months or less to be cash equivalents for reporting purposes.

Inventory

Inventories consist of food and serving supplies and are recorded at the lower of cost (first-in, first-out), or net realizable market value.

FRIENDS OF CANBY ADULT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management considers all receivables to be collectible. Accordingly, no bad debt expense or valuation allowance has been recorded.

Investments

The Organization carries investments in marketable securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair market value at date of gift, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

Expenditures for additions, major renewals and betterments are capitalized, and expenditures for repairs and maintenance are charged against revenue as incurred.

The costs of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations.

Restricted and Unrestricted Revenue and Support

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

FRIENDS OF CANBY ADULT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenue and Support (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Advertising Costs

Advertising costs are generally charged to expense during the year in which they are incurred. Advertising expense was \$2,374 for the year ended June 30, 2014.

Functional Allocation of Expenses

The costs of providing various programs and other 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 program and supporting services benefited. Such allocations are made on the basis of cost accounting information available and the judgment of management.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

FRIENDS OF CANBY ADULT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014

Note 1. The Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization files returns in the U.S. federal and the State of Oregon jurisdictions. The Organization's Form 990, *Return of Organization Exempt from Income Tax* and the State of Oregon Form CT-12 for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for 3 years after they were filed.

Comparative Financial Information

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Estimates

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

FRIENDS OF CANBY ADULT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2014

Note 2. Investments

The Organization's investments are recorded at fair market value on the basis of quoted market prices and consist of the following investment types:

	Fair Value 2014	Fair Value 2013
	<u> </u>	<u> </u>
Bonds	\$ 2,142,128	\$ 2,003,219
Unit Trusts	378,197	344,841
Mutual Funds	3,348,218	2,832,601
Stocks	<u>765,109</u>	<u>719,965</u>
	<u>\$ 6,633,652</u>	<u>\$ 5,900,626</u>

Investment return consists of the following:

	2014	2013
	<u> </u>	<u> </u>
Investment income	\$ 314,398	\$ 230,029
Net realized gains (losses) on investments	108,548	84,576
Net unrealized gains (losses) on investments	<u>502,244</u>	<u>314,962</u>
	<u>\$ 925,190</u>	<u>\$ 629,567</u>

FRIENDS OF CANBY ADULT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2014

Note 3. Property and Equipment

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 75,242	\$ 75,974
Equipment	<u>136,626</u>	<u>107,863</u>
	211,868	183,837
Less accumulated depreciation	<u>(146,180)</u>	<u>(146,232)</u>
	<u>\$ 65,688</u>	<u>\$ 37,605</u>
Depreciation charged against income	<u>\$ 9,637</u>	<u>\$ 10,466</u>

Note 4. Donated Facilities and Services

The Organization has an agreement with the City of Canby to provide services for seniors and qualifying disabled persons. In exchange, the Organization receives use of the City's Adult Center building. Contribution revenue of \$54,000 is recorded in the accompanying statement of activities.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received 12,197 volunteer hours during the year ended June 30, 2014.

Note 5. Fair Values of Financial Instruments

The following methods and assumptions were used to determine the fair value of each class of financial instrument:

FRIENDS OF CANBY ADULT CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014

Note 5. Fair Values of Financial Instruments (Continued)

Cash and Cash Equivalents

Cash and cash equivalents have original maturity dates of three months or less, therefore carrying value approximates fair value as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash on hand and with bank	\$ 14,579	\$ 14,579
Money market funds	<u>123,123</u>	<u>123,123</u>
Cash and cash equivalents	<u>\$ 137,702</u>	<u>\$ 137,702</u>

Investments

The fair value measurements and levels within the fair-value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 6,633,652	\$ 6,633,652	\$ -	\$ -
Total assets	<u>\$ 6,633,652</u>	<u>\$ 6,633,652</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and relevant information generated by market transactions.

FRIENDS OF CANBY ADULT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2014

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets contain donor-imposed restrictions that expire with the passage of time or once specific actions are undertaken by the Organization. The net assets are then released and reclassified to unrestricted support when they are expended.

Temporarily restricted net assets are available for the following purposes:

	June 30, 2013	Contribution s	Released from Restrictions	June 30, 2014
Tables & Furniture	\$ 118	\$ -	\$ -	\$ 118
Medical Equipment	100	-	-	100
Pets & Fans	538	-	-	538
Trip Pass Through	-	2,794	2,794	-
	<u>\$ 756</u>	<u>\$ 2,794</u>	<u>\$ 2,794</u>	<u>\$ 756</u>

Note 7. Permanently Restricted Net Assets

Permanently restricted net assets have been restricted by donors and the principal of the contribution shall be maintained by the Organization in perpetuity to ensure its continued operation. The Organization's primary investment objective is to have a balance between capital appreciation, preservation of capital and current income in order to reach its primary long-term goal, which is to achieve an annualized return of 7% to 9%. Some or all earnings may be used for the Organization's operations with the approval of at least five members of the Board. The investment portfolio shall be adequately diversified to reduce risk and comply with current regulations. All assets of the perpetual funds may be co-mingled as deemed expedient by the Organization for investment purposes.

FRIENDS OF CANBY ADULT CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended June 30, 2014

Note 7. Permanently Restricted Net Assets (Continued)

Permanently restricted net assets consist of the following:

	<u>June 30, 2013</u>	<u>Contributions</u>	<u>June 30, 2014</u>
Permanently Restricted Net Assets	\$ 50,550	\$ -	50,550
	<u>\$ 50,550</u>	<u>\$ -</u>	<u>\$ 50,550</u>

Note 8. Concentrations of Risk

Concentrations of risks not clearly identified elsewhere in these notes follow:

- Substantially all of those individuals who utilize the services of the Canby Adult Center are seniors living in or near Canby, Oregon.
- The Organization receives approximately 69% of its annual income from investments excluding unrealized gains or losses on investments.

Note 9. Subsequent Events

Subsequent events were evaluated through November 17, 2014 which is the date the financial statements were available to be issued.