

**RAINBOW SENIOR CENTER
FOUNDATION, INC.**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014**

Randy Walker & Co., Certified Public Accountants

RANDY WALKER & Co.

Certified Public Accountants

7800 IH 10 West, Suite 505 • San Antonio, Texas 78230

Phone (210) 366-9430 • Fax (210) 366-9451

www.randywalkercpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rainbow Senior Center Foundation, Inc.
San Antonio, Texas

We have audited the accompanying statements of financial position of Rainbow Senior Center Foundation, Inc., a non-profit corporation, as of September 30, 2015 and 2014, and the related statements of activities (with comparative totals for 2014), functional expenses (with comparative totals for 2014), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Rainbow Senior Center Foundation, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Randy L. Walker

San Antonio, Texas
February 10, 2016

RAINBOW SENIOR CENTER FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 80,472	\$ 257,728
Investments	141,373	153,457
Accounts Receivable	23,115	18,571
Inventory	12,000	12,000
Other Assets	-	720
Property and Equipment, net	<u>6,684,930</u>	<u>6,914,759</u>
TOTAL ASSETS	<u>\$ 6,941,890</u>	<u>\$ 7,357,235</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts Payable	\$ 21,011	\$ 21,228
Accrued Expenses	15,969	16,123
Other Current Liabilities	<u>2,824</u>	<u>2,270</u>
TOTAL LIABILITIES	<u>39,804</u>	<u>39,621</u>
Net assets		
Unrestricted:		
Undesignated	6,756,968	7,159,271
Designated	<u>141,373</u>	<u>153,457</u>
Total Unrestricted	6,898,341	7,312,728
Temporarily Restricted	<u>3,745</u>	<u>4,886</u>
TOTAL NET ASSETS	<u>6,902,086</u>	<u>7,317,614</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,941,890</u>	<u>\$ 7,357,235</u>

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

RAINBOW SENIOR CENTER FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2015
(with comparative totals for 2014)

	Unrestricted	Temporarily Restricted	2015	2014
<u>SUPPORT AND REVENUE</u>				
Program Service Fees	\$ 183,130	\$ -	\$ 183,130	\$ 175,470
Contributions	78,069	81,584	159,653	124,215
Foundation Grants	150,000	-	150,000	150,000
Fees from Government Agencies	113,828	-	113,828	109,257
Facility, Catering, and Rental Income	106,014	-	106,014	108,417
Fundraising, net of direct expenses of \$45,553 and \$31,673	71,258	-	71,258	90,526
Resale Shop Sales	57,020	-	57,020	57,882
Other Income	16,293	-	16,293	89,647
United Way Contributions	15,027	-	15,027	7,581
Gift Shop Sales	13,603	-	13,603	9,333
Interest and Other Investment (Loss)/Income	(11,775)	-	(11,775)	6,640
Net Assets Released from Restrictions	82,725	(82,725)	-	-
TOTAL SUPPORT AND REVENUE	875,197	(1,141)	874,056	928,968
<u>EXPENSES</u>				
Program Services	1,188,857	-	1,188,857	1,167,228
Support Services:				
General and Administrative	90,143	-	90,143	104,582
Fundraising	10,584	-	10,584	9,351
TOTAL EXPENSES	1,289,584	-	1,289,584	1,281,161
CHANGE IN NET ASSETS	(414,387)	(1,141)	(415,528)	(352,193)
<u>NON-OPERATING ACTIVITY</u>				
Gain on Sale of Building	-	-	-	635,934
CHANGE IN NET ASSETS AFTER NON-OPERATING ACTIVITY	(414,387)	(1,141)	(415,528)	283,741
NET ASSETS - BEGINNING OF YEAR	7,312,728	4,886	7,317,614	7,033,873
NET ASSETS - END OF YEAR	\$ 6,898,341	\$ 3,745	\$ 6,902,086	\$ 7,317,614

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

RAINBOW SENIOR CENTER FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2015
(with comparative totals for 2014)

	2015				2014
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 442,280	\$ 39,314	\$ 9,828	\$ 491,422	\$ 434,528
Payroll Taxes	34,009	3,023	756	37,788	33,044
TOTAL PAYROLL EXPENSES	476,289	42,337	10,584	529,210	467,572
Depreciation	237,612	15,167	-	252,779	270,186
Consumables	212,757	-	-	212,757	182,516
Utilities and Telephone	94,994	5,000	-	99,994	90,128
Insurance	43,681	2,299	-	45,980	41,921
Repairs and Maintenance	40,895	2,610	-	43,505	120,105
Catering Expenses	21,531	-	-	21,531	4,537
Rental Expenses	16,238	-	-	16,238	17,661
Professional Services	2,498	9,994	-	12,492	10,485
Supplies	7,391	4,928	-	12,319	17,536
Vehicle Expenses	8,853	-	-	8,853	9,180
Bank Fees	1,809	5,426	-	7,235	4,111
Miscellaneous	6,212	690	-	6,902	7,047
Equipment	6,341	-	-	6,341	9,783
Sales Tax Expense	5,507	-	-	5,507	5,052
Dues and Subscriptions	1,596	1,596	-	3,192	2,865
Advertising	1,823	96	-	1,919	317
Training	1,174	-	-	1,174	2,743
Postage	1,128	-	-	1,128	730
Printing and Publications	528	-	-	528	426
Interest Expense	-	-	-	-	16,260
TOTAL EXPENSES	\$ 1,188,857	\$ 90,143	\$ 10,584	\$ 1,289,584	\$ 1,281,161

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

RAINBOW SENIOR CENTER FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets from Operations	\$ (415,528)	\$ 283,741
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation	252,779	270,186
Change in Investments	12,084	(3,328)
Gain on Sale of Property	-	(635,934)
(Increase) Decrease in Assets:		
Accounts Receivable	(4,544)	(1,818)
Other Assets	720	(74)
(Decrease) Increase in Liabilities:		
Accounts Payable	(217)	3,147
Accrued Expenses	(154)	3,733
Other Current Liabilities	554	(5,934)
Deposit	-	(75,000)
NET CASH USED BY OPERATING ACTIVITIES	<u>(154,306)</u>	<u>(161,281)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(22,950)	(6,381)
Purchase of Stock Investments	-	(48,329)
Purchase of Mutual Fund Investments	-	(102,401)
Proceeds from Sale of Property	-	994,036
Sale of Stock Investments	-	3,772
Sale of Bond Investments	-	94,200
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(22,950)</u>	<u>934,897</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of Debt	-	(751,197)
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(751,197)</u>
NET (DECREASE) INCREASE IN CASH FLOWS	(177,256)	22,419
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>257,728</u>	<u>235,309</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 80,472</u>	<u>\$ 257,728</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Interest paid	\$ -	\$ 16,260

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

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis of accounting following current accounting practices for non-profit organizations. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

The mission of Rainbow Senior Center Foundation, Inc. (the Center) is to coordinate or provide information, resources and activities that will enrich and facilitate independent living and quality of life for its clients. These clients are citizens who are: 1) age 60 or older, or otherwise eligible for home delivered meals, and 2) reside in Kendall County and the greater Boerne area.

Nature of Activities

The Center provides meals at its facility and delivers meals to its clients within its service area. There are also a card shop, exercise classes, and other craft activities provided. The Center, through "Seasons", operates a retail thrift shop in Boerne. The Center also rents out its facility, or portions thereof, to various groups and organizations for events and meetings and provides catering services for events and meetings held at the Center. Contributions from agencies, foundations, and individuals are the most significant source of revenue followed by program income, rental income, catering income and shop sales.

Basis of Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. The Center had no permanently restricted net assets as of September 30, 2015 and 2014.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Donated Services and Goods

A substantial number of unpaid volunteers have made significant contributions of their time to the Center. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

Donated goods relate primarily to items sold in the "Seasons" resale shop and are recorded at their estimated resale value.

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Inventory

Inventory at September 30, 2015 and 2014 consists of household items and clothes donated to the Center for sale in the "Seasons" resale shop.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Center considers all certificates of deposit, money market accounts, and highly liquid investment purchases with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position.

Property and Equipment

Purchased property and equipment are stated at cost. Donated assets are recorded at estimated market value at the date of donation. It is the Center's policy to capitalize assets over \$500. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Building and Improvements	3 - 30 years
Furniture and Equipment	3 - 7 years
Vehicles	3 - 5 years

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 Center reports gifts of land 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. If explicit donor stipulations about how long those long-lived assets must be maintained are absent, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (continued)

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of September 30, 2015, the tax years that remain subject to examination by taxing authorities begin with 2012.

Accounts Receivable

The majority of receivables consist of amounts due from governmental organizations for contracted services and are considered by management to be fully collectible. Therefore, no allowance for doubtful accounts has been recorded.

Expense Allocation

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

NOTE 2 - INVESTMENTS

The Center's investments consisted of the following at September 30:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Funds	\$ 100,270	\$ 100,333	\$ 100,270	\$ 103,983
Stocks	47,308	41,040	47,308	49,474
Total	<u>\$ 147,578</u>	<u>\$ 141,373</u>	<u>\$ 147,578</u>	<u>\$ 153,457</u>

Total investment (loss) income for the years ended September 30, 2015 and 2014 was \$(12,084) and \$3,328, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at September 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 881,952	\$ 881,952
Building and Improvements	7,028,707	7,010,707
Furniture and Equipment	254,023	249,073
Vehicles	35,612	35,612
Less Accumulated Depreciation	<u>(1,515,364)</u>	<u>(1,262,585)</u>
Total Property and Equipment, net	<u>\$ 6,684,930</u>	<u>\$ 6,914,759</u>

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 3 - PROPERTY AND EQUIPMENT (continued)

Depreciation expense was \$252,779 and \$270,186 for the years ended September 30, 2015 and 2014, respectively.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Center maintains several cash accounts at one financial institution. The Federal Deposit Insurance Corporation insures all cash accounts up to \$250,000. The Center had uninsured cash balances of \$-0- and \$5,438 at September 30, 2015 and 2014, respectively, not including reconciling items.

NOTE 5 - DESIGNATED NET ASSETS

A portion of unrestricted net assets has been designated for specific needs of the Center that must be approved by the Board of Directors. As of September 30, 2015 and 2014, the designated funds were \$141,373 and \$153,457, respectively.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$3,745 and \$4,886 are available for gardening and garden projects at September 30, 2015 and 2014, respectively.

NOTE 7 - CONTINGENCIES

All grants and contracts from State and Federal agencies are subject to audit by the funding agencies, and they include provisions for recovery by such agencies of any reimbursed cost deemed unallowable or unallocable under terms of the grant or contract. Any costs deemed unallowable under such circumstances would be charged to accounts appropriate to effect a reduction of fund balance of the Center.

NOTE 8 - OPERATING LEASES

The Center has two operating leases: 1) a lease for 1,251 square feet of retail space at 108 E. San Antonio Street, Boerne, Texas, signed in February 2015 at a rate of \$785 per month expiring on January 31, 2018, and 2) a copier lease at a rate of \$641 per month expiring on July 31, 2018.

Future minimum obligations for these leases are as follows:

<u>Years ending September 30,</u>	
2016	\$ 17,301
2017	17,590
2018	<u>9,742</u>
Total	<u>\$ 44,633</u>

Rental expense for these leases for the years ended September 30, 2015 and 2014 was \$16,238 and \$17,661, respectively.

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 9 - RENTAL INCOME

The Center entered into a four-year lease-purchase agreement on May 1, 2010 with a church for the Center's building located at 745 West San Antonio Street, Boerne, Texas. The church had an obligation to purchase the building and to close on the property no later than April 30, 2014 in accordance with the following price formula:

On or before April 30, 2012	\$ 950,000
On or before April 30, 2013	\$1,000,000
On or before April 30, 2014	\$1,050,000

The agreement also stipulated that fifty percent (50%) of the base rentals paid by the church and received by the Center up until closing of the property would be credited against the sales price noted above. The monthly rental payments are as follows:

May 1, 2010 – April 30, 2011	\$5,000
May 1, 2011 – April 30, 2012	\$6,000
May 1, 2012 – April 30, 2013	\$6,500
May 1, 2013 – April 30, 2014	\$7,000

In December 2011, in exchange for a \$75,000 non-refundable deposit, the Center agreed to change the existing church obligated to purchase the building to the church's Boerne congregation. The Boerne church was to be given credit for the payment upon closing on the property as called for in the lease-purchase agreement.

Rental income for this property for the years ended September 30, 2015 and 2014 was \$-0- and \$36,600, respectively.

In late 2013, the church notified the Center that it did not intend to purchase the building. The Center then sold the building in March 2014 (see Note 10) and negotiated new lease terms with the church. The terms of the new lease agreement call for monthly payments of \$1,200 for use of the T. Boone Pickens Activity Wing effective July 1, 2014 through June 30, 2015, and it was subsequently renewed for July 1, 2015 through June 30, 2016.

Additionally, the Center leases rooms and/or the facility located at 17 Old San Antonio Road, Boerne, Texas, to other organizations on a contract basis. Rental income and associated catering income related to these leases totaled \$106,014 and \$71,817 for the years ended September 30, 2015 and 2014, respectively.

NOTE 10 - SALE OF BUILDING

On March 7, 2014, the Center sold the land and building located at 745 West San Antonio Street, Boerne, Texas for \$950,000. The Center recognized a \$635,934 gain on the sale of the building after paying the settlement charges and outstanding notes payable. There were no similar transactions in 2015.

NOTE 11 - RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 12 - OTHER INCOME

During the years ended September 30, 2015 and 2014, the Center received proceeds of \$9,125 and \$83,460, respectively, related to insurance claims for water damage. These amounts are included in other income in the statement of activities.

NOTE 13 - SUBSEQUENT EVENTS

The Center has evaluated subsequent events through February 10, 2016, which is the date the financial statements were available to be issued. The Center has determined there are no subsequent events requiring disclosure.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Center adopted the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Center's financial position or results of operations. The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Center has no Level 2 or Level 3 assets or liabilities.

The Center's financial instruments (Level 1) are as follows at September 30:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 80,472	\$ 80,472	\$ 257,728	\$ 257,728
Accounts Receivable	\$ 23,115	\$ 23,115	\$ 18,571	\$ 18,571
Financial Liabilities:				
Accounts Payable	\$ 21,011	\$ 21,011	\$ 21,228	\$ 21,228
Accrued Expenses	\$ 15,969	\$ 15,969	\$ 16,123	\$ 16,123
Other Current Liabilities	\$ 2,824	\$ 2,824	\$ 2,270	\$ 2,270

RAINBOW SENIOR CENTER FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying amounts reported in the statements of financial position approximated fair values because of the short maturities of those instruments.

The Center's financial statements also include investments. The fair value of investments are based upon quoted market prices for those or similar investments.