

**SENIOR CITIZENS SERVICES, INC.  
DBA: 125 LIVE**

**ROCHESTER, MINNESOTA**

**FINANCIAL STATEMENT  
DECEMBER 31, 2016**



**SENIOR CITIZENS SERVICES, INC.  
DBA: 125 LIVE**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2-3
Statement of Activities and Changes in Net Assets	4
Statements of Cash Flows	5-6
Statement of Functional Expenses	7-8
Notes to the Financial Statements	9-17

**(This Page is Left Blank Intentionally)**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Senior Citizens Services, Inc.**  
**DBA: 125 LIVE**  
Rochester, Minnesota

We have audited the accompanying financial statements of Senior Citizens Services, Inc. dba: 125 Live, (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 of 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 Senior Citizens Services, Inc. dba: 125 Live as of December 31, 2016 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 on Summarized Comparative Information

We have previously audited Senior Citizens Services, Inc. dba: 125 Live's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Smith, Schaffer and Associates, Ltd.*

Rochester, Minnesota  
March 30, 2017

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,465	\$ 654,994
Investments, at market (Note 2)		
Money market accounts		344,449
Accounts receivable		329
Bequest held in trust (Note 3)	<b>508,155</b>	
Pledges receivable current, net (Note 4)	<b>15,055</b>	70,783
Prepaid expenses	<b>15,886</b>	10,207
	<hr/>	<hr/>
Total Current Assets	<b>546,561</b>	1,080,762
<b>Property and Equipment, at cost</b>		
Land	<b>444,010</b>	591,598
Building	<b>75,000</b>	75,000
Leasehold improvements	<b>672,833</b>	358,162
Equipment	<b>1,078,803</b>	244,371
Office furniture and equipment	<b>169,282</b>	135,801
Parking lot improvements		70,625
Total Property and Equipment	<b>2,439,928</b>	1,475,557
Less: Accumulated depreciation	<b>203,912</b>	722,736
	<hr/>	<hr/>
Property and Equipment, Net	<b>2,236,016</b>	752,821
<b>Other Assets</b>		
Pledges receivable, non current (Note 4)	<b>740</b>	26,282
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 2,783,317</b>	<b>\$ 1,859,865</b>

**See Notes to the Financial Statements**

<b>LIABILITIES AND NET ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>Current Liabilities</b>		
Current maturities of long-term debt (Note 6)	\$ 51,000	\$ 247,833
Line of credit (Note 5)	130,000	
Accounts payable	8,493	19,880
Accrued liabilities	40,554	799
Deferred revenue	41,404	39,636
	<hr/>	
Total Current Liabilities	271,451	308,148
<b>Long-Term Debt, Less Current Maturities (Note 5)</b>	<b>225,704</b>	
	<hr/>	
Total Liabilities	497,155	308,148
	<hr/>	
<b>Net Assets</b>		
Unrestricted:		
Undesignated:		
General	(51,335)	936,610
Invested in property and equipment, net of debt	1,829,312	504,988
Temporarily restricted (Note 8)	508,185	110,119
	<hr/>	
Total Net Assets	2,286,162	1,551,717
	<hr/>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,783,317</b>	<b>\$ 1,859,865</b>
	<hr/> <hr/>	

**(This Page is Left Blank Intentionally)**



**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	2016			2015 Totals
	Unrestricted	Temporarily Restricted	Totals	
<b>Public Support</b>				
Contributions	\$ 79,096	\$ 508,185	\$ 587,281	\$ 74,675
Special events, net (Note 7)	35,019		35,019	47,212
Total Public Support	114,115	508,185	622,300	121,887
<b>Revenues</b>				
Grants	473,955	6,438	480,393	389,891
Program fees	49,094		49,094	87,714
Membership dues	72,508		72,508	54,924
Miscellaneous	31,879		31,879	46,330
Total Revenues	627,436	6,438	633,874	578,859
<b>Net Assets Released from Restrictions (Note 8)</b>	6,438	(6,438)		
Total Support and Revenues	747,989	508,185	1,256,174	700,746
<b>Expenses</b>				
Program services				
Senior Center activities	973,762		973,762	753,436
Supporting services				
Fundraising	8,087		8,087	15,237
General and administrative	94,792		94,792	71,459
Total Supporting Services	102,879		102,879	86,696
Total Expenses	1,076,641		1,076,641	840,132
<b>Operating Income (Loss)</b>	(328,652)	508,185	179,533	(139,386)
<b>Non-Operating Income (Expense)</b>				
Capital campaign contributions for equipment and furnishing in new facility		189,788	189,788	264,850
Capital campaign expenses for new facility	(107,383)		(107,383)	(166,624)
Gain (loss) on disposal of assets	470,845		470,845	(1,439)
Rental income	14,800		14,800	24,000
Interest expense	(13,145)		(13,145)	(9,768)
Interest and dividend income	7		7	4,834
Realized and unrealized gain on investments				33,774
Total	365,124	189,788	554,912	149,627
<b>Net Assets Released from Restrictions - Non-Operating (Note 8)</b>	299,907	(299,907)		
<b>Total Non-Operating Income</b>	665,031	(110,119)	554,912	149,627
<b>Change in Net Assets</b>	336,379	398,066	734,445	10,241
<b>Net Assets - January 1</b>	1,441,598	110,119	1,551,717	1,541,476
<b>Net Assets - December 31</b>	\$ 1,777,977	\$ 508,185	\$ 2,286,162	\$ 1,551,717

**See Notes to the Financial Statements**

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>		
Contributions received	\$ 92,706	\$ 128,513
Grants received	197,828	170,000
Program fees received	49,094	87,714
Member dues received	72,508	54,924
Rent received	14,800	24,000
Interest and dividend income received	7	4,834
Other miscellaneous cash receipts	31,879	46,330
Cash paid to vendors	(255,541)	(256,505)
Cash paid to employees	(394,420)	(343,164)
Interest paid	(13,145)	(9,768)
	<u>(204,284)</u>	<u>(93,122)</u>
<b>Net Cash Used In Operating Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	344,449	594,144
Proceeds from sale of property and equipment	636,000	
Equipment purchases and building improvements	(1,451,626)	(2,515)
	<u>(471,177)</u>	<u>591,629</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>		
<b>Cash Flows From Financing Activities</b>		
Principal payments on debt	(265,743)	(11,592)
Proceeds from line of credit	130,000	
Proceeds from non-current capital campaign contributions	271,058	167,785
Payment of capital campaign expenses	(107,383)	(153,334)
	<u>27,932</u>	<u>2,859</u>
<b>Net Cash Provided By Financing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(647,529)</b>	<b>501,366</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>654,994</b>	<b>153,628</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 7,465</b>	<b>\$ 654,994</b>

**See Notes to the Financial Statements**

	2016	2015
<b>Reconciliation of Change in Net Assets to Net Cash Used In Operating Activities</b>		
Change in Net Assets	\$ 734,445	\$ 10,241
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	97,973	26,744
(Gain) loss on disposal of property and equipment	(470,928)	1,356
Realized and unrealized gain on investments		(33,774)
Decrease in receivables	329	2,351
Increase in bequest held in trust	(508,155)	
(Increase) decrease in pledges receivables	81,270	(97,065)
Decrease in inventory		3,590
(Increase) decrease in prepaid expenses	(5,679)	327
Increase (decrease) in accounts payable	(11,387)	8,244
Increase in accrued liabilities	39,755	
Increase (decrease) in deferred revenue	1,768	(685)
Restricted capital campaign contributions received, net	(163,675)	(14,451)
Net Cash Used In Operating Activities	<u>\$ (204,284)</u>	<u>\$ (93,122)</u>
<b>Supplemental Disclosure of Non-cash Transactions</b>		
Facility use grant	297,565	\$ 212,391
Financed purchase of property and equipment	294,331	
Donated property and equipment	5,000	
Facility repairs paid by the City of Rochester		7,500

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for the Year Ended December 31, 2015)**

	Senior Center Activities	Supporting Services		
		Fundraising	General and Administrative	Total
Salaries	\$ 321,911	\$ 5,412	\$ 74,178	\$ 79,590
Employee benefits	25,812	1,307	5,555	6,862
Payroll taxes and workmen's compensation	27,012	1,368	5,813	7,181
<b>Total salaries and related expenses</b>	<b>374,735</b>	<b>8,087</b>	<b>85,546</b>	<b>93,633</b>
Recreation and supplies	55,028			
Professional fees	17,470		176	176
Service agreements	13,900		140	140
Rent	258,659		2,613	2,613
Utilities	91,665		926	926
Insurance	11,612		117	117
Equipment and building repairs	21,828		220	220
Maintenance	4,821		49	49
Printing and copying	304		3	3
Telephone	4,386		90	90
Postage	1,319		13	13
Contract fees				
Raw foods				
Subscriptions	2,605			
Conferences and meetings	2,125			
Transportation	1,080			
Marketing	15,774			
Miscellaneous	3,377			
<b>Total expenses before depreciation and amortization</b>	<b>880,688</b>	<b>8,087</b>	<b>89,893</b>	<b>97,980</b>
Depreciation and amortization	93,074		4,899	4,899
<b>TOTAL EXPENSES</b>	<b>\$ 973,762</b>	<b>\$ 8,087</b>	<b>\$ 94,792</b>	<b>\$ 102,879</b>

**See Notes to the Financial Statements**

	Totals	
	2016	2015
Salaries	\$ 401,501	\$ 313,501
Employee benefits	32,674	29,663
Payroll taxes and workmen's compensation	34,193	37,827
<b>Total salaries and related benefits</b>	<b>468,368</b>	<b>380,991</b>
Recreation and supplies	55,028	76,314
Professional fees	17,646	22,978
Service agreements	14,040	10,825
Rent	261,272	212,391
Utilities	92,591	52,037
Insurance	11,729	11,884
Equipment and building repairs	22,048	13,793
Maintenance	4,870	5,875
Printing and copying	307	460
Telephone	4,476	5,062
Postage	1,332	2,577
Contract fees		1,814
Raw foods		6,835
Subscriptions	2,605	3,076
Conferences and meetings	2,125	2,139
Transportation	1,080	1,080
Marketing	15,774	1,520
Miscellaneous	3,377	1,737
<b>Total expenses before depreciation and amortization</b>	<b>978,668</b>	<b>813,388</b>
Depreciation and amortization	97,973	26,744
<b>TOTAL EXPENSES</b>	<b>\$ 1,076,641</b>	<b>\$ 840,132</b>

**SENIOR CITIZENS SERVICES, INC.  
DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS**

---

**1. Summary of Significant Accounting Policies**

---

Organization

Senior Citizens Services, Inc. dba: 125 Live is a non-profit corporation organized under the laws of the State of Minnesota for the purpose of providing a broad spectrum of aging related services, including health, social, educational, and recreational services. Through programs and services where older adults come together Senior Citizens Services, Inc. dba: 125 Live enriches the lives of older adults by utilizing their experience and skills, responding to their needs and interests, enhancing their dignity, supporting their independence, and encouraging their involvement in the community. Senior Citizens Services, Inc., doing business as the Rochester Senior Center, became 125 LIVE in 2016 when a new state-of-art facility opened adjacent to the City's Recreation Center. Senior Citizens Services, Inc., dba 125 LIVE expanded its programs and services in the community as a result of the addition of the new amenities and space allowing us to initiate new and innovative programming. The new facility also enabled us to develop multi-generational programs with the City's Parks and Recreation Department and partner with other community organizations with an interest in enriching the lives of older adults.

The Organization's primary sources of revenue are from grants, member dues, program fees, capital campaign and public contributions.

Contributions

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

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Many individuals have contributed a significant amount of time to the activities of the Organization. The Organization does not recognize these contributed services as revenues unless 1) the services received create or enhance existing facilities; or 2) require specialized skills and are provided by individuals possessing those skills. No contributed services were recognized by the Organization during the years ended December 31, 2016 and 2015. Contributed materials are recorded as revenue at their estimated value on the date of receipt.

Facility Use Grants

The Organization has entered into facility use agreements described in Notes 9 and 10. In exchange for providing senior oriented programs and activities the Organization pays rent of \$1 annually. These agreements are considered exchange transactions and the fair value of facility rent has been recorded as facility usage grant revenue and rent expense.

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**1. Summary of Significant Accounting Policies (Continued)**

---

Functional Allocation of Expenses

Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical.

Concentrations

The Organization maintains its cash balances in one financial institution located in Rochester, MN. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, such deposits may be in excess of this limit.

Fair Value of Investments

Money market and mutual funds are carried in the financial statements at fair value. Fair value is measured using level one inputs, defined as quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Any unrealized gains or losses recognized from the change in fair value of the investments and realized gains or losses from the sale of investments are reported as income or loss in the statement of activities and changes in net assets.

Cash and Cash Equivalents

The Organization considers all demand deposits and investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect from outstanding balances. No allowance for bad debts has been recorded in the financial statements. Management believes all accounts receivable are collectable. If amounts become uncollectible, they will be charged to operations when that determination is made.

Pledges

Pledges, less an allowance for uncollectible accounts and a discount to net present value, are recorded as receivables in the year made. Pledge amounts are expected to be collected over the next three years.

Property and Depreciation

Property and equipment are recorded at cost. Donated property is recorded at the estimated fair value of the items at the date of receipt. Expenditures for repairs and maintenance are charged to expense as incurred, while betterments are capitalized. It is the policy of the Organization to provide depreciation based on the estimated useful life of individual assets. Assets are depreciated on the straight-line method over an estimated useful life of three to twenty years.

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**1. Summary of Significant Accounting Policies (Continued)**

---

*Prior Year Comparative Totals*

The financial statements include certain prior year summarized comparative financial 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 December 31, 2015, from which the summarized information was derived.

*Revenue Recognition*

Membership dues are recognized as revenue on a pro-rata basis over the period to which the membership relates. Dues received related to future periods are recorded as deferred revenue.

*Tax Status*

The Organization is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of Minnesota statutes.

The Organization's federal income tax returns are subject to examination by the IRS, generally for three years after they were filed.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 the estimates.

---

**2. Investments**

---

	Cost	Market Value	Unrealized Gain
<b><u>December 31, 2016</u></b>			
Money market accounts	\$	\$	\$
<b><u>December 31, 2015</u></b>			
Money market accounts	\$ 344,449	\$ 344,449	\$

---



**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**3. Bequest Held in Trust**

---

Senior Citizens Services, Inc. was named a beneficiary in the last will and testament of Harold E. Schwarz and will receive one half of the residue of his estate. The final account of the estate was filed in the Third Judicial District Court in Olmsted County on March 27, 2017 with a proposed distribution to Senior Citizens Services, Inc. of \$508,155 which is expected to be received in the second quarter of 2017.

---

**4. Pledges Receivable**

---

In 2015, Senior Citizens Services, Inc. began a capital campaign to raise funds for equipment in the new facility. Pledges receivable are discounted to net present value using a risk-free rate of five percent.

	<u>2016</u>	<u>2015</u>
Pledges receivable due in:		
Less than one year	\$ 15,055	\$ 70,783
One to three years	<u>1,875</u>	<u>30,917</u>
Total pledges receivable	16,930	101,700
Less: discount to net present value	(135)	(2,635)
Less: allowance for uncollectible pledges	<u>(1,000)</u>	<u>(2,000)</u>
Pledges Receivable, Net	15,795	97,065
Current	<u>15,055</u>	<u>70,783</u>
Long-term	<u>\$ 740</u>	<u>\$ 26,282</u>

---

**5. Line of Credit**

---

The Organization has a bank revolving line of credit with a maximum borrowing capacity of \$200,000. Borrowings on the line of credit are subject to annualized interest at the Wall Street Journal Prime Rate with a floor rate of 3.75%. The credit line is due October 4, 2017. Collateral for the loan includes substantially all inventory and equipment of the Organization. The outstanding balance on this line of credit as of December 31, 2016 was \$130,000.

---

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Long-Term Debt**

	<u>2016</u>	<u>2015</u>
Note payable to Steelcase Financial Services, due in monthly installments of \$1,608, including interest at 3.82% to September 2021, secured by equipment	<b>\$ 81,006</b>	\$
Note payable to Steelcase Financial Services, due in monthly installments of \$1,993, including interest at 3.86% to October 2021, secured by equipment	<b>101,964</b>	
Note payable to Leaf Capital Funding, due in monthly installments of \$1,708, including interest at 7.77% to August, 2022, secured by equipment	<b>93,734</b>	
Mortgage note payable, paid in full during the year ended December 31, 2016		248,117
Less loan origination costs, net of amortization of \$1,418 in 2015		<u>284</u>
Debt, net of loan origination costs	<b>\$ 276,704</b>	247,833
Less current maturities	<b><u>51,000</u></b>	<u>247,833</u>
Total Long-Term Debt, Net	<b><u><u>\$ 225,704</u></u></b>	<u><u>\$</u></u>

Principal maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 51,000
2018	53,062
2019	55,750
2020	58,595
2021	45,502
Thereafter	<u>12,795</u>
	<b><u><u>\$ 276,704</u></u></b>

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**7. Special Events**

---

Special events during 2016 and 2015 consisted of the following:

	<b>Hole-in-one</b>	<b>Other Fundraising</b>	<b>2016 Total</b>
Revenues	\$ 37,397	\$ 13,863	\$ 51,260
Expenses	(8,103)	(8,138)	(16,241)
Net Revenues	\$ 29,294	\$ 5,725	\$ 35,019

  

	<b>Hole-in-one</b>	<b>Other Fundraising</b>	<b>2015 Total</b>
Revenues	\$ 38,850	\$ 33,932	\$ 72,782
Expenses	(10,345)	(15,225)	(25,570)
Net Revenues	\$ 28,505	\$ 18,707	\$ 47,212

**SENIOR CITIZENS SERVICES, INC.  
DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Temporarily Restricted Net Assets**

The following summarizes activity of temporarily restricted net assets for the year ended December 31, 2016:

	December 31, 2015	Additions	Restrictions Released	December 31, 2016
Bequest proceeds, 2017	\$	\$ 508,155		\$ 508,155
Building improvements and other		6,468	6,438	30
<b>Total Operating</b>		<b>514,623</b>	<b>6,438</b>	<b>508,185</b>
Furnishing new center	32,091	151,759	183,850	
Activity and quilting rooms	52,350	230	52,580	
Fitness center	21,785		21,785	
Billiards room	2,288	13,200	15,488	
Art and ceramics studio	750	300	1,050	
Computer lab	300	24,299	24,599	
Wood working shop	10		10	
Equipment	545		545	
<b>Total Non-Operating</b>	<b>110,119</b>	<b>189,788</b>	<b>299,907</b>	
<b>Total</b>	<b>\$ 110,119</b>	<b>\$ 704,411</b>	<b>\$ 306,345</b>	<b>\$ 508,185</b>

**9. Armory Building Lease**

In February 1978, the Organization entered into a fifty year lease of its downtown facility with the City of Rochester. The agreement required annual rent of \$1 and included a requirement that the Organization utilize the facility as a Senior Center. Under the terms of the lease agreement, leasehold improvements reverted to the City when the lease terminated in October 2016. Rent expense of \$180,532 and \$212,391 and an equal facility use grant revenue has been recorded in 2016 and 2015, respectively. The basis used for valuing the facility use grant revenue is an average of the rental rates paid by other local nonprofit organizations and a rate calculated based on a fair return on investment.

**SENIOR CITIZENS SERVICES, INC.  
DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**10. Lease and Joint Use Agreement of 125 LIVE Facility**

---

On September 14, 2015 the City of Rochester and Senior Citizens Services, Inc. agreed to terms on the cooperative use and cost sharing of a regional recreation/senior center that required the parties to enter into a Joint Use Agreement on October 15, 2016. The term of the agreement is for the life of the facility, so long as Senior Citizens Services, Inc. exists as a non-profit organization. Under the terms of the agreement the facility's usage is restricted to providing senior programming services. The lease provides for annual rent from Senior Citizens Services, Inc. of \$1. The City is the owner of the facility and has sole authority to determine the future use and occupancy of the facility in the event that Senior Citizens Services, Inc. ceases to exist as a non-profit organization or ceases to provide senior programming services in the future or the lease is otherwise terminated.

The City is responsible for all aspects of the operation, management, staffing and maintenance of the facility. Senior Citizens Services, Inc. is responsible for all costs to staff and operate programs in 125 Live. The City is responsible for general operating costs of operating the facility including utilities, building, parking lot and grounds maintenance and repairs, basic landscaping and lawn care, basic snow removal from parking lot and garbage removal service. Senior Citizens Services, Inc. is responsible for the upkeep of its furnishings and equipment, staffing and programming in 125 Live, materials, custodial services in 125 Live and snow removal of sidewalks that adjoin 125 Live. If a portion of the 125 Live is sub-leased to a third party cafeteria operation, Senior Citizens Services, Inc. bears the costs of any utilities and garbage for that sub-lease operation. The City is responsible for all capital improvements to the facility and its parking lot and grounds. Senior Citizens Services, Inc. is responsible for capital improvements to the interior of 125 Live with the City's prior consent.

The City occupies and controls the Recreation Center portion of the Facility. Senior Citizens Services, Inc. occupies and controls the 125 Live portion of the facility. Each party is entitled to any revenues generated from the programs they offer in the facility including revenues from sub-leases. Each party pays a negotiated rate for the use of the other party's facilities. Each party has the opportunity to schedule activities in the activity spaces by following the established priority use guidelines and fees.

The agreement became effective upon completion of the regional recreation/senior center on November 1, 2016. Rent expense of \$70,148 and an equal facility use grant revenue has been recorded in 2016. The City is responsible for operating costs of operating the facility including utilities, building, parking lot and grounds maintenance and repairs, basic landscaping and lawn care, basic snow removal from parking lot and garbage removal service. Utilities expense of \$45,167 and an equal facility use grant revenue has been recorded in 2016.

As the Organization must meet the requirement to operate as a senior center annually the interest in leasehold based on present value of future rent concessions has not been recorded in the financial statements.

**SENIOR CITIZENS SERVICES, INC.**  
**DBA: 125 LIVE**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

---

**11. Lease of Podein Property City of Rochester**

---

Senior Citizens Services, Inc. owns real property referred to as the Podein property adjoining the Rec Center which provides 60 parking spaces for the facility. The City leases a portion of the building on the property to park and store City vehicles and equipment. Rent payments under the lease were \$800 per month with beginning in July 1, 2016.

---

**12. Equipment Lease**

---

The Organization agreed to lease fitness equipment from Northland Capital Financial Services, LLC. The lease agreement effective October 31, 2016 required 46 monthly payments of \$2,647 and includes the options to automatically renew for successive thirty day renewal terms, return the equipment or purchase the equipment at the end of the lease for \$11,824. Rent expense under this agreement totaled \$10,549 for the year ended December 31, 2016.

Future minimum lease payments under the equipment operating lease is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 31,764
2018	31,764
2019	31,764
2020	15,899
	<u>\$ 111,191</u>

---

**13. Retirement Plan**

---

The Organization maintains a retirement plan covering substantially all of its employees. There were no employer contributions to the plan for the years ended December 31, 2016 and 2015.

---

**14. Subsequent Events**

---

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2017, the date the financial statements were available to be issued.

---