

THE SENIORS PLACE, INC.

**Financial Statements,
Supplemental Information
and
Independent Auditors' Reports**

December 31, 2007 and 2006



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Seniors Place, Inc.

We have audited the accompanying statements of financial position of The Seniors Place, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Seniors Place, Inc., and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Calvetti, Ferguson & Wagner, P.C.

Houston, Texas
July 29, 2008

THE SENIORS PLACE, INC.

**Statements of Financial Position
December 31, 2007 and 2006**

	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 327,636	\$ 329,448
Restricted cash	511,474	-
Pledges receivable	897,681	1,100,000
Participant and other receivables	18,147	6,694
Prepaid expenses	18,276	10,475
Total Current Assets	1,773,214	1,446,617
FIXED ASSETS:		
Land	903,813	25,908
Buildings and improvements	345,367	81,455
Office equipment	38,715	23,694
Furniture and fixtures	36,963	13,998
	1,324,858	145,055
Accumulated depreciation	(81,316)	(57,371)
Net Fixed Assets	1,243,542	87,684
OTHER ASSETS:		
Pledges receivable, long-term, net	575,823	400,000
Deposits	-	50,000
Total Other Assets	575,823	450,000
TOTAL ASSETS	\$ 3,592,579	\$1,984,301
LIABILITIES – Accounts Payable	\$ 68,875	\$ 10,373
NET ASSETS:		
Unrestricted net assets	1,611,894	475,345
Temporarily restricted net assets	1,911,810	1,498,583
Total Net Assets	3,523,704	1,973,928
TOTAL LIABILITIES AND NET ASSETS	\$ 3,592,579	\$1,984,301

See accompanying notes to these financial statements.

THE SENIORS PLACE, INC.

**Statements of Activities
For the Years Ended December 31, 2007 and 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support, Revenues, and Reclassification:						
Participant Revenue	\$ 305,317	\$ -	\$ 305,317	\$ 269,365	\$ -	\$ 269,365
Member Church Contributions	94,498	136,250	230,748	53,593	7,005	60,598
Grants From Foundations	111,725	1,117,500	1,229,225	91,500	1,500,000	1,591,500
Special Events	192,450	-	192,450	176,714	-	176,714
Less direct donor benefit	(22,413)	-	(22,413)	(22,065)	-	(22,065)
Other Contributions	60,607	509,301	569,908	76,055	68,067	144,122
Rental Income	40,040	-	40,040	-	-	-
Investment Income	11,490	4,805	16,295	3,756	1,378	5,134
Net Assets Released From Restrictions	1,354,629	(1,354,629)	-	100,341	(100,341)	-
 Total Public Support, Revenues, and Reclassification	 2,148,343	 413,227	 2,561,570	 749,259	 1,476,109	 2,225,368
Expenses:						
Programs	481,696	-	481,696	469,808	-	469,808
Administration	317,251	-	317,251	82,737	-	82,737
Fundraising	212,847	-	212,847	66,669	-	66,669
Total Expenses	1,011,794	-	1,011,794	619,214	-	619,214
Changes in Net Assets	1,136,549	413,227	1,549,776	130,045	1,476,109	1,606,154
Net Assets – Beginning of Year	475,345	1,498,583	1,973,928	345,300	22,474	367,774
NET ASSETS – END OF YEAR	\$ 1,611,894	\$ 1,911,810	\$ 3,523,704	\$ 475,345	\$ 1,498,583	\$ 1,973,928

See accompanying notes to these financial statements.

THE SENIORS PLACE, INC.

**Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 1,549,776	\$ 1,606,154
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Contributions restricted for Campaign for Generations	(1,626,291)	(1,510,000)
Provision for uncollectible long term promise to give	(100,000)	-
Discount on long term pledges receivable	(53,945)	-
Depreciation	23,945	18,982
(Decrease)increase in pledges receivable	202,319	-
(Increase)decrease in participants and other receivables	(11,453)	3,228
Increase in prepaid expenses	(7,801)	(10,361)
Decrease(increase) in deposits	50,000	(50,000)
Increase in Accounts Payable	58,502	10,373
	<u>85,052</u>	<u>68,376</u>
Net Cash From Operating Activities		
Cash Flows from Investing Activities :		
Purchases of Property and Equipment	<u>(1,179,803)</u>	<u>(30,894)</u>
Cash Flows from Financing Activities:		
Collections of Contributions restricted for Campaign for Generations	<u>1,604,413</u>	<u>10,000</u>
Net Change in Cash and Cash Equivalents	509,662	47,482
Cash and cash equivalents, beginning of year	<u>329,448</u>	<u>281,966</u>
Cash and cash equivalents, end of year	839,110	329,448
Less restricted cash	<u>511,474</u>	<u>-</u>
Unrestricted cash and cash equivalents, end of year	<u>\$ 327,636</u>	<u>\$ 329,448</u>

See accompanying notes to these financial statements.

THE SENIORS PLACE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

(1) Description of the Organization

Organization – The Seniors Place, Inc. (“TSP” or the “Organization”) is a Texas non-profit member corporation chartered on September 15, 1996 and located in Houston, Texas. TSP is a memory care day center which provides a safe, spiritual, and nurturing program with therapeutic activities for older adults with mild to moderate memory loss and offers respite, education and support to their families and the community. TSP funds costs of such services through a combination of fees charged to the participants, contributions from member churches, other churches, foundations and individuals.

TSP’s members include the following area churches: Bellaire United Methodist, Bethany Christian, Central Presbyterian, Chaplewood United Methodist, South Main Baptist, St. Anne Catholic, St. John The Divine Episcopal, St. Luke’s United Methodist, St. Martin’s Episcopal, St. Michael Catholic, St. Paul’s United Methodist, St. Phillip’s Presbyterian, and St. Stephen’s Episcopal.

TSP is governed by a board of directors which is comprised of member church representatives.

Beginning in the fall of 2006, TSP launched a \$6,500,000 campaign named “Building for Generations”. The campaign has three goals:

- (1) Build a non-residential, 13,700 square foot facility.
- (2) Establish an endowment fund to be used to supplement operating income.
- (3) Create a scholarship fund so TSP can continue to provide financial assistance to participants as needed.

(2) Summary of Significant Accounting Policies

The Organization maintains its accounts on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Accounting principles followed by the Organization and the methods of applying those principles which materially affect the determination of financial position, statements of activities and cash flows are summarized below:

Financial Statement Presentation – TSP has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, TSP 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. As permitted by the Statement, TSP does not use fund accounting.

Use of Estimates – TSP’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The actual results could differ from those estimates.

Cash Equivalents – Cash equivalents include highly liquid investments purchased with original maturities of three months or less. At December 31, 2007 and 2006, TSP had cash balances in bank accounts that exceeded the limit of FDIC insurance. TSP monitors such balances on a regular basis.

THE SENIORS PLACE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Restricted Cash – At December 31, 2007 and 2006, restricted cash of \$511,474 and \$0, respectively, represents cash restricted for use to support the Building for Generations campaign.

Pledges and Participant Receivables – Pledges and participant receivables include participant obligations for services and donor contribution pledges. Participant receivables are stated at the amount billed to the participant. Pledges receivable are discounted to the present value of future cash flows related to long term pledges receivable. A discount rate of 3.25% was used to discount long-term pledges receivable. At December 31, 2007, long-term pledges were stated net of a discount of \$53,945. As of December 31, 2007, future pledges receivable are as follows:

<u>Years Ending December 31,</u>	
2008	\$ 897,681
2009	315,456
2010	171,156
2011	143,156
2012	-
Net of discount	<u>(53,945)</u>
	<u>\$ 1,473,504</u>

Pledges and participants receivables are periodically assessed by management for collectability and, if necessary, management reduces the carrying amount by a valuation allowance which reflects management's best estimate of the amount that may not be collectible. An allowance of \$100,000 was provided for long term pledges receivable at December 31, 2007.

Fair Value of Financial Instruments – Financial instruments include cash and cash equivalents, participant and pledges receivable and accounts payable. Because of their short maturity, the carrying amounts of cash and cash equivalents, participant receivables and the current portion of pledges receivable and accounts payable approximate fair value. Long-term pledges receivable are discounted to fair value.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from four to eight years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. Expenditures for major additions which extend the useful life of the assets are capitalized. Minor replacements, maintenance and repairs which do not improve or extend the useful life of the assets are expensed. At December 31, 2007 and 2006, \$248,529 and \$23,413 was included in Building and Improvements which was related to the Building for Generations Campaign.

Federal Income Taxes – TSP is an exempt organization for Federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

THE SENIORS PLACE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Support and Funding – Operating and capital funds have been provided by donations from religious organizations, foundations, individuals, and businesses. TSP does not receive grants from any federal, state, or municipal agencies. All contributions are considered to be for unrestricted use unless specifically restricted by the donor.

Participant revenue is recognized when billed to the participant. Cash contributions from donors are recognized when received. Pledges for donations are recognized as revenue when the donor confirms the pledge.

Donated Services - No amounts have been reflected in the financial statements for donated services as these services do not meet the criteria as defined in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Many individuals volunteer their time and perform a variety of tasks that assist TSP. TSP receives more than 3,200 volunteer hours per year.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on changes in net assets.

(3) Commitments and Contingencies

Land Purchase Commitment – At December 31, 2006, TSP had a \$50,000 escrow deposit for the purchase of land for a new facility to be constructed. The purchase was completed on February 1, 2007 for a total purchase price of \$903,813. The purchase was made using donor contributions restricted for this use. The acquired land is composed of .4397 acres acquired via the purchase of a long term ground lease and .2331 acres purchased fee simple. The total ground lease payments were \$2,979 in 2007. The ground lease payments are \$3,525 for 2008 and \$3,550 for each year thereafter, expiring in February 2067.

Leased Facilities – TSP has entered into a lease with a member church for its office and day-care facilities requiring rent of \$3,000 monthly until the lease expires on December 31, 2008. The lease grants TSP the right to renew the lease upon expiration. The total lease payments were \$35,000 and \$30,000 for 2007 and 2006, respectively.

(4) Temporarily Restricted Net Assets

As of December 31, 2007 and 2006, temporarily restricted net assets were available for the following purposes:

	<u>2007</u>	<u>2006</u>
Building for Generations Campaign	\$1,869,799	\$ 1,440,080
Joanel Remodeling	-	35,000
Tuition Scholarships	29,511	23,503
Timing	12,500	-
Total	<u>\$1,911,810</u>	<u>\$ 1,498,583</u>

THE SENIORS PLACE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

During the years 2007 and 2006, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donor as follows:

	<u>2007</u>	<u>2006</u>
Tuition Scholarships	\$ 18,252	\$ 23,854
Escrow and Closing Costs for Land, Architect Fees, & Building for Generations campaign expenses	1,201,377	69,920
Provision for Uncollectible Promise to Give	100,000	-
Joanel Remodel	<u>35,000</u>	<u>6,567</u>
 Total Restrictions Released	 <u>\$ 1,354,629</u>	 <u>\$100,341</u>

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SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
The Seniors Place, Inc.

Our report on the audits of the basic financial statements of The Seniors Place, Inc. (the "Organization") for the years ended December 31, 2007 and 2006, appear in the preceding section of this report. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of expenses for the years ended December 31, 2007 and 2006, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calvetti, Ferguson & Wagner, P.C.

Houston, Texas
July 29, 2008

THE SENIORS PLACE, INC.

**SUPPLEMENTAL SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
PROGRAM EXPENSES		
Payroll and related payroll expenses	\$ 298,199	\$ 275,291
Food service	48,034	50,122
Rent	27,000	25,500
Depreciation	18,497	16,134
Utilities	17,058	17,229
Office expense	16,310	18,827
Program activities and education	15,326	19,167
Transportation	10,725	8,575
Maintenance	9,842	12,630
Insurance	6,839	10,220
Marketing and advertising	6,693	13,738
Family & community support	3,741	516
Postage, printing and reproduction	3,432	1,859
Total Program Expenses	<u>\$ 481,696</u>	<u>\$ 469,808</u>
ADMINISTRATION EXPENSES		
Provision for uncollectible promise to give	\$ 100,000	\$ -
Property expenses for land held for capital campaign	58,906	-
Payroll and related payroll expenses	58,340	42,137
Discount on long term pledges receivable	53,945	-
Rent	9,803	4,500
Professional Services	8,185	3,350
Marketing and advertising	6,140	12,137
Office expense	5,835	5,324
Volunteers	5,533	456
Postage, printing and reproduction	3,431	1,612
Depreciation	2,639	2,848
Utilities	1,895	3,040
Insurance	1,505	4,559
Maintenance	1,094	2,774
Total Administration Expenses	<u>\$ 317,251</u>	<u>\$ 82,737</u>
FUNDRAISING EXPENSES		
Payroll and related payroll expenses	\$ 101,894	\$ 40,376
Building for Generations campaign expenses	74,943	-
Development	18,736	17,480
Rent	4,535	-
Depreciation	2,809	-
Office expense	2,653	-
Insurance	2,520	1,498
Postage, printing and reproduction	2,144	4,722
Maintenance	1,072	-
Professional services	909	-
Marketing and advertising	632	2,593
Total Fundraising Expenses	<u>\$ 212,847</u>	<u>\$ 66,669</u>