

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2004

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
CONTENTS
June 30, 2004

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 12



SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Certified Public Accountants and Management Consultants
www.slgg.com Los Angeles Orange County Ontario

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WISE Senior Services
Santa Monica, California

We have audited the accompanying statement of financial position of WISE Senior Services (WISE) (a not-for-profit organization) as of June 30, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of WISE's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from WISE's June 30, 2003 financial statements which were audited by other auditors and, in their report dated October 23, 2003, they expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides 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 WISE Senior Services as of June 30, 2004, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2004 on our consideration of WISE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

SINGER LEWAK GREENBAUM & GOLDSTEIN LLP

Los Angeles, California
August 24, 2004

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2004
(with comparative totals for 2003)

ASSETS		
	2004	2003
Assets		
Cash	591,357	359,484
Investments	338,985	319,156
Accounts receivable	-	22,744
Pledges receivable, net of allowance for doubtful accounts of \$40,000 and \$0, respectively	36,648	124,205
Grants receivable, net	372,915	328,136
Prepaid expenses and other assets	14,249	25,961
Property and equipment, net	3,055,913	3,137,285
Deposits	6,100	8,200
	\$ 4,416,167	\$ 4,325,171
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 465,000	\$ 465,000
Accounts payable	167,160	189,448
Accrued expenses	142,230	150,047
	774,390	804,495
Commitments (Note 9)		
Net assets		
Unrestricted	2,932,972	2,881,818
Unrestricted - board designated	338,985	319,156
Temporarily restricted	369,820	319,702
	3,641,777	3,520,676
	\$ 4,416,167	\$ 4,325,171

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

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
June 30, 2004
(with comparative totals for 2003)

	2004			2003 Total
	Unrestricted	Temporarily Restricted	Total	
Revenue and support				
Government agencies	\$ 3,530,213	\$ -	\$ 3,530,213	\$ 2,940,267
Program income	207,872	-	207,872	155,582
Investment income	22,580	-	22,580	10,508
Contributions and grants	223,119	135,000	358,119	464,222
In-Kind contributions	266,392	-	266,392	259,507
Special events	207,789	-	207,789	196,263
Other income	5,032	-	5,032	-
Net assets released from restrictions	84,882	(84,882)	-	-
Total revenue and support	<u>4,547,879</u>	<u>50,118</u>	<u>4,597,997</u>	<u>4,026,349</u>
Functional expenses				
Program services	3,849,054	-	3,849,054	3,224,440
Supporting services	405,215	-	405,215	420,254
Fundraising	222,627	-	222,627	169,265
Total functional expenses	<u>4,476,896</u>	<u>-</u>	<u>4,476,896</u>	<u>3,813,959</u>
Change in net assets	70,983	50,118	121,101	212,390
Net assets, beginning of year	<u>3,200,974</u>	<u>319,702</u>	<u>3,520,676</u>	<u>3,308,286</u>
Net assets, end of year	<u>\$ 3,271,957</u>	<u>\$ 369,820</u>	<u>\$ 3,641,777</u>	<u>\$ 3,520,676</u>

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

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF FUNCTIONAL EXPENSES
June 30, 2004
(with comparative totals for 2003)

	2004												2003	
	ADSCS	Care Management	City Ombudsman	County Ombudsman	Elder Abuse	WISE Care	Transportation	RSVP	Program Total	Fund Development	Program Administrative	Support Total	Total	Total
Personnel expenses														
Salaries	92,019	262,368	526,714	935,496	50,068	233,133	77,754	154,351	\$ 2,331,903	40,458	297,700	\$ 338,158	\$ 2,670,061	\$ 2,239,985
Payroll taxes and employee benefits	19,209	39,004	74,479	129,008	6,420	42,746	9,996	22,567	343,429	31,596	44,908	76,504	419,933	328,416
Total personnel expenses	111,228	301,372	601,193	1,064,504	56,488	275,879	87,750	176,918	2,675,332	72,054	342,608	414,662	3,089,994	2,568,401
Other expenses														
Bad Debt	-	-	-	-	-	2,224	-	-	2,224	40,000	-	40,000	42,224	-
Consumable supplies	19,289	8,480	6,064	13,341	9,295	17,559	1,586	12,257	87,871	43,847	4,903	48,750	136,621	150,831
Depreciation and amortization	-	-	-	-	-	75,642	-	-	75,642	-	5,730	5,730	81,372	57,451
Employee development	250	2,301	455	5,583	1,379	1,361	1,717	1,023	14,069	4,457	1,223	5,680	19,749	22,331
General fundraising	-	-	-	-	-	-	-	-	-	20,890	-	20,890	20,890	19,400
In-kind expenses	37,744	2,659	59,352	87,522	30,550	29,590	900	5,300	253,617	12,775	-	12,775	266,392	259,505
Interest	-	-	-	-	-	18,135	-	-	18,135	-	-	-	18,135	338
Liability insurance	926	2,485	4,066	7,486	521	14,818	638	2,183	33,123	3,354	5,000	8,354	41,477	57,864
Miscellaneous	387	2,242	1,320	4,098	716	3,531	1,890	-	14,184	7,984	5,115	13,099	27,283	36,821
Occupancy costs	23,694	11,705	25,503	49,705	3,325	43,035	5,658	15,569	178,194	296	12,453	12,749	190,943	158,986
Postage	21	567	573	4,587	729	1,054	336	1,794	9,661	4,763	1,199	5,962	15,623	14,225
Printing	869	4,483	5,001	5,529	2,890	1,205	648	3,415	24,040	5,999	-	5,999	30,039	40,618
Professional Fees	12,115	50,035	5,216	44,183	36,090	21,301	8,709	8,028	185,677	3,162	12,261	15,423	201,100	200,745
Small equipment	9,967	9,499	7,677	65,693	2,958	4,754	814	2,813	104,175	324	8,533	8,857	113,032	71,625
Telephone	2,527	7,055	16,988	34,509	1,524	11,735	1,673	3,836	79,847	2,303	5,647	7,950	87,797	75,506
Travel	1,844	7,452	12,885	30,969	668	633	101	3,350	57,902	419	543	962	58,864	43,937
Volunteer	-	-	4,972	8,928	2,300	-	-	19,161	35,361	-	-	-	35,361	35,375
Total other expenses	109,633	108,963	150,072	362,133	92,945	246,577	24,670	78,729	1,173,722	150,573	62,607	213,180	1,386,902	1,245,558
Total functional expenses	220,861	410,335	751,265	1,426,637	149,433	522,456	112,420	255,647	3,849,054	222,627	405,215	627,842	4,476,896	3,813,959
Allocation of Administrative Overhead	13,321	47,705	60,370	139,530	21,354	62,000	25,092	24,724	394,096	1,904	(396,000)	(394,096)	-	-
Total functional expenses after allocation	\$ 234,182	\$ 458,040	\$ 811,635	\$ 1,566,167	\$ 170,787	\$ 584,456	\$ 137,512	\$ 280,371	\$ 4,243,150	\$ 224,531	\$ 9,215	\$ 233,746	\$ 4,476,896	\$ 3,813,959

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

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
June 30, 2004
(with comparative totals for 2003)

	2004	2003
Cash flows from operating activities		
Cash received from contributors and grants	\$ 4,581,797	\$ 4,149,509
Cash paid to employees and suppliers	(4,321,574)	(4,211,247)
Interest paid	(18,135)	(15,308)
Interest received	9,614	10,508
	251,702	(66,538)
Cash flows from investing activities		
Purchase of property and equipment	-	(149,044)
Purchase of investments	(19,829)	(7,460)
	(19,829)	(156,504)
Cash flows from financing activities		
Increase in line of credit	-	315,000
	-	315,000
Net increase in cash	231,873	91,958
Cash, beginning of year	359,484	267,526
Cash, end of year	\$ 591,357	\$ 359,484

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

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
June 30, 2004
(with comparative totals for 2003)

	2004	2003
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 121,101	\$ 212,390
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	81,372	57,451
Bad debt expense	42,244	-
(Increase) decrease in		
Accounts receivable	20,500	(9,004)
Grants receivable	9,320	115,490
Pledges receivable	(6,542)	22,612
Prepaid expenses and other assets	11,712	(13,409)
Deposits	2,100	-
Increase (decrease) in		
Accounts payable and accrued expenses	(18,239)	(250,297)
Deferred revenue	(11,866)	4,570
Retentions payable	-	(206,341)
Net cash provided by (used in) operating activities	\$ 251,702	\$ (66,538)

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

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 1 - GENERAL

Organization and Nature of Activities

WISE Senior Services (WISE) is a multi-service, private, 501(c)(3) not-for-profit organization founded in 1968. WISE Senior Services offers vital support services and programs to preserve the independence and dignity of older adults, and to prevent premature institutionalization wherever possible. From the active senior looking for meaningful volunteer opportunities to the frail senior resident of a nursing home, WISE seeks to enhance quality of life.

WISE empowers those seniors who are at risk when alone, have a physical or mental impairment, want to live in their own home, are lonely or depressed and/or are at risk for exploitation by others.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The attached financial statements are presented utilizing the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

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 programs and supporting services benefited.

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

WISE is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code of the State of California. Accordingly, no provisions for income taxes or related credits are included in these financial statements.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful life of the assets. Amortization of leasehold improvements is provided using the straight-line method over the remaining term of the lease or the useful life of the improvement, whichever is shorter. The estimated useful life of the related assets are as follows:

Building	39 years
Leasehold improvements	14 years
Furniture, fixtures and equipment	5 years

Property and equipment purchased with contract funds are capitalized for items over \$5,000. Under the terms of the contracts, WISE is required to transfer ownership of all fixed assets to other authorized programs or agencies upon termination of the programs.

Revenue Recognition

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with grantor stipulations that limit the use of the donated assets. When a grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contract, program and fund-raising revenues are recognized in the period the revenues are earned. Revenues received for future services or fund-raising events are recorded as deferred income.

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts included in the prior year financial statements have been reclassified to conform with the current year presentation. Such reclassifications did not have any effect on the reported net income.

NOTE 3 – CASH AND CASH EQUIVALENTS

WISE maintains seven bank accounts at one bank. Accounts at all institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, cash in these accounts will exceed the insured amounts.

NOTE 4 - INVESTMENTS

Investments are recorded at market value. None of the investments are held for trading purposes, and are Board designated for contingency funds. The historical cost and market value at June 30, 2004 were as follows:

<u>Description</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>2003 Market</u>
Stocks	\$ 97,628	\$ 167,377	\$ 69,749	150,166
Corporate bond fund	153,333	151,238	(2,095)	157,829
Money market fund	<u>11,161</u>	<u>20,370</u>	<u>9,209</u>	<u>11,161</u>
Total	<u>\$ 262,122</u>	<u>\$ 338,985</u>	<u>\$ 76,863</u>	<u>319,156</u>

NOTE 5 - PLEDGES RECEIVABLE

WISE received several pledges to benefit the building campaign. All of the pledges received as of June 30, 2004 have been reviewed for collectability, and an allowance for one doubtful pledge of \$40,000 has been recorded as of June 30, 2004. No allowance was established for the year ending June 30, 2003.

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 6 - GRANTS RECEIVABLE

Grants receivable at June 30, 2004 consisted of the following:

	2004	2003
Governmental Foundations	318,816	328,136
	54,099	-
Total	<u>\$ 372,915</u>	<u>\$ 328,136</u>

All grants receivable at June 30, 2004 are due to be received within the next year.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2004 is summarized as follows by major classification:

	2004	2003
Land - Adult day care	\$ 551,113	551,113
Leasehold improvements	107,462	107,462
Furniture, fixtures and equipment	103,625	103,703
Furniture, fixtures and equipment - Adult day care	32,768	32,690
Building - Adult day care	2,551,818	2,551,818
Total property and equipment	3,346,786	3,346,786
Less accumulated depreciation and amortization	(290,873)	(209,501)
Property and equipment, net	<u>\$ 3,055,913</u>	<u>3,137,285</u>

Depreciation and amortization expense totaled \$81,372 and \$57,451 for the years ended June 30, 2004 and 2003, respectively.

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 8 - LINE OF CREDIT

WISE has a \$700,000 unsecured line of credit with a bank to be drawn upon as needed with an interest rate equal to the prime rate (4.5%) and a maturity of December 31, 2004. As of June 30, 2004, \$465,000 of the line of credit had been drawn and was outstanding.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Government Grants

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against WISE for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Leases

WISE has several operating leases for its facilities, including its headquarters at the Ken Edwards Center leased from the City of Santa Monica, CA. Future minimum payments under these lease agreements at June 30, 2004 were as follows:

<u>Year Ending</u> <u>June 30,</u>	
2005	\$ 90,545
2006	64,045
2007	51,592
2008	51,118
2009	48,744
Thereafter	<u>48,744</u>
Total	<u>\$ 354,788</u>

Rent expense amounted to \$120,887 and \$108,485 for the years ended June 30, 2004 and 2003, respectively.

WISE SENIOR SERVICES
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

NOTE 10 - PENSION PLAN

WISE maintains a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. WISE had a defined contribution of 1.5% of the eligible employee gross salary for the period July 1, 2003 – December 31, 2003. WISE also had a discretionary match of 15% of employee deferral up to 4% of salary for the July through December 2003 period, and effective January 1, 2004, the discretionary match was raised to 25% of employee deferral up to 5% of salary. WISE made contributions totaling \$24,476 and \$30,299 for the years ended June 30, 2004 and 2003, respectively.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2004 were available for the following purposes:

	<u>Available</u> <u>June 30, 2003</u>	<u>New</u> <u>Revenues</u>	<u>Expenditures</u>	<u>Available</u> <u>June 30, 2004</u>
Adult Day Center	\$ 319,702	\$ 60,000	\$ (32,175)	\$ 347,527
Ombudsman Program	-	50,000	(31,250)	18,750
RSVP Program	-	25,000	(21,457)	3,543
Total	<u>\$ 319,702</u>	<u>\$ 135,000</u>	<u>\$ (84,882)</u>	<u>\$ 369,820</u>