

SEARCH AND CARE, INC.

JUNE 30, 2011

OWEN J. FLANAGAN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
60 EAST 42ND STREET, SUITE 1536
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA
(1925-1996)

KEVIN C. SUNKEL, CPA
JOHN L. CORCORAN, CPA
MEREDITH A.F. KORN, CPA

(212) 682-2783
FACSIMILE (212) 697-5843
WWW.OJFLANAGAN.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

DONALD F. SCHERER

Independent Auditors' Report

To the Board of Directors of
Search and Care, Inc.

We have audited the statement of financial position of Search and Care, Inc. as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Search and Care's management. 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 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. The prior year summarized comparative information has been derived from Search and Care's June 30, 2010 financial statements and in our report dated September 16, 2010, we expressed an unqualified opinion on those financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Search and Care, Inc. as of June 30, 2011 and its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Owen J. Flanagan & Co.

September 16, 2011

SEARCH AND CARE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 804,131	\$ 580,506
Grants receivable	111,157	118,468
Other receivable	7,169	-
Prepaid expenses and other assets	15,520	13,709
Investments at fair value	1,314,657	1,112,186
Cash held for clients	31,188	39,002
Equipment and leasehold improvements, net	<u>136,331</u>	<u>151,901</u>
 Total Assets	 <u>\$2,420,153</u>	 <u>\$2,015,772</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 46,288	\$ 47,269
Custodial funds	<u>31,188</u>	<u>39,002</u>
 Total Liabilities	 <u>77,476</u>	 <u>86,271</u>
Net assets		
Unrestricted		
Board designated funds	1,206,340	1,041,440
Unrestricted funds	<u>705,145</u>	<u>517,830</u>
 Total unrestricted	 1,911,485	 1,559,270
Temporarily restricted	383,192	322,231
Permanently restricted	<u>48,000</u>	<u>48,000</u>
 Total Net Assets (Exhibit B)	 <u>2,342,677</u>	 <u>1,929,501</u>
 Total Liabilities and Net Assets	 <u>\$2,420,153</u>	 <u>\$2,015,772</u>

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

SEARCH AND CARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
Operating revenue					
Grants and contributions	\$ 367,630	\$491,690		\$ 859,320	\$ 734,140
Allocated investment income	54,048			54,048	59,212
Income from events, net of expenses of \$118,540 and \$123,416 in 2011 and 2010, respectively	268,835			268,835	206,921
Other income	<u>670</u>			<u>670</u>	<u>645</u>
	<u>691,183</u>	<u>491,690</u>		<u>1,182,873</u>	<u>1,000,918</u>
Net assets released from restrictions	<u>430,879</u>	<u>(430,879)</u>		<u>-</u>	<u>-</u>
 Total Operating Revenue	 <u>1,122,062</u>	 <u>60,811</u>		 <u>1,182,828</u>	 <u>1,000,918</u>
Operating expenses					
Program services	717,734			717,734	678,918
Management and general	104,049			104,049	100,607
Fund-raising	<u>110,107</u>			<u>110,107</u>	<u>116,033</u>
 Total Operating Expenses	 <u>931,890</u>	 <u> </u>		 <u>931,890</u>	 <u>895,558</u>
Excess of operating revenue over operating expenses	190,172	60,811		250,983	105,360
Non-operating items					
Investment return net of allocation to operations	<u>162,043</u>	<u>150</u>		<u>162,193</u>	<u>69,800</u>
Change in net assets	352,215	60,961	-	413,176	175,160
Net assets, beginning of year	<u>1,559,270</u>	<u>322,231</u>	<u>\$48,000</u>	<u>1,929,501</u>	<u>1,754,341</u>
Net assets, end of year (Exhibit A)	<u>\$1,911,485</u>	<u>\$383,192</u>	<u>\$48,000</u>	<u>\$2,342,677</u>	<u>\$1,929,501</u>

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

SEARCH AND CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>Support Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Support Services</u>
	<u>2011</u>	<u>2011</u>	<u>2011</u>	<u>2011</u>
Salaries	\$411,736	\$ 38,413	\$ 47,601	\$ 86,014
Payroll taxes and benefits	119,035	11,105	13,761	24,866
Occupancy	48,292	4,505	5,583	10,088
Office expenses	20,579	1,920	2,379	4,299
Printing and publications	5,987	-	3,991	3,991
Telephone and utilities	13,256	1,237	1,533	2,770
Insurance	-	5,854	-	5,854
Client services and grants	36,254	-	-	-
Professional fees	20,256	25,504	-	25,504
Consultants	12,644	12,740	31,826	44,566
Depreciation and amortization	12,879	1,202	1,489	2,691
Other operating expenses	<u>16,816</u>	<u>1,569</u>	<u>1,944</u>	<u>3,513</u>
Total Expenses	<u>\$717,734</u>	<u>\$104,049</u>	<u>\$110,107</u>	<u>\$214,156</u>
Comparative Totals - 2010	<u>\$678,918</u>	<u>\$100,607</u>	<u>\$116,033</u>	<u>\$216,640</u>
	<u>\$497,750</u>	<u>143,901</u>	<u>58,380</u>	<u>24,878</u>
	<u>\$478,585</u>	<u>152,280</u>	<u>58,377</u>	<u>23,823</u>
	<u>6,898</u>	<u>17,739</u>	<u>6,535</u>	<u>33,891</u>
	<u>42,916</u>	<u>38,545</u>	<u>17,793</u>	<u>18,176</u>
	<u>\$931,890</u>	<u>\$895,558</u>		

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

SEARCH AND CARE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Change in net assets (Exhibit B)	\$ 413,176	\$ 175,160
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,570	17,793
Realized and unrealized gain on investments	(185,267)	(100,043)
Changes in operating assets and liabilities		
Grants receivable	7,311	(78,771)
Other receivables	(7,169)	-
Prepaid expenses and other assets	(1,811)	(4,035)
Accounts payable and accrued expenses	(981)	(10,893)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>240,829</u>	<u>(789)</u>
Cash Flows from Investing Activities:		
Purchase of office equipment	-	(3,745)
Proceeds from sales of investments	76,688	170,211
Purchase of investments	(93,892)	(101,851)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(17,204)</u>	<u>64,615</u>
Net increase in cash for year	223,625	63,826
Cash and cash equivalents, beginning of year	<u>580,506</u>	<u>516,680</u>
Cash and cash equivalents, End of Year	<u>\$ 804,131</u>	<u>\$ 580,506</u>

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

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 **Organization and Tax Status**

Search and Care, Inc. (Search and Care), incorporated in 1974, seeks out and assists the aged and homebound in the Yorkville, Carnegie Hill and East Harlem areas of New York City. Search and Care is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization described in Section 509(a).

NOTE 2 **Summary of Significant Accounting Policies**

Basis of Accounting and Use of Estimates

Search and Care prepares its financial statements on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Search and Care's management to make certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are those currently available at the discretion of the board for use in Search and Care's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the purchase of equipment and earnings on permanently restricted net asset funds until appropriated. Permanently restricted amounts are those which are established by donor restricted gifts and bequests to provide a permanent endowment. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of all highly liquid debt instruments purchased with a maturity of three months or less, except for such items in its investment account.

Functional Allocation of Expenses

The cost of providing various programs and other activities have been summarized on a functional basis on the statement of activities and on the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Search and Care.

Investments

Investments are held in a combined portfolio and carried at fair value based on quoted market prices. Changes in the fair value of investments are reported in the statement of activities as net realized and unrealized gain or loss.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 **Summary of Significant Accounting Policies** (Continued)

Investment Policy

Search and Care maintains a conservative investment policy, investing under a total return approach with the primary objective being to preserve and, if possible, enhance its real (inflation-adjusted) value while providing a relatively stable stream of earnings for program and operating expenses.

Permanently restricted endowment funds are separately invested in certificates of deposit in order to preserve the value of the original gift.

Fair Value Measurement of Investments

Investments are carried at fair value based on quoted market prices. Search and Care follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable input and are used to the extent that observable inputs do not exist.

All of Search and Care's investments are valued using Level 1 inputs.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost or, if donated, at the estimated fair value of the assets at the date of donation. Costs for repair and maintenance are charged to expense as incurred. All equipment and leasehold improvements are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives used to calculate depreciation are as follows:

Leasehold improvements	Lease term
Equipment and computers	3 years

Grants and Contributions

Grants and contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair values.

Donated Services

Members of the board of directors and certain other volunteers have contributed time to Search and Care. The financial statements do not reflect the value of these contributed services because they do not meet the criteria required for such recognition.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 **Summary of Significant Accounting Policies** (Continued)

Summarized Comparative Information

The statement of activities includes 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Search and Care's financial statements for the year ended June 30, 2010 from which the summarized information was derived. In our report dated September 16, 2010, we issued an unqualified opinion on these financial statements.

Subsequent Events

In connection with the preparation of the financial statements, Search and Care evaluated subsequent events after the balance sheet date of June 30, 2011 through September 16, 2011 which was the date the financial statements were available to be issued.

NOTE 3 **Concentration of Credit Risk**

Search and Care maintains cash balances with banking institutions that at times during the year exceed the Federal Deposit Insurance Corporation's insurable limits. This potentially subjects Search and Care to a concentration of credit risk. Search and Care has not experienced any losses in such accounts.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

NOTE 4 **Grants and Pledges Receivable**

Grants and pledges receivable in the amount of \$111,157 and \$118,468 at June 30, 2011 and 2010, respectively, all of which are deemed collectible, are to be received within one year.

NOTE 5 **Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$229,093	\$229,093
Office equipment and computers	<u>41,423</u>	<u>41,423</u>
	270,516	270,516
Less: accumulated depreciation and amortization	<u>(134,185)</u>	<u>(118,615)</u>
	<u>\$136,331</u>	<u>\$151,901</u>

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 **Investments and Investment Return**

Investment at June 30, 2011 and 2010, respectively, consists of the following:

	<u>2011</u>	<u>2010</u>
Short-term investments	\$ 101,083	\$ 79,605
Joint mutual funds	1,197,482	1,032,581
Pending trades	16,092	-
	<u>\$1,314,657</u>	<u>\$1,112,186</u>

Investment return for the years ended June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Dividend and interest income	\$ 30,974	\$ 28,969
Realized and unrealized gain on investments	185,267	100,043
	<u>\$216,241</u>	<u>\$129,012</u>

For purposes of the statement of activities, Search and Care considers Board authorized spending amounts to be available for operations and included in operating revenue. The excess or deficiency of actual investment return over such authorized amounts is considered non-operating.

NOTE 7 **Custodial Funds**

Search and Care provides assistance to certain elderly clients who require help in managing their finances. Clients' funds received are maintained in a separately administered, commingled account from which expenses are paid on behalf of each client. Search and Care collects no fees for these services.

A summary of the activity for such clients' custodial funds at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Beginning cash balance	\$ 39,002	\$ 25,193
Funds received	303,353	246,187
Funds disbursed	342,355 <u>(311,167)</u>	271,380 <u>(232,378)</u>
Ending cash balance	<u>\$ 31,188</u>	<u>\$ 39,002</u>

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 Pension Plan

Search and Care has a defined contribution pension plan that covers substantially all of its full-time employees. Plan expense is based upon a percentage of employee compensation and totaled \$26,408 and \$34,364 for the years ended June 30, 2011 and 2010, respectively.

NOTE 9 Commitment and Contingencies

Search and Care occupies office space pursuant to a lease agreement expiring April 14, 2013 with an option to renew for two successive terms of five years each. Future minimum lease payments at June 30 are as follows:

2012	\$46,548
2013	<u>36,850</u>
	<u>\$83,398</u>

Occupancy expense totaled \$58,380 and \$58,380 for the years ended June 30, 2011 and 2010, respectively.

NOTE 10 Fundraising Events

Search and Care sponsored four events during the years ended June 30, 2011 and 2010 to raise additional funds for its charitable activities. These events and the net income derived are as follows:

	June 30, 2011		
	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Theater Benefit	\$ 78,707	\$ 37,831	\$ 40,876
Yorkville Ball	75,568	31,210	44,358
Annual Benefit	196,620	32,547	164,073
Jazz Event	<u>36,480</u>	<u>16,952</u>	<u>19,528</u>
	<u>\$387,375</u>	<u>\$118,540</u>	<u>\$268,835</u>
	June 30, 2010		
	<u>Income</u>	<u>Expenses</u>	<u>Net Income</u>
Theater Benefit	\$ 77,660	\$ 40,965	\$ 36,695
Yorkville Ball	104,492	39,927	64,565
Annual Benefit	117,512	28,954	88,558
Jazz Event	<u>30,673</u>	<u>13,570</u>	<u>17,103</u>
	<u>\$330,337</u>	<u>\$123,416</u>	<u>\$206,921</u>

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 and 2010 are available for certain donor stipulated purposes as follows:

	<u>2011</u>	<u>2010</u>
East Harlem Initiative	\$ 61,444	\$ 58,387
Household Assistance Fund (see below)	21,786	24,355
Bi-lingual Mental Health Worker	35,662	28,944
Occupational Therapist	3,788	13,783
Time-restricted contributions	110,463	135,500
Outreach Coordinator Program	11,268	8,000
Technology Enhancement	1,505	315
Evening/Weekend Extended Program Hours	49,134	24,869
AARP Daily Money Management Program	2,014	6,681
iChoose Program	-	6,102
Elder Closet	4,358	5,273
Client Budget Assistant	-	7,027
Creative Culture & Community: Therapeutic Arts Program	4,704	2,204
Fans and A/C for Elderly	-	791
Pet and Elder Empowerment	12,846	-
Metal Health Care Worker	12,220	-
East Harlem Care Manager	<u>52,000</u>	<u>-</u>
	<u>\$383,192</u>	<u>\$322,231</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses for the following purposes:

	<u>2011</u>	<u>2010</u>
Household Assistance	\$ 2,967	\$ 2,337
Occupational Therapist	9,995	6,217
Technology Enhancement	3,810	3,901
AARP Daily Money Management Program	4,668	1,240
Time-restricted contributions	83,500	62,000
Outreach Coordinator Program	4,731	-
Financial Care Manager	-	20,000
Evening/Weekend Extended Program Hours	22,535	33,473
East Side Case Management	120,529	102,692
iChoose Program	26,102	39,632
Elder Closet	915	633
Client Budget Assistant	7,027	12,083
Development Initiative	20,000	-
Bi-lingual Mental Health Worker	18,282	11,158
East Harlem Initiative	46,942	26,707
Creative Culture & Community: Therapeutic Arts Program	-	297
Fans and A/C for Elderly	791	1,562
Pet and Elder Empowerment	2,154	-
Mental Health Care Worker	32,781	-
East Harlem Care Manager	23,000	-
Endowment earnings	<u>150</u>	<u>-</u>
	<u>\$430,879</u>	<u>\$323,932</u>

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 **Temporarily Restricted Net Assets** (Continued)

Household Assistance Fund

Through a grant from the Isaac H. Tuttle Fund, Search and Care established a revolving loan account for clients who need temporary homemaker or emergency services. Search and Care advances funds for services to clients and expects reimbursement for these amounts from the client or other third parties. Periodically, the Isaac H. Tuttle Fund replenishes the fund. With the permission of the Tuttle Fund, Search and Care has commingled these cash amounts with its general operating cash.

A summary of the cash receipts and disbursements for the Household Assistance fund is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$24,355	\$25,239
Receipts - client grants reimbursed	398	1,453
Disbursements - client grants	<u>(2,967)</u>	<u>(2,337)</u>
Balance, end of year	<u>\$21,786</u>	<u>\$24,355</u>

NOTE 12 **Board Designated Funds**

The Board designated funds were established by the Board with the purpose of creating a quasi-endowment that would generate income to support the administrative expenses of Search and Care.

Under the Board's investment and spending policy, 5% of a three-year trailing average of the fair value of investments is released for the operating budget including rent expense.

Board designated funds had the following activity for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$1,041,440	\$ 975,841
New designated funds	5,000	-
Investment return	213,948	124,811
Funds released	<u>(54,048)</u>	<u>(59,212)</u>
Balance, end of year	<u>\$1,206,340</u>	<u>\$1,041,440</u>

NOTE 13 **Permanently Restricted Net Assets**

Permanently restricted net assets consist of the Annie R. Tinker Endowment Fund. The income earned on these funds is to be used to support and assist elderly women who have worked to sustain themselves in their later years. Under the Organization's spending policy earnings on permanently restricted funds up to 7% of principal may be appropriated and spent each year.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 **Renewable Grant Contract**

A Department for the Aging grant was awarded to Lenox Hill Neighborhood House, with Search and Care listed as one of the subcontractors. This grant is to support the implementation of case management services for elders living between East 59th Street and East 125th Street in New York City, for which Search and Care received \$112,235 during fiscal year 2011. As of July 1, 2011 this contract was renewed for the fiscal year ending June 30, 2012 in the amount of \$145,000.

NOTE 15 **Uncertain Tax Positions**

Search and Care has not entered into any uncertain tax positions that would require financial statement recognition. Search and Care is no longer subject to audits by the applicable taxing jurisdiction prior to periods ending June 30, 2008.