

SEARCH AND CARE, INC.

JUNE 30, 2018

OWEN J. FLANAGAN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS
60 EAST 42ND STREET, SUITE 2810
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA
(1925-1996)

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

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

—
DONALD F. SCHERER

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Search and Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, cash flows and functional expenses 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 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 Search and Care, Inc. as of June 30, 2018, 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 Search and Care, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Owen J. Flanagan & Co.

September 26, 2018

SEARCH AND CARE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,286,977	\$ 990,627
Contributions receivable	138,958	100,481
Other receivables	41,228	29,397
Prepaid expenses and other assets	16,958	40,919
Investments at fair value	3,159,959	3,032,733
Cash held for clients	41,407	41,813
Equipment and leasehold improvements, net	<u>60,322</u>	<u>90,825</u>
<u>Total Assets</u>	<u>\$ 4,745,809</u>	<u>\$ 4,326,795</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 98,556	\$ 100,306
Deferred event revenue	-	2,500
Custodial funds	<u>41,407</u>	<u>41,813</u>
<u>Total Liabilities</u>	<u>139,963</u>	<u>144,619</u>
 <u>Net Assets</u>		
<u>Unrestricted</u>		
Board designated funds	2,362,568	2,280,698
Unrestricted funds	<u>1,468,026</u>	<u>1,222,937</u>
<u>Total Unrestricted</u>	3,830,594	3,503,635
Temporarily restricted	<u>775,252</u>	<u>678,541</u>
<u>Total Net Assets (Exhibit B)</u>	<u>4,605,846</u>	<u>4,182,176</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 4,745,809</u>	<u>\$ 4,326,795</u>

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

SEARCH AND CARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
<u>Operating Revenue</u>				
Grants and contributions	\$ 569,698	\$ 579,850	\$ 1,149,548	\$ 710,368
Program revenue	171,940	-	171,940	170,258
Allocated investment income	104,258	-	104,258	97,824
Income from events, net of expenses of \$135,927 and \$153,912 in 2018 and 2017, respectively	265,887		265,887	336,790
In-kind donations	-		-	1,874
Other income	-	-	-	250
	<u>1,111,783</u>	<u>579,850</u>	<u>1,691,633</u>	<u>1,317,364</u>
Net assets released from restriction	<u>483,139</u>	<u>(483,139)</u>	<u>-</u>	<u>-</u>
<u>Total Operating Revenue</u>	<u>1,594,922</u>	<u>96,711</u>	<u>1,691,633</u>	<u>1,317,364</u>
<u>Operating Expenses</u>				
Program services	1,036,994		1,036,994	1,071,036
Management and general	108,378		108,378	118,319
Fund-raising	199,816		199,816	192,156
<u>Total Operating Expenses</u>	<u>1,345,188</u>	<u>-</u>	<u>1,345,188</u>	<u>1,381,511</u>
Excess of operating revenue over operating expenses	249,734	96,711	346,445	(64,147)
Non-operating items				
Investment return net of allocation to operations	<u>77,225</u>	<u>-</u>	<u>77,225</u>	<u>147,196</u>
Change in Net Assets for Year	326,959	96,711	423,670	83,049
Net Assets, beginning of year	<u>3,503,635</u>	<u>678,541</u>	<u>4,182,176</u>	<u>4,099,127</u>
Net Assets, End of Year	<u>\$ 3,830,594</u>	<u>\$ 775,252</u>	<u>\$ 4,605,846</u>	<u>\$ 4,182,176</u>

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

SEARCH AND CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>Support Services</u>				Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Total Support Services</u>	
	2018	2017	2018	2017	2018
Salaries	\$ 603,879	\$ 43,171	\$ 129,700	\$ 172,871	\$ 821,782
Payroll taxes and benefits	163,321	11,676	35,077	46,753	203,125
Occupancy	45,387	3,245	9,748	12,993	58,380
Office expenses	18,811	1,345	4,040	5,385	24,516
Printing and publications	4,536	-	1,943	1,943	10,147
Telephone and utilities	13,278	949	2,852	3,801	17,954
Insurance	-	8,639	-	8,639	9,615
Client services and grants	80,679	-	-	-	71,565
Professional fees	30,489	33,876	-	33,876	68,571
Consultants	20,192	1,444	4,336	5,780	18,497
Depreciation and amortization	28,258	2,020	6,070	8,090	36,224
Other operating expenses	28,164	2,013	6,050	8,063	41,135
Total	<u>\$ 1,036,994</u>	<u>\$ 108,378</u>	<u>\$ 199,816</u>	<u>\$ 308,194</u>	<u>\$ 1,381,511</u>
Comparative Totals - 2017	<u>\$ 1,071,036</u>	<u>\$ 118,319</u>	<u>\$ 192,156</u>		

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

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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). The Organization's support comes primarily through grants and contributions from private foundations, individuals, corporations and other friends.

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 of cash held in checking and savings accounts as well as certificates of deposit which have a maturity date of three months or less.

Functional Allocation of Expenses

The cost of providing various programs and other activities has 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 support services benefited. 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, 2018

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

Investment Policy

The Organization's objectives are to safeguard its financial assets and ensure that they are readily available to the Organization for its programmatic needs, while obtaining a reasonable return on assets. The Organization's cash-flow structure and liquidity needs are such that it has only a moderate risk tolerance.

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.

Equipment and Leasehold Improvements

Equipment and leasehold improvements, purchased over \$1,000 are recorded 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.

In-kind Donations

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.

Contributed services from professionals, that would otherwise have been paid for, are recognized and recorded in the financial statements at the estimated fair value.

Donated goods are recorded at their estimated fair value on the date of gift.

Stock Donations

The Organization has a policy to sell all stock gifts immediately upon receipt.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Summarized Comparative Information

The financial statements include 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, 2017 from which the summarized information was derived.

Measure of Operations

In its statement of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, earned in excess of the Organization's aggregate authorized spending amount are recognized as non-operating revenue.

Subsequent Events

In connection with the preparation of the financial statements, Search and Care evaluated subsequent events after the statement of financial position date of June 30, 2018 through September 26, 2018 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 of \$138,958 at June 30, 2018 are all expected to be collected within fiscal year ended June 30, 2019.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 **Equipment and Leasehold Improvements**

Equipment and leasehold improvements consist of the following at June 30, 2018 and 2017:

	2018	2017
Leasehold improvements	\$ 286,357	\$ 286,357
Office equipment	46,994	48,955
	333,351	335,312
Less: Accumulated depreciation	(273,029)	(244,487)
	\$ 60,322	\$ 90,825

NOTE 6 **Investments and Investment Return**

The investments at June 30, 2018 and 2017, respectively, consist of the following:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Short-term cash	\$ 71,115	\$ 71,115	\$ 486,527	\$ 486,527
Equities	-	-	2,546	2,546
Certificates of deposit	752,381	752,381	184,384	184,384
Multi-strategy mutual funds	2,005,486	2,336,463	1,588,844	1,861,905
	\$ 2,828,982	\$ 3,159,959	\$ 2,262,301	\$ 2,535,362

The following are major categories of investments measured at fair value as of June 30:

	2018		
	Level 1	Level 2	Total
Short-term cash	\$ 71,115	\$ -	\$ 71,115
Equities	-	-	-
Certificates of deposit	-	752,381	752,381
Multi-strategy mutual funds	2,336,463	-	2,336,463
Total	\$ 2,407,578	\$ 752,381	\$ 3,159,959
	2017		
	Level 1	Level 2	Total
Short-term cash	\$ 486,527	\$ -	\$ 486,527
Equities	2,546	-	2,546
Certificates of deposit	-	184,384	184,384
Multi-strategy mutual funds	1,861,905	-	1,861,905
Total	\$ 2,350,978	\$ 184,384	\$ 2,535,362

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 **Investments and Investment Return** (Continued)

In 2018 and 2017, Level 2 investments consisted of two certificates of deposit. In 2018, one was a nineteen-month CD with a maturity date of December 18, 2020 and the other was a twelve-month CD with a maturity date of May 22, 2019. In 2017, one was a nineteen-month CD with a maturity date of May 18, 2018 and the other was a twelve-month CD with a maturity date of October 20, 2017.

Investment return for the years ended June 30, 2018 and 2017 consists of the following:

	2018	2017
Dividend and interest income	\$ 59,022	\$ 47,842
Realized and unrealized gain on investments	122,461	197,178
	\$ 181,483	\$ 245,020

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

	2018	2017
Investment income for operations	\$ 104,258	\$ 97,824
Non-operating investment income	77,225	147,196
	\$ 181,483	\$ 245,020

NOTE 7 **Custodial Funds**

Search and Care provides assistance to certain elderly clients who require help in managing their finances. Clients' funds 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, 2018 and 2017 is as follows:

	2018	2017
Beginning cash balance	\$ 41,813	\$ 50,202
Funds received	152,959	166,145
	194,772	216,347
Funds disbursed	(153,365)	(174,534)
Ending cash balance	\$ 41,407	\$ 41,813

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$40,699 and \$37,064 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9 Commitment and Contingencies

Search and Care occupies office space pursuant to a lease agreement expiring April 14, 2023. Future annual minimum lease payments at June 30, 2018 are as follows:

2019	\$ 57,000
2020	57,000
2021	57,000
2022	57,000
2023	<u>45,125</u>
	<u>\$273,125</u>

Occupancy expense totaled \$58,380 for each of the years ended June 30, 2018 and 2017.

NOTE 10 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, a sum equal to 5% of a three-year trailing average of the fair value of investments is released for the use by Search and Care for its general purposes.

In September 2011, the Board initiated a multi-year 40th Anniversary appeal designed to both strengthen and expand upon existing agency programs and services, and ensure that these programs will be available in subsequent years for future elders, despite any downturns or turbulence in the economic environment. The funds were held in a liquid money market account up until March 2018, at which point they were transferred to a multi-strategy mutual fund..

The board designated funds for administrative expenses had the following activity for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,871,013	\$ 1,716,633
New designated funds	5,000	10,000
Investment return	164,680	232,520
Funds released	<u>(89,556)</u>	<u>(88,140)</u>
Balance, end of year	<u>\$ 1,951,137</u>	<u>\$ 1,871,013</u>

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 Board Designated Funds (Continued)

The board designated fund under the 40th anniversary appeal had the following activity for the year ended June 30, 2018 and 2017:

	2018	2017
Balance, beginning of year	\$ 409,685	\$ 397,843
New designated funds	-	10,000
Investment return	1,746	1,842
	\$ 411,431	\$ 409,685

NOTE 11 Fundraising Events

Search and Care sponsored different events during the years ended June 30, 2018 and 2017 to raise additional funds for its charitable activities. These events and the net income derived are as follows:

	June 30, 2018		
	Income	Expenses	Net Income
Theatre Benefit	\$ 85,885	\$ 42,098	\$ 43,787
Yorkville Ball	116,162	44,564	71,598
Annual Benefit	129,769	27,948	101,821
Jazz Event	69,440	20,619	48,821
Other Events	558	698	(140)
	\$ 401,814	\$ 135,927	\$ 265,887

	June 30, 2017		
	Income	Expenses	Net Income
Theatre Benefit	\$ 65,008	\$ 26,872	\$ 38,136
Yorkville Ball	143,036	42,888	100,148
Annual Benefit	207,005	51,672	155,333
Jazz Event	62,710	20,002	42,708
Other Events	475	10	465
	\$ 478,234	\$ 141,444	\$ 336,790

NOTE 12 In-Kind Donations

During fiscal year 2017, Search and Care received a donation of pet toys and treats valued at \$1,874. These items were used for the Pet and Elder Empowerment program.

SEARCH AND CARE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for certain donor stipulated purposes as follows:

	<u>2018</u>	<u>2017</u>
Pet and elder empowerment	\$ 53,094	\$ 43,716
East Harlem expansion and programs	29,444	68,143
Money Matters program	40,561	22,985
Client programs	172,097	135,230
Support for care manager positions, occupational therapist, nurse and homecare worker	204,456	207,985
Time restricted	<u>275,600</u>	<u>200,482</u>
	<u>\$775,252</u>	<u>\$678,541</u>

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

	<u>2018</u>	<u>2017</u>
Pet and elder empowerment	\$ 37,623	\$ 17,860
East Harlem expansion and programs	98,699	82,933
Money Matters program	65,425	69,897
Client programs	38,383	49,588
Support for care manager positions, occupational therapist, nurse and homecare worker	96,028	90,165
Development director position	-	25,000
Capital improvements and purchases	10,000	-
Time restricted	<u>136,981</u>	<u>68,322</u>
	<u>\$483,139</u>	<u>\$403,765</u>

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 \$163,960 during fiscal year 2018. As of July 1, 2018 this contract was renewed for the fiscal year ending June 30, 2019 for approximately \$159,858.