

SERVICES FOR INDEPENDENT LIVING, INC.
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

SERVICES FOR INDEPENDENT LIVING, INC.

SEPTEMBER 30, 2016 AND 2015

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015:	
Statements of Financial Position.....	2-3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows.....	8
Notes to the Financial Statements.....	9-14

November 21, 2016

Independent Auditors' Report

To the Board of Directors
Services for Independent Living, Inc.
Cleveland, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Services for Independent Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 Services for Independent Living, Inc. as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS			
	<u>Sep. 30, 2016</u>	<u>Sep. 30, 2015</u>	<u>Increase (Decrease)</u>
Current Assets			
Cash and cash equivalents	\$ 213,715	\$ 409,027	\$ (195,312)
Grants and accounts receivable	25,851	32,485	(6,634)
Prepaid expenses	<u>33,857</u>	<u>11,158</u>	<u>22,699</u>
 Total Current Assets	 273,423	 452,670	 (179,247)
Property and Equipment			
Vehicle	255,783	136,654	119,129
Furniture	49,121	49,121	-
Office equipment	62,860	62,860	-
Leasehold improvements	151,628	151,628	-
Less: accumulated depreciation	<u>(159,646)</u>	<u>(81,508)</u>	<u>(78,138)</u>
 Net Property and Equipment	 359,746	 318,755	 40,991
Other Assets			
Investment	519,673	504,282	15,391
Deposits	5,292	5,292	-
Artwork at estimated fair value	<u>5,000</u>	<u>5,000</u>	<u>-</u>
 Total Other Assets	 <u>529,965</u>	 <u>514,574</u>	 <u>15,391</u>
 TOTAL ASSETS	 <u>\$ 1,163,134</u>	 <u>\$ 1,285,999</u>	 <u>\$ (122,865)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENTS OF FINANCIAL POSITION

LIABILITIES AND NET ASSETS			Increase
	<u>Sep. 30, 2016</u>	<u>Sep. 30, 2015</u>	<u>(Decrease)</u>
Current Liabilities			
Accounts payable	\$ 1,685	\$ 3,759	\$ (2,074)
Current portion long term debt	5,625	5,625	-
Payroll taxes withheld & accrued	2,270	329	1,941
Accrued payroll expense	8,172	4,116	4,056
Accrued vacation	15,522	15,522	-
Accrued sick time	<u>12,303</u>	<u>12,303</u>	<u>-</u>
Total Current Liabilities	45,577	41,654	3,923
Long-Term Liabilities			
Note payable-Ford Credit	83,748	12,787	70,961
Note payable-Bank of the West	38,017	16,071	21,946
Less current portion	<u>(5,625)</u>	<u>(5,625)</u>	<u>-</u>
Total Long-Term Liabilities	<u>116,140</u>	<u>23,233</u>	<u>92,907</u>
Total Liabilities	161,717	64,887	96,830
Net Assets			
Unrestricted	1,001,417	1,194,899	(193,482)
Temporarily restricted	-	26,213	(26,213)
Permanently restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,001,417</u>	<u>1,221,112</u>	<u>(219,695)</u>
TOTAL LIABILITIES AND NET ASSE	<u>\$ 1,163,134</u>	<u>\$ 1,285,999</u>	<u>\$ (122,865)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 597,975	\$ -	\$ 597,975
Grants-reimbursements	-	87,840	-	87,840
Contributions	3,008	-	-	3,008
Fees for services	454,857	-	-	454,857
Realized/unrealized gain on investments	15,054	-	-	15,054
Miscellaneous	6,377	-	-	6,377
Pension refund	156,901	-	-	156,901
Interest income	140	-	-	140
Released from restrictions	<u>712,028</u>	<u>(712,028)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Support	 1,348,365	 (26,213)	 -	 1,322,152
Expenses				
Program Expenses				
Personal Care Assistance	52,266	-	-	52,266
Core Services	725,553	-	-	725,553
Accessibility Program	78,750	-	-	78,750
Transportation	<u>395,615</u>	<u>-</u>	<u>-</u>	<u>395,615</u>
Total Program Expenses	1,252,184	-	-	1,252,184
Supporting Services				
Fundraising	35,952	-	-	35,952
General and administrative	<u>253,711</u>	<u>-</u>	<u>-</u>	<u>253,711</u>
Total Supporting Services	289,663	-	-	289,663
 Total Expenses	 <u>1,541,847</u>	 <u>-</u>	 <u>-</u>	 <u>1,541,847</u>
 Increase in Net Assets	 (193,482)	 (26,213)	 -	 (219,695)
 Net Assets at Beginning of Year	 <u>1,194,899</u>	 <u>26,213</u>	 <u>-</u>	 <u>1,221,112</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,001,417</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,001,417</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Un- Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Grants	\$ -	\$ 806,685	\$ -	\$ 806,685
Contributions	2,172	-	-	2,172
Fees for services	318,579	-	-	318,579
Realized/unrealized gain on investments	952	-	-	952
Miscellaneous	13,575	-	-	13,575
Interest income	390	-	-	390
Released from restrictions	<u>780,472</u>	<u>(780,472)</u>	<u>-</u>	<u>-</u>
 Total Revenue and Support	 1,116,140	 26,213	 -	 1,142,353
Expenses				
Program Expenses				
Personal Care Assistance	158,269	-	-	158,269
Core programs	675,615	-	-	675,615
Accessibility Program	74,567	-	-	74,567
Advocacy	<u>70,034</u>	<u>-</u>	<u>-</u>	<u>70,034</u>
Total Program Expenses	978,485	-	-	978,485
Supporting Services				
Fundraising	87,885	-	-	87,885
General and administrative	<u>194,291</u>	<u>-</u>	<u>-</u>	<u>194,291</u>
Total Supporting Services	282,176	-	-	282,176
 Total Expenses	 <u>1,260,661</u>	 <u>-</u>	 <u>-</u>	 <u>1,260,661</u>
 Increase in Net Assets	 (144,521)	 26,213	 -	 (118,308)
Net Assets at Beginning of Year	<u>1,339,420</u>	<u>-</u>	<u>-</u>	<u>1,339,420</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,194,899</u>	 <u>\$ 26,213</u>	 <u>\$ -</u>	 <u>\$ 1,221,112</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Expenses	Personal Care <u>Assistance</u>	Core <u>Programs</u>	Accessibility <u>Program</u>	<u>Transportation</u>	Fund <u>Raising</u>	General & <u>Admin</u>	<u>Total</u>
Payroll	\$ 22,097	\$ 258,670	\$ 39,711	\$ 215,960	\$ 24,567	\$ 105,047	\$ 666,052
Payroll taxes	1,467	13,914	1,841	14,084	2,211	34,991	68,508
Advertising	-	90	-	-	-	200	290
Bank charges	-	-	-	66	-	179	245
Computer expense	-	3,598	-	2,186	-	5,578	11,362
Depreciation	4,807	4,475	17,533	47,561	1,234	2,528	78,138
Dues and subscription	-	275	-	-	-	600	875
Insurance-general	-	-	-	-	-	5,581	5,581
Employee benefits	7,490	86,388	-	9,668	2,540	55,041	161,127
Interest Exp	-	-	-	5,684	-	-	5,684
Licenses & fees	-	434	-	-	-	-	434
Miscellaneous	-	9,107	3,225	9,098	-	15,651	37,081
Pension plans	1,472	22,879	15,516	4,500	2,450	288	47,105
Postage	-	-	-	-	-	257	257
Professional fees	-	5,787	-	1,036	-	5,003	11,826
Program expense	-	220,688	9	65,792	-	9,313	295,801
Printing	-	314	-	1,037	-	322	1,673
Public relations/outrea	12,668	-	-	-	-	-	12,668
Rent-equipment	-	1,769	-	1,638	-	688	4,095
Occupancy	-	75,246	-	15,367	2,500	4,716	97,829
Supplies	250	2,434	-	164	-	2,803	5,651
Telephone	-	2,938	-	72	450	2,401	5,860
Training	-	330	-	-	-	110	440
Travel	2,015	14,789	18	200	-	1,878	18,900
Utilities	-	1,428	897	1,502	-	536	4,363
Total Expenses	<u>\$ 52,266</u>	<u>\$ 725,553</u>	<u>\$ 78,750</u>	<u>\$ 395,615</u>	<u>\$ 35,952</u>	<u>\$ 253,711</u>	<u>\$ 1,541,847</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Expenses	<u>Personal Assistance</u>	<u>Core Programs</u>	<u>Accessibility Program</u>	<u>Transportation</u>	<u>Fund Raising</u>	<u>General & Admin</u>	<u>Total</u>
Payroll	\$ 51,026	\$ 267,052	\$ 47,937	\$ 10,804	\$ 56,225	\$ 108,109	\$ 541,153
Payroll taxes	3,927	20,768	4,351	-	4,235	16,988	50,269
Advertising	2,906	2,273	12	516	-	-	5,707
Auto expense	-	13	-	10,774	-	-	10,787
Bank charges	-	-	-	-	202	-	202
Computer expense	5,081	4,580	1,490	808	177	-	12,136
Consumer related exp.	-	199,526	-	-	-	-	199,526
Consulting	-	11,545	-	-	-	-	11,545
Depreciation	14,807	4,475	6,576	9,481	1,337	3,538	40,213
Dues and subscriptions	-	1,242	-	-	-	-	1,242
Insurance-general	2,754	1,631	228	674	306	811	6,404
Employee benefits	34,981	90,497	8,961	-	12,030	31,837	178,306
Interest Exp	-	-	-	188	-	-	188
Licenses & fees	-	-	-	25	-	-	25
Miscellaneous	-	1,465	-	-	5,829	461	7,755
Office expense	1,856	1,119	40	359	232	2,223	5,829
Pension plans	2,132	5,340	957	-	1,725	9,114	19,268
Postage	494	762	5	32	150	-	1,443
Professional fees	75	-	-	-	-	6,826	6,901
Program expense	-	11,491	-	25,384	-	-	36,874
Printing	-	1,212	110	528	201	529	2,580
Rent-equipment	21	1,259	176	520	236	625	2,837
Occupancy	33,587	24,081	3,369	9,941	4,523	11,969	87,470
Telephone	1,687	2,656	263	-	353	934	5,893
Training	1,108	-	-	-	-	-	1,108
Travel	-	21,698	-	-	-	-	21,698
Utilities	1,827	930	92	-	124	327	3,300
Total Expenses	<u>\$ 158,269</u>	<u>\$ 675,615</u>	<u>\$ 74,567</u>	<u>\$ 70,034</u>	<u>\$ 87,885</u>	<u>\$ 194,291</u>	<u>\$ 1,260,661</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED

	<u>Sep. 30, 2016</u>	<u>Sep. 30, 2015</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (219,695)	\$ (118,308)
Adjustments to Reconcile Net Change to Net Cash Provided By (Used In) Operating Activities		
Depreciation and Amortization	78,138	40,213
Losses (Gains) on sales of Securities	(15,054)	(952)
Decrease (Increase) in Operating Assets:		
Accounts receivable	6,634	(14,026)
Prepays	(22,700)	15,428
Other assets	-	715
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(2,075)	(3,957)
Payroll taxes	1,941	-
Accrued liabilities	4,056	7,750
Deferred revenue	-	-
Total Adjustments	<u>50,940</u>	<u>45,171</u>
Net Cash Provided By Operating Activities	(168,755)	(73,137)
Cash Flows Provided By (Used In) Investing Activities		
Proceeds from sale of securities	-	89,799
Purchase of securities	(335)	-
Purchase of Fixed Assets	<u>(119,129)</u>	<u>(141,200)</u>
Net Cash Provided By (Used In) Investing Activities	(119,464)	(51,401)
Cash Flows Provided By (Used In) Financing Activities		
Notes payable repayment	<u>92,907</u>	<u>28,858</u>
Net Cash Provided By (Used In) Financing Activities	<u>92,907</u>	<u>28,858</u>
Net Increase in Cash and Cash Equivalents	(195,312)	(95,680)
Cash and Cash Equivalents at Beginning of Period	<u>409,027</u>	<u>504,707</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 213,715</u>	<u>\$ 409,027</u>
Supplemental information		
The amount of interest paid on all indebtedness was	<u>\$ 5,684</u>	<u>\$ 188</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SERVICES FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1- Description of Organization

- A. Services for Independent Living, Inc. (SIL), an Ohio not-for-profit corporation, which provides consumer-driven services and advocacy which empower individuals with disabilities to lead self-directed and inclusive lives in the community. SIL's primary source of financial support is through a grant from the United States Department of Education. SIL is a United Way Agency.
- B. The agency is tax exempt under Internal Revenue Service Code Section 501(c)(3).
- C. SIL's cores services included peer support, advocacy, information and referral and independent living skills training.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the pronouncements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- The organization records transactions on an accrual basis. Revenue (if any) is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. Standards of the Financial Accounting Standards Board (FASB)- SIL complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to temporarily restricted net assets.

SIL also complies with FASB ASC 958-205, which established standards for general purpose external financial statements of not-for-profit organizations. This statement requires classification of an organization's net assets and its support and revenue, expenses and distributions based on the existence or absence of donor-imposed restrictions into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

In general, SIL satisfies the conditions of grants it receives prior to the receipt of the grant funds. For this reason, there usually is not a balance of restricted net assets in SIL's financial statements.

- D. Allocation of Expenses- Expenses are generally charged to the specific program for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under program services as well as for support services. Such expenses are allocated among the various program services and support services based on management's estimate of program benefitted.
- E. Investments - Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, SIL initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation they are recorded at estimated fair value.

See Auditors' Report

SERVICES FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016 AND 2015

NOTE 2- Summary of Significant Accounting Policies (Continued)

Subsequent Valuation- SIL complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, SIL values the investment at lower of cost or management's estimate of fair value.

Valuation Hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For SIL, except for the artwork, the financial assets and liabilities are reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1). The artwork is valued at cost which management estimated to be fair value (Level 3).

- F. Donated Property and Equipment and Services- Donations of property and equipment, if any, are recorded as support at their estimated fair value at the date of the donation. No amounts have been reflected in the financial statements for donated services since the criteria for recognition of such volunteer effort under FASB ASC 958-605-25, have not been met.
- G. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 6- Property and Equipment.)
- H. 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 at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- I. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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.

Some grants awarded to SIL require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant.

See Auditors' Report

SERVICES FOR INDEPENDENT LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016 AND 2015

NOTE 2- Summary of Significant Accounting Policies (Continued)

- J. Concentration of Grants Awarded- The primary source of SIL's support is derived from grants awarded by the U. S. Department of Education. Without such support, the organization 's activities would probably cease, or be curtailed.
- K. SIL complies with FASB ASC 740-Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. Management believes that there are no uncertain tax positions. The organization's tax years that remain subject to examination by the Internal Revenue Service are September 30, 2013 and forward.
- L. Unadopted FASB ASC Statements - Various FASB ASC statements have been issued, where compliance is encouraged but not required until years ending after September 30, 2016. Management is unaware of any issued and unadopted FASB ASC statements that would have a material effect on the financial statements.

NOTE 3- Cash and Cash Equivalents

SIL considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

SIL maintains its cash in a bank account which, at times, exceeds the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000. SIL has not experienced any losses in this account and believes it is not exposed to any significant credit risk related to cash. Cash and cash equivalents consist of the following:

	September 30,	
	<u>2016</u>	<u>2015</u>
US Bank (checking)	\$ 164,219	\$ 138,817
US Bank (savings)	45,830	225,271
Cash on hand	154	154
Key Bank Checking	<u>3,512</u>	<u>44,785</u>
Total Cash	<u>\$ 213,715</u>	<u>\$ 409,027</u>

See Auditors' Report

SERVICES FOR INDEPENDENT LIVING, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2016 AND 2015

NOTE 4- Investments

As discussed in Note 2 (E), investments are stated at the fair market value as required by FASB ASC 958-320. SIL's investments held by US Bancorp are held in 1 bond fund in the amount of \$476,973 and money market funds. The values are as follows:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 42,700	\$ 24,019
Lord Abbett Funds (US Bank Corp)	<u>476,973</u>	<u>480,263</u>
Total Investments	<u>\$ 519,673</u>	<u>\$ 504,282</u>

Fair market values are determined based on quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statement of Activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or by law.

NOTE 5- Grants and Accounts Receivable

Based upon a review of specific accounts, SIL considers all receivables to be collectible: accordingly, no allowance for uncollectible receivables is required.

NOTE 6- Property and Equipment

Property and equipment are stated at cost, if purchased, or at the fair market value on the date of donation, if contributed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

Category	Estimated useful life
Office equipment	5 years
Furniture	7 years
Vehicles	5 years
Leasehold improvements	10 years

Costs of maintenance and repairs are charged to expenses. Costs of renewals and betterments, where significant in amount, are capitalized.

See Auditors' Report

SERVICES FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016 AND 2015

NOTE 7- Notes Payable

	September 30,	
	2016	2015
SIL received a \$12,787 vehicle loan from Ford Credit. The loan requires 48 monthly principal and interest payments of \$300. Interest is calculated at 5.89%.	\$ -	\$12,787
SIL received a \$17,044 vehicle loan from Bank of the West. The loan requires 60 monthly principal and interest payments of \$330. Interest is calculated at 6.76%.	-	16,071
SIL received a \$96,637 vehicle loan from U S Bank. The loan requires 48 monthly principal and interest payments of \$1,841. Interest is calculated at 6%.	83,748	-
SIL received a \$44,102 vehicle loan from U S Bank. The loan requires 48 monthly principal and interest payments of \$887. Interest is calculated at 6%.	<u>38,017</u>	<u>-</u>
Total	<u>\$ 121,765</u>	<u>\$ 28,858</u>

The required principal payments on all the loans for the next five years are as follows:

<u>September 30,</u>	<u>Amount</u>
2017	\$ 28,173
2018	28,180
2019	29,779
2020	35,633
2021	-
Thereafter	<u>-</u>
	<u>\$ 121,765</u>

NOTE 8-Temporarily Restricted Net Assets

As of September 30, 2016, SIL did not have any temporarily restricted net assets. All temporarily restricted net assets were released by expenditure and no funds were released by time.

As of September 30, 2015, all of the temporarily restricted net assets are included in cash and are restricted to the transportation program. All temporarily restricted net assets were released by expenditure and no funds were released by time.

See Auditors' Report

SERVICES FOR INDEPENDENT LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2016 AND 2015

NOTE 9- Employee Benefit Plan

SIL has established an employee benefit plan under which employees can make elective deferrals as provided for under I.R.C. section 403 (b). The pension expense for September 30, 2016 and 2015 was \$47,105 and \$19,268, respectively.

NOTE 10- Advertising Costs

SIL expenses the cost of advertising the first time the cost is incurred.

NOTE 11- Lease Obligations

SIL has signed a lease for office space through February 12, 2024. The lease requires monthly rental payments of \$7,678 in years 3-4 escalating up to \$8,385 in years 9 to 10. SIL pays for utilities and certain other operating expenses. Rent expense, excluding utilities, was \$97,829 and \$87,470 for September 30, 2016 and 2015, respectively.

SIL also leases equipment under noncancellable operating leases. The future minimum required lease payments on the equipment are as follows:

September 30.

2017	\$ 93,122
2018	94,931
2019	95,836
2020	97,736
2021	97,704
Thereafter	<u>200,270</u>
Total	<u>\$ 679,599</u>

NOTE 12- Subsequent Events

SIL has evaluated subsequent events through January 26, 2017; which is the date the financial statements were available to be issued.

See Auditors' Report