



**SILVER KEY SENIOR SERVICES, INC.
AND
SILVER KEY SENIOR SERVICES
FOUNDATION, INC.**

CONSOLIDATING FINANCIAL STATEMENTS

JUNE 30, 2017



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Board of Directors
Silver Key Senior Services, Inc.
and Silver Key Senior Services Foundation, Inc.
Colorado Springs, Colorado

Independent Auditors' Report

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. (collectively the "Organization") which comprise the consolidating statement of financial position as of June 30, 2017 and the related consolidating statement of activities and cash flows for the period from January 1, 2016 through June 30, 2017, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audit. 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 consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2017, and the changes in its net assets and its cash flows for the period from January 1, 2016 through June 30, 2017 in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Accounting Standards* in considering the Organization's internal control over financial reporting and compliance.

Our audit was performed for the purpose of forming an opinion on the basic consolidating financial statements of the Organization taken as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and the records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidating financial statements as a whole.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

December 15, 2017

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**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and equivalents	\$ 113,224	\$ -	\$ -	\$ 113,224
Cash and equivalents - board designated operating reserve	9,902	-	-	9,902
Accounts receivable	158,599	5,000	(5,000)	158,599
Bequests receivable	203,000	707,600	-	910,600
Pledges receivable, net	71,071	-	-	71,071
Due from related party	82,589	-	(82,589)	-
Other current assets	125,983	5,490	-	131,473
Total current assets	764,368	718,090	(87,589)	1,394,869
Noncurrent assets:				
Foundation, investments	-	6,272,079	-	6,272,079
Silver Key, board designated investments operating reserve	1,628,675	-	-	1,628,675
Beneficial interest in charitable trusts	3,988,722	-	-	3,988,722
Cash restricted for property and equipment	265,141	-	-	265,141
Property and equipment, net	4,980,761	-	-	4,980,761
Intangibles, net of accumulated amortization of \$229,827	142,865	-	-	142,865
Other assets	98,703	-	-	98,703
Total noncurrent assets	11,104,867	6,272,079	-	17,376,946
Total assets	\$ 11,869,235	\$ 6,990,169	\$ (87,589)	\$ 18,771,815
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 85,663	\$ -	\$ -	\$ 85,663
Accrued liabilities	186,917	-	(5,000)	181,917
Deferred revenue	24,550	-	-	24,550
Line of credit	40,000	-	-	40,000
Note payable	1,215,370	-	-	1,215,370
Due to Silver Key	-	82,589	(82,589)	-
Total liabilities	1,552,500	82,589	(87,589)	1,547,500
Net assets:				
Unrestricted:				
Board designated - operating reserve	1,638,577	-	-	1,638,577
Undesignated	4,236,208	-	-	4,236,208
Total unrestricted	5,874,785	-	-	5,874,785
Temporarily restricted	1,124,972	311,816	-	1,436,788
Permanently restricted	3,316,978	6,595,764	-	9,912,742
Total net assets	10,316,735	6,907,580	-	17,224,315
Total liabilities and net assets	\$ 11,869,235	\$ 6,990,169	\$ (87,589)	\$ 18,771,815

The accompanying notes and independent auditor's report should be read with these consolidating financial statements.

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**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

	Silver Key				Foundation					
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Total
Public support and revenues:										
Contributions and grants	\$ 1,143,175	\$ 213,630	\$ -	\$ 1,356,805	\$ -	\$ -	\$ 712,600	\$ 712,600	\$ -	\$ 2,069,405
Capital campaign	-	811,017	-	811,017	-	-	-	-	-	811,017
Contributions from Foundation	529,934	300,000	-	829,934	-	-	-	-	(829,934)	-
Contract services	2,548,726	-	-	2,548,726	-	-	-	-	-	2,548,726
Program service fees	947,446	-	-	947,446	-	-	-	-	-	947,446
Investment income	434,283	-	-	434,283	-	674,653	110,805	785,458	-	1,219,741
In-kind contributions	939,252	-	-	939,252	-	-	-	-	-	939,252
Change in value of beneficial interest in charitable trusts	-	177,886	191,225	369,111	-	-	-	-	-	369,111
Other income	714,221	-	-	714,221	-	-	-	-	-	714,221
Total public support and revenues	7,257,037	1,502,533	191,225	8,950,795	-	674,653	823,405	1,498,058	(829,934)	9,618,919
Satisfaction of purpose restrictions	1,816,336	(1,816,336)	-	-	529,934	(539,539)	9,605	-	-	-
	9,073,373	(313,803)	191,225	8,950,795	529,934	135,114	833,010	1,498,058	(829,934)	9,618,919
Expenses:										
Program:										
Transportation	1,735,851	-	-	1,735,851	-	-	-	-	-	1,735,851
Nutrition	3,150,234	-	-	3,150,234	-	-	-	-	-	3,150,234
Case management	881,452	-	-	881,452	-	-	-	-	-	881,452
Retail services	306,434	-	-	306,434	-	-	-	-	-	306,434
Contributions to Silver Key	-	-	-	-	829,934	-	-	829,934	(829,934)	-
	6,073,971	-	-	6,073,971	829,934	-	-	829,934	(829,934)	6,073,971
Supporting services:										
General and administrative	706,131	-	-	706,131	-	-	-	-	-	706,131
Fundraising	623,286	-	-	623,286	-	-	-	-	-	623,286
Total expenses	7,403,388	-	-	7,403,388	829,934	-	-	829,934	(829,934)	7,403,388
Change in net assets	1,669,985	(313,803)	191,225	1,547,407	(300,000)	135,114	833,010	668,124	-	2,215,531
Net assets, beginning of period (Note 16)	4,204,800	1,438,775	3,125,753	8,769,328	300,000	176,702	5,762,754	6,239,456	-	15,008,784
Net assets, end of period	\$ 5,874,785	\$ 1,124,972	\$ 3,316,978	\$ 10,316,735	\$ -	\$ 311,816	\$ 6,595,764	\$ 6,907,580	\$ -	\$ 17,224,315

The accompanying notes and independent auditor's report
should be read with these consolidating financial statements.

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**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.**
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017

	Program Services					Supporting Services			Total Functional Expenses
	Transportation	Nutrition	Case Management	Retail Services	Total	General and administrative	Fundraising	Total	
Silver Key:									
Salaries, wages and benefits	\$ 771,996	\$ 949,666	\$ 618,536	\$ 104,444	\$ 2,444,642	\$ 434,518	\$ 344,655	\$ 779,173	\$ 3,223,815
Vehicle related expenses	383,426	33,433	2,003	1,294	420,156	-	-	-	420,156
Food and packaging	-	862,677	-	-	862,677	-	-	-	862,677
Recognition and volunteers	2,606	6,932	1,071	347	10,956	8,174	458	8,632	19,587
Depreciation and amortization	332,561	202,204	28,329	28,329	591,423	56,658	14,164	70,822	662,245
Client assistance	-	818,641	113,649	3,823	936,113	-	-	-	936,114
Program supplies	3,797	32,365	9,299	122,633	168,094	608	2,668	3,276	171,370
Occupancy	83,903	122,235	33,231	33,231	272,600	66,462	16,616	83,078	355,678
Professional fees	33,845	69,042	45,954	6,027	154,868	81,546	130,146	211,692	366,560
Insurance	15,567	15,567	5,053	2,594	38,781	12,972	2,595	15,567	54,348
Printing, copying and postage	8,683	12,282	6,386	7	27,358	4,873	17,424	22,297	49,655
Dues and subscriptions	91,393	4,971	5,534	99	101,997	19,115	10,186	29,301	131,298
Meetings, travel and training	5,917	8,877	10,418	300	25,512	12,503	1,870	14,373	39,886
Equipment and office supplies	1,358	2,525	1,987	7	5,877	2,449	473	2,922	8,799
Fundraising and public relations	-	-	-	-	-	-	79,569	79,569	79,569
Bank and credit card fees	799	3,795	2	3,299	7,895	4,995	2,462	7,457	15,351
Miscellaneous	-	5,022	-	-	5,022	1,258	-	1,258	6,280
Total expenses	1,735,851	3,150,234	881,452	306,434	6,073,971	706,131	623,286	1,329,417	7,403,388
Foundation:									
Contributions to Silver Key	-	-	-	-	829,934	-	-	-	829,934
Eliminations	-	-	-	-	(829,934)	-	-	-	(829,934)
Total expenses	\$ 1,735,851	\$ 3,150,234	\$ 881,452	\$ 306,434	\$ 6,073,971	\$ 706,131	\$ 623,286	\$ 1,329,417	\$ 7,403,388
Percentage of total functional expenses	23%	43%	12%	4%	82%	10%	8%	18%	100%

The accompanying notes and independent auditor's report
should be read with these consolidating financial statements.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

	<u>Silver Key</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Change in net assets	\$ 1,547,407	\$ 668,124	\$ -	\$ 2,215,531
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	662,245	-	-	662,245
Gain on sale of property and equipment	(527,522)	-	-	(527,522)
Change in beneficial interest in charitable trusts	(374,583)	-	-	(374,583)
Net realized and unrealized gain on investments	(154,523)	(597,432)	-	(751,955)
Contribution of bequests	(203,000)	(707,600)	-	(910,600)
Decrease (increase) in operating assets:				
Accounts receivable	82,753	(5,000)	-	77,753
Pledges receivable	406,501	-	-	406,501
Due from Foundation	15,333	-	(15,333)	-
Other current assets	(11,379)	82	-	(11,297)
Other assets	58,294	-	-	58,294
Increase (decrease) in operating liabilities:				
Accounts payable	(78,310)	-	-	(78,310)
Accrued liabilities	65,791	-	-	65,791
Deferred revenue	24,550	-	-	24,550
Due to Silver Key	-	(15,333)	15,333	-
Net cash provided by (used in) operating activities	<u>1,513,557</u>	<u>(657,159)</u>	<u>-</u>	<u>856,398</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Purchases of property and equipment	(1,046,467)	-	-	(1,046,467)
Proceeds from disposition of property and equipment	758,852	-	-	758,852
Cash restricted for property and equipment	(221,854)	-	-	(221,854)
Proceeds from sale of investments	-	840,988	-	840,988
Purchases of investments	(90,101)	(183,829)	-	(273,930)
Net change in cash and equivalents - board designated operating reserve	<u>146,809</u>	<u>-</u>	<u>-</u>	<u>146,809</u>
Net cash provided by (used) in investing activities	<u>(452,761)</u>	<u>657,159</u>	<u>-</u>	<u>204,398</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>				
Net change in line of credit	40,000	-	-	40,000
Payments on note payable	(1,137,097)	-	-	(1,137,097)
Net cash used in financing activities	<u>(1,097,097)</u>	<u>-</u>	<u>-</u>	<u>(1,097,097)</u>
Net decrease in cash and equivalents	<u>(36,301)</u>	<u>-</u>	<u>-</u>	<u>(36,301)</u>
Cash and equivalents, beginning of period	<u>149,525</u>	<u>-</u>	<u>-</u>	<u>149,525</u>
Cash and equivalents, end of period	<u>\$ 113,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,224</u>

The accompanying notes and The accompanying notes and independent auditor's report should be read with these consolidating financial statements.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES

Cash paid for interest	\$ 74,349	\$ -	\$ -	\$ 74,349
In-kind contributions	\$ 939,252	\$ -	\$ -	\$ 939,252

SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES INVESTING AND FINANCING ACTIVITIES

The Organization purchased property and equipment using a combination of cash and debt as follows:

Purchases of property and equipment	\$ 1,654,570	\$ -	\$ -	\$ 1,654,570
less: amount financed through issuance of debt	(608,103)	-	-	(608,103)
Cash paid for property and equipment	\$ 1,046,467	\$ -	\$ -	\$ 1,046,467

The accompanying notes and The accompanying notes and independent auditor's report
should be read with these consolidating financial statements.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Silver Key Senior Services, Inc. ("Silver Key") is a nonprofit organization formed in 1970 dedicated to serving the elderly in El Paso County, Colorado. Services are provided with the goals of promoting independence, self sufficiency, independent living, fulfilling basic and social needs, relieving the many burdens of old age and preserving the dignity and self respect of the elderly person.

Silver Key Senior Services Foundation, Inc. ("Foundation") was established in 1997 and operates exclusively for the benefit of Silver Key. The Foundation's primary purpose is to raise, invest and manage donations which are primarily permanently restricted by donors.

Silver Key strives to achieve its goals through the following programs:

Transportation

Silver Key's Transportation Department provides door-through-door ADA accessible transportation for medical appointments, shopping, group meals, social activities, recreation trips, and more. Recurring daily, weekly, or monthly rides can be scheduled upon request. Transportation accommodates wheelchairs, walkers, those needing a lift device, oxygen, and other special needs. During the 18-month period ended June 30, 2017, Silver Key provided 65,534 rides.

Nutrition

The Meals on Wheels Program delivers hot, nutritious meals to seniors (60 and older) in Colorado Springs, Manitou Springs, Fountain and the Security-Widefield area. Hot meals are delivered by our caring volunteers Monday through Friday, including re-heatable meals on weekends, to provide easy, healthy food options seven days a week. This program is committed to supporting our senior neighbors to live healthier and more nourished lives in their own homes. During the 18-month period ended June 30, 2017, Silver Key provided 77,919 meals.

The Golden Circle Nutrition Program provides nutritious meals to eligible diners in a congregate social setting, such as senior centers and community gathering facilities. The program supports overall good health with a nutritious meal, social interaction, a monthly nutrition education newsletter and nutrition counseling is available. During the 18-month period ended June 30, 2017, Silver Key provided 150,441 meals.

See independent auditor's report.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (continued)

Nutrition (continued)

The Silver Key Food Pantry works closely with the Care and Share Food bank of Southern Colorado. Food Assistance Programs offered through Silver Key include the Commodity Supplemental Food Program (CSFP) and The Emergency Food Assistance Program (TEFAP). These Federal food programs exist to provide food to eligible low income seniors in our community. The Food Pantry also serves those in emergency and temporary situations, as well as those with dietary restrictions. During the 18-month period ended June 30, 2017, Silver Key provided 34,488 boxes of food to seniors in the community.

Information / Case Management

Silver Key offers an Information and Referral Helpline. Members of our staff can assist callers find the local resources they need, provide information, or help individuals sign up for Silver Key programs. During the 18-month period ended June 30, 2017, Silver Key received over 30,000 calls.

Silver Key's Case Management team assists seniors and their families as they navigate the aging process. Holistic assessments are completed with each senior served to identify and resolve any barriers to their continued independence and safety. The Short Term Case Managers assist seniors in resolving issues relating to Medicaid enrollment, finding affordable housing, utilities assistance, and other health and welfare needs. Without intervention, many of these seniors would be in shelters, hospitals, and costly nursing facilities. During the 18-month period ended June 30, 2017, Silver Key Case Managers served 1,760 clients.

Silver Key's Guardianship Program provides comprehensive, personalized Case Management services and advocacy for individuals who have been deemed unable to make safe decisions for themselves by the El Paso County Probate Court. Through visits, Court Appointed Guardians get to know their individual seniors and advocate for each person's unique housing and personal care needs as well as their medical, social, financial and end of life desires. Silver Key Guardians are individuals who have the education and the skill set to work with the wide variety of issues that beset many seniors. In addition, Guardian's report to, and have the support of, the El Paso County Probate Court when complex, difficult decisions must be made. During the 18-month period ended June 30, 2017, Silver Key provided Guardianship care for 38 clients.

See independent auditor's report.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Organization (continued)

Retail Services

The Silver Key Thrift Store is a traditional thrift shop offering gently used merchandise at greatly reduced pricing. The Thrift Store also offers gently used durable medical equipment including canes, walkers, shower chairs and wheelchairs. This program makes affordable equipment available to seniors struggling with a temporary or permanent disability, allowing for improved accessibility and prevention of injuries.

Principles of consolidation

The consolidating financial statements include the accounts of Silver Key and the Foundation (collectively referred to as the "Organization"). The Foundation is presented on a consolidating basis since Silver Key has controlling interest with respect to the Foundation. All material interorganization transactions are eliminated to present the consolidated total amounts.

Basis of accounting

The accounts of the Organization are maintained and the consolidating financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of presentation

The consolidating financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America ("US GAAP"). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion and investment in property and equipment; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represent resources for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization changed its fiscal year end to June 30. Previously, the Organization used a calendar year end. The accompanying consolidating statements of activities, functional expenses, and cash flows include the activity for the 18-month period from January 1, 2016 to June 30, 2017.

See independent auditor's report.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of estimates

The preparation of consolidating financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting estimates used in the preparation of the Organization's consolidating financial statements relate to the estimated useful lives of property and equipment, valuation of investments and beneficial interests in perpetual trusts, and the functional allocation of expenses to program and supporting services.

Cash and equivalents

For purposes of the consolidating statements of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains its cash and equivalents in bank deposit accounts that, at times, may exceed the federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization does not anticipate nonperformance by these financial institutions.

Accounts receivable

Accounts receivable are stated at the invoiced amounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Silver Key monitors outstanding balances and considers accounts receivable to be fully collectible as of June 30, 2017. Accordingly, no allowance for doubtful accounts is required.

See independent auditor's report.

SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Contributions and pledges receivable

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. 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 and reported in the consolidating statement of activities as net assets released from restrictions.

Pledges are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are recorded net of an allowance for uncollectible pledges of \$5,000 as of June 30, 2017.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

See independent auditor's report.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and equipment

Property and equipment are stated at cost, or if donated, at the estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 - 39 Years
Vehicles	3 - 5 Years
Office and other equipment	3 - 10 Years

Silver Key's policy is to capitalize acquisitions of property and equipment costing in excess of \$1,000 and having a useful life exceeding one year.

Unless explicit donor stipulations specify how donated assets must be used, gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted gifts and contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when acquired long-lived assets are placed in service.

Silver Key participates in the Colorado Department of Transportation ("CDOT") program to provide transportation services to the elderly. In total, Silver Key has 27 vehicles in service under this program with a cost of \$978,755 and accumulated depreciation of \$787,551 as of June 30, 2017. Under this program, the CDOT holds the ownership title of each vehicle for four years before it is released to Silver Key. Of the 27 vehicles in service under this program, eleven titles have not been released. Of these eleven titles not yet released, three titles are expected to be released in 2017, four are expected to be released in 2018, two are expected to be released in 2019, and two are expected to be released in 2021.

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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Intangibles

Intangible assets consist primarily of software development costs. Intangible assets are amortized using the straight-line method over estimated useful lives of five years. Amortization of existing intangible assets is expected to be as follows:

	Years Ending June 30,
2018	\$ 74,538
2019	<u>68,327</u>
Total	<u>\$ 142,865</u>

Amortization expense for the period from January 1, 2016 through June 30, 2017 totaled \$111,808.

Compensation absence

Employees of Silver Key earn a vested right to compensation for unused paid time off. Accordingly, Silver Key has made an accrual for paid time off that employees have earned, but not taken.

Net assets and contributions

The net assets of the Organization have been reported separately by class of net assets as follows:

- a) **Unrestricted** - amounts invested in property and equipment and those currently available for use in the Organization's general operating activities and investment in property and equipment.
- b) **Temporarily restricted** - amounts which are stipulated by donors for specific operating purposes or restricted due to time restrictions (see Note 10).
- c) **Permanently restricted** - amounts which are not available for program expenses or other organizational needs (see Note 10).

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**SILVER KEY SENIOR SERVICES, INC.
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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net assets and contributions (continued)

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and reported in the consolidating statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-kind contributions

The consolidating financial statements reflect the estimated fair value for donated services that create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would have been purchased by the Organization if they had not been donated. Donated materials are recorded in the consolidating financial statements at their estimated fair value on the date of receipt.

Donated materials and services received by Silver Key for the period from January 1, 2016 through June 30, 2017 consist of the following:

Food	\$ 716,938
Thrift store items	123,281
Holiday project	25,000
Advertising	19,114
Professional fees	30,657
Other	<u>24,262</u>
	<u>\$ 939,252</u>

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**SILVER KEY SENIOR SERVICES, INC.
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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

In-kind contributions (continued)

Silver Key receives a significant amount of food that is designated by strict federal guidelines for recipients of two federal food programs for which Silver Key is a distribution site. Silver Key acts as an agent since it has no discretion to choose who will receive the donated food. Accordingly, Silver Key's policy is to not record the receipt or distribution of the food in the consolidating financial statements.

Volunteers provided approximately 115,000 hours of donated services for the period from January 1, 2016 through June 30, 2017 with an estimated value of approximately \$2,785,000, which was not recognized in the accompanying consolidating financial statements because they did not meet the criteria for recognition under current US GAAP.

Allocation of expenses

The cost of providing the various program and supporting activities has been presented on a functional basis in the consolidating statement of activities. Expenses are generally charged to a functional department as incurred for the related activities based upon ratios determined by management.

Concentrations

The Organization has significant investments in stocks, mutual funds, bonds, and tax exempt bonds, and is, therefore, subject to credit risk. Investments are made by investment managers engaged by the Organization and the investments are monitored by the Organization. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

For the 18 month period ended June 30, 2017, the Organization received approximately 26% of its total support and revenue from the Pikes Peak Area Council of Government ("PPACG"). As of June 30, 2017, the Organization had approximately 60% of its accounts receivable balance due from the PPACG.

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**SILVER KEY SENIOR SERVICES, INC.
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and comparable Colorado law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to Federal and Colorado income tax. For the period ended June 30, 2017, the Organization had no unrelated business income. Accordingly, no provision for income taxes has been recorded. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization evaluates the effect of uncertain income tax positions, if any, and provides for those positions in accordance with the provisions of US GAAP. The Organization discloses any material adjustments as a result of tax examinations. The Organization reports interest and penalties resulting from these adjustments as interest expense and other expenses, as applicable. There were no income tax examinations or adjustments relating therefrom for the period ended June 30, 2017. Management believes only tax returns for the years 2014 and later are subject to audit by the applicable taxing jurisdictions.

Subsequent events

Management has evaluated subsequent events through the date of the attached audit report, the date on which the consolidating financial statements were available to be issued.

2. RELATED PARTY TRANSACTIONS

As of June 30, 2017, Silver Key has a distribution receivable from the Foundation totaling \$82,589. During the period from January 1, 2016 through June 30, 2017, distributions from the Foundation to Silver Key totaled \$829,934. These balances and amounts are eliminated as a result of the consolidating of the two entities.

As of June 30, 2017, Silver Key has a due from a related for-profit corporation in the amount of \$29,891.

For the 18 month period ended June 30, 2017, the Organization received contributions from board members and officers totalling \$167,576.

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**SILVER KEY SENIOR SERVICES, INC.
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3. INVESTMENTS

Investments consist of the following at June 30, 2017:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Cash and equivalents	\$ 25,896	\$ 263,863	\$ 289,759
Stock	505,814	1,851,249	2,357,063
Mutual funds	674,761	2,586,955	3,261,716
Corporate bonds	360,457	1,080,551	1,441,008
U.S. government and municipal bonds	61,747	489,461	551,208
	<u>\$ 1,628,675</u>	<u>\$ 6,272,079</u>	<u>\$ 7,900,754</u>

Investments are made in accordance with the Organization's investment policy.

For the period from January 1, 2016 through June 30, 2017, investment income is summarized as follows:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Interest income earned on cash at financial institutions and other interest income	\$ -	\$ 148	\$ 148
Interest and dividend income on investments	52,227	241,095	293,322
Net realized and unrealized gains on investments	154,522	597,433	751,955
Investment income from beneficial interest in charitable trusts	239,857	-	239,857
Investment fees	(12,323)	(53,218)	(65,541)
	<u>\$ 434,283</u>	<u>\$ 785,458</u>	<u>\$ 1,219,741</u>

4. BENEFICIAL INTEREST IN CHARITABLE TRUSTS

Silver Key is an income beneficiary of nine separate trusts whose principal is held in financial institutions in perpetuity. Silver Key's share of the fair value of the trusts totaled \$3,988,722 as of June 30, 2017.

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**SILVER KEY SENIOR SERVICES, INC.
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NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
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4. BENEFICIAL INTEREST IN CHARITABLE TRUSTS (CONTINUED)

Included in the nine beneficial interest trusts are five for which corpus eventually transfers to Silver Key and, accordingly, are temporarily restricted as follows:

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 20% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$236,892 as of June 30, 2017.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive one-third of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$101,003 as of June 30, 2017.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive one-third of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$160,218 as of June 30, 2017.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 10% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$8,620 as of June 30, 2017.

Silver Key is an income and principal beneficiary of a trust whose principal is held at a financial institution. The trust makes income distributions to Silver Key and other beneficiaries during the lives of those other beneficiaries of the trust. Upon the death of such beneficiaries, Silver Key will receive 50% of the assets of the trust. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key has recorded a beneficial interest in the trust of \$165,010 as of June 30, 2017.

Silver Key received \$239,857 of investment income from these trusts for the period from January 1, 2016 through June 30, 2017.

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**SILVER KEY SENIOR SERVICES, INC.
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5. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

US GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Organization has no assets or liabilities valued using Level 3 inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for the Organization's assets measured at fair value as of June 30, 2017.

Fixed income mutual funds and equities: Valued at quoted prices for identical assets in active markets.

U.S. government obligations, corporate obligations, preferred securities, alternative investments, REITs and real estate funds: Valued at quoted prices for similar assets in active markets.

Beneficial interest in perpetual trusts: valued at quoted prices for underlying assets discounted to present value of benefits expected.

The preceding methods described may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**SILVER KEY SENIOR SERVICES, INC.
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5. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

The boards of directors of Silver Key and the Foundation review and approve the Organization's fair value measurement policies and procedures annually.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured on a recurring basis at fair value as of June 30, 2017:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Silver Key				
Cash and equivalents	\$ 25,896	\$ 25,896	\$ -	\$ -
Stock	505,814	505,814	-	-
Mutual funds	674,761	674,761	-	-
Corporate bonds	360,457	-	360,457	-
U.S. government and municipal bonds	61,747	-	61,747	-
Beneficial interest in charitable trusts	3,988,722	-	3,988,722	-
Total	<u>\$ 5,617,397</u>	<u>\$ 1,206,471</u>	<u>\$ 4,410,926</u>	<u>\$ -</u>
Foundation				
Cash and equivalents	\$ 263,863	\$ 263,863	\$ -	\$ -
Stock	1,851,249	1,851,249	-	-
Mutual funds	2,586,955	2,586,955	-	-
Corporate bonds	1,080,551	-	1,080,551	-
U.S. government and municipal bonds	489,461	-	489,461	-
Total	<u>\$ 6,272,079</u>	<u>\$ 4,702,067</u>	<u>\$ 1,570,012</u>	<u>\$ -</u>
Total				
Cash and equivalents	\$ 289,759	\$ 289,759	\$ -	\$ -
Stock	2,357,063	2,357,063	-	-
Mutual funds	3,261,716	3,261,716	-	-
Corporate bonds	1,441,008	-	1,441,008	-
U.S. government and municipal bonds	551,208	-	551,208	-
Beneficial interest in charitable trusts	3,988,722	-	3,988,722	-
Total	<u>\$11,889,476</u>	<u>\$ 5,908,538</u>	<u>\$ 5,980,938</u>	<u>\$ -</u>

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**SILVER KEY SENIOR SERVICES, INC.
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6. PROPERTY AND EQUIPMENT

Silver Key's property and equipment consists of the following as of June 30, 2017:

Buildings and improvements	\$ 4,541,507
Vehicles	1,189,380
Office and other equipment	843,473
Construction in progress	<u>17,239</u>
	6,591,599
Less accumulated depreciation	<u>(1,610,838)</u>
	<u><u>\$ 4,980,761</u></u>

Depreciation expense for the period from January 1, 2016 through June 30, 2017 totaled \$550,437.

7. LINE OF CREDIT

On October 7, 2014, Silver Key entered into a line of credit agreement with a local credit union, secured by Silver Key property, in the amount of \$250,000. Borrowings under the line of credit bear interest at the Wall Street Journal prime rate. The line of credit matures on February 27, 2018.

8. NOTE PAYABLE

Silver Key has a note payable to a financial institution with a balance of \$1,215,370 as of June 30, 2017. The note bears interest at 3.25% per annum, is payable in quarterly interest only payments, and is secured by substantially all assets of Silver Key. The principal plus all unpaid accrued interest are due on February 27, 2018.

Interest expense for the period ending June 30, 2017 totaled \$74,349. Of this amount, \$11,000 was capitalized.

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

It is the policy of the boards of directors of the Organization to review plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the boards of directors for specific future needs are treated as board designated unrestricted net assets. The balances can be transferred to the undesignated portion of unrestricted net assets at the boards' discretion. As of June 30, 2017, Silver Key had \$1,638,577 of unrestricted net assets designated for operating reserve.

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**SILVER KEY SENIOR SERVICES, INC.
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10. RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2017:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Beneficial interest in charitable trusts	\$ 671,743	\$ -	\$ 671,743
Capital campaign	336,212	-	336,212
Other temporarily restricted	117,017	-	117,017
UPMIFA restrictions	-	311,816	311,816
	<u>\$ 1,124,972</u>	<u>\$ 311,816</u>	<u>\$ 1,436,788</u>

Permanently restricted net assets consist of the following as of June 30, 2017:

	<u>Silver Key</u>	<u>Foundation</u>	<u>Total</u>
Beneficial interest in charitable trusts	\$ 3,316,978	\$ -	\$ 3,316,978
Endowment for future operations	-	3,780,755	3,780,755
Endowment for emergency	-	2,815,009	2,815,009
	<u>\$ 3,316,978</u>	<u>\$ 6,595,764</u>	<u>\$ 9,912,742</u>

11. ENDOWMENT FUNDS

The Organization's endowment consists of both donor-related endowment funds and funds designated by the boards of directors to function as endowments. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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**SILVER KEY SENIOR SERVICES, INC.
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11. ENDOWMENT FUNDS (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Silver Key				
Board designated endowment	\$ 1,638,577	\$ -	\$ -	\$ 1,638,577
Foundation				
Donor-restricted endowment funds	\$ -	\$ -	\$ 6,595,764	\$ 6,595,764
UPMIFA - restricted	-	311,816	-	311,816
	<u>\$ -</u>	<u>\$ 311,816</u>	<u>\$ 6,595,764</u>	<u>\$ 6,907,580</u>
Total board designated endowment	\$ 1,638,577	\$ -	\$ -	\$ 1,638,577
Donor-restricted endowment funds	-	-	6,595,764	6,595,764
UPMIFA - restricted	-	311,816	-	311,816
	<u>\$ 1,638,577</u>	<u>\$ 311,816</u>	<u>\$ 6,595,764</u>	<u>\$ 8,546,157</u>

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**SILVER KEY SENIOR SERVICES, INC.
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11. ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets for the period ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Silver Key				
Board designated endowment net assets beginning of period	\$ 1,540,762	\$ -	\$ -	\$ 1,540,762
Investment return:				
Investment income	52,227	-	-	52,227
Net appreciation (realized and unrealized)	154,522	-	-	154,522
Investment fees	(12,323)	-	-	(12,323)
Total investment return	194,426	-	-	194,426
Amounts appropriated to expenditures	(96,611)	-	-	(96,611)
Endowment net assets end of period	<u>\$ 1,638,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,638,577</u>
Foundation				
Endowment net assets beginning of period	\$ 300,000	\$ 176,702	\$ 5,762,754	\$ 6,239,456
Investment return:				
Investment income	-	241,243	-	241,243
Net appreciation (realized and unrealized)	-	486,629	110,805	597,434
Investment fees	-	(53,219)	-	(53,219)
Total investment return	-	674,653	110,805	785,458
Contribution (distribution)	(300,000)	-	712,600	412,600
Amounts appropriated to expenditures	-	(539,539)	9,605	(529,934)
Endowment net assets end of period	<u>\$ -</u>	<u>\$ 311,816</u>	<u>\$ 6,595,764</u>	<u>\$ 6,907,580</u>

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SILVER KEY SENIOR SERVICES, INC.
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11. ENDOWMENT FUNDS (CONTINUED)

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board designated funds. Under this policy, the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has an endowment spending policy that defines the total funds available from the endowment fund in a given year (the distributable income) as 5.5% of the endowment fund's monthly average market value over the preceding three years. The distributable income is paid quarterly.

12. COMMITMENTS

Operating leases

The Organization leases office space and equipment from an unrelated party for amounts ranging from \$179 to \$1,423 per month. The agreements expire on various dates through July 2019. Lease expense for the 18 month period ended June 30, 2017 totaled \$21,482.

Future minimum commitments under operating leases as of June 30, 2017 are as follows:

	Years Ending June 30,	
	<hr/>	
2018	\$	13,211
2019		7,866
2020		<hr/> 1,132
Total	\$	<hr/> <hr/> 22,209

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12. COMMITMENTS (CONTINUED)

Retirement plan

Silver Key sponsors a 401(k) profit sharing plan (the "Plan") for eligible participants as defined in the Plan. Participants are allowed to contribute a percentage of their salary up to the maximum amount permitted by the Internal Revenue Code. During the period ended June 30, 2017, the Organization made contributions to the Plan in the amount of \$50,648.

13. LEASE AGREEMENTS

The Organization leases office space to various unrelated parties. Initial lease terms are generally 24 months with options to extend and require monthly base rent as well as the tenant's proportionate share of common area expenses. Expected future minimum payments to be received on non-cancelable leases are as follows:

	Years Ending June 30,
2018	\$ 216,003
2019	<u>9,750</u>
	<u>\$ 225,753</u>

14. CONDITIONAL GRANT

During the period ended June 30, 2017, Silver Key received a conditional grant in the amount of \$100,000 in the event that the Organization reached a certain level of capital campaign funding. Subsequent to June 30, 2017, the amount was released by the donor and received by the Organization.

15. SUBSEQUENT EVENTS

In July of 2017, Silver Key purchased land adjacent to the current operating location for \$325,000. The purchase was funded by converting operating investments to cash.

In July of 2017, Silver Key was notified it was a beneficiary of a charitable remainder trust held at a financial institution. Silver Key will receive 35% of the assets of the trust upon death of the other beneficiaries. Based on a discount rate of 3% and the other beneficiaries' life expectancies, Silver Key recorded an interest in the trust of \$457,370.

See independent auditor's report.

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
JUNE 30, 2017**

16. RESTATEMENT OF BEGINNING NET ASSET BALANCES

The beginning balances of unrestricted, temporarily restricted and permanently restricted net assets have been restated from previously issued financial statements to correct for an error related to the classification of contributions to the endowment. The effects of the correction on the financial statements as of and for the 18-month period ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning balance, as originally stated	\$ 4,581,094	\$ 1,683,189	\$ 8,744,501	\$ 15,008,784
Reclassification	(76,294)	(67,712)	144,006	-
Beginning balance, as restated	<u>\$ 4,504,800</u>	<u>\$ 1,615,477</u>	<u>\$ 8,888,507</u>	<u>\$ 15,008,784</u>

* * * * *

See independent auditor's report.

OTHER INFORMATION

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

<u>Federal Grantor / Program Title or Cluster Title</u>	<u>CFDA Number</u>	<u>From Direct Awards</u>	<u>From Pass - Through Awards</u>	<u>Total</u>
Aging Cluster				
<u>Department of Health and Human Services</u>				
Special programs for the aging - Title III, part B, grants for supportive services and senior centers	93.044	\$ 98,925	\$ -	\$ 98,925
Special programs for the aging - Title III, part C, nutrition services	93.045	836,714	-	836,714
Nutrition services incentive program	93.053	115,398	-	115,398
<i>Total Aging Cluster</i>		<u>1,051,037</u>	<u>-</u>	<u>1,051,037</u>
<u>Department of Transportation</u>				
Federal transit - capital investment grant	20.500	99,031	-	99,031
<i>Total Department of Transportation</i>		<u>99,031</u>	<u>-</u>	<u>99,031</u>
<i>Total expenditures of federal awards</i>		<u>\$ 1,150,068</u>	<u>\$ -</u>	<u>\$ 1,150,068</u>

**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("SEFA") includes the federal award activity of Silver Key Senior Services, Inc.'s and Silver Key Senior Services Foundation, Inc.'s (collectively, the "Organization") under programs of the federal government for the period from January 1, 2016 through June 30, 2017. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including city, county, and district portions, are more than shown.

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**OTHER REPORTING BY GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Silver Key Senior Services, Inc.
and Silver Key Senior Services Foundation, Inc.
Colorado Springs, Colorado

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

We have audited, in accordance with the 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, the consolidating financial statements of Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc. (collectively the "Organization"), which comprise the consolidating statement of financial position as of June 30, 2017, and the related consolidating statements of activities and cash flows for the period from January 1, 2016 through June 30, 2017, and the related notes to the consolidating financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidating financial statements, we considered the Organization's internal control over financial reporting (internal control) in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidating financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidating financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stratagem PC
Certified Public Accountants

Lakewood, Colorado

December 15, 2017

Board of Directors
Silver Key Senior Services, Inc.
and Silver Key Senior Services Foundation, Inc.
Colorado Springs, Colorado

Independent Auditors' Report on Compliance for Each
Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Silver Key Senior Services, Inc. and Silver Key Senior Services Foundation, Inc.'s (collectively the "Organization") compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the period from January 1, 2016 through June 30, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period from January 1, 2016 through June 30, 2017.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stratagem PC
Certified Public Accountants

Lakewood, Colorado

December 15, 2017

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**SILVER KEY SENIOR SERVICES, INC.
AND SILVER KEY SENIOR SERVICES FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD FROM JANUARY 1, 2016 THROUGH JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditors' report issued:	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<i>None reported</i>
Significant deficiencies identified?	<i>None reported</i>
Noncompliance material to financial statements noted?	<i>No</i>

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	<i>None reported</i>
Significant deficiencies identified?	<i>None reported</i>
Type of auditors' report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<i>No</i>

Identification of major programs

Aging cluster (CFDA 93.044, 93.045 and 93.053)	
Dollar threshold used to determine between type A and B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	Yes

2. FINANCIAL STATEMENT FINDINGS

The audit disclosed no findings required to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings required to be reported.

4. SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings were reported.